



\$202,000,000
COMMUNITY HEALTH NETWORK, INC.
Taxable Bonds, Series 2018A

Dated: date of delivery

Due: as shown below

Community Health Network, Inc., an Indiana nonprofit corporation ("CHNw"), will issue its Taxable Bonds, Series 2018A (the "Series 2018A Bonds"), pursuant to a Trust Indenture by and between CHNw and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Bond Trustee"), dated as of February 1, 2018. Interest on the Series 2018A Bonds will accrue from their date of delivery and will be payable on May 1 and November 1 of each year, commencing May 1, 2018. See "SERIES 2018A BONDS—General."

The Series 2018A Bonds will be issued as fully registered bonds without coupons, in denominations of \$1,000 or any integral multiple thereof, and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as the initial securities depository for the Series 2018A Bonds. So long as Cede & Co. is the registered owner of the Series 2018A Bonds, as nominee of DTC, references herein to the owners or holders of the Series 2018A Bonds mean Cede & Co., as nominee for DTC, and not the Beneficial Owners (as hereinafter defined) of the Series 2018A Bonds. See "SERIES 2018A BONDS—Book-Entry Only System."

The Series 2018A Bonds are general obligations of CHNw. Payment of the principal of and premium, if any, and interest on the Series 2018A Bonds is secured by certain payments to be made by the Obligated Group Members (as hereinafter defined) under a Master Note Obligation, Series 2018A (the "Series 2018A Note"), to be issued by CHNw under an Amended and Restated Master Trust Indenture by and between the Obligated Group Members and The Bank of New York Mellon Trust Company, N.A., as successor master trustee, dated as of November 27, 2012, as supplemented and amended to date. CHNw, Community Hospital South, Inc., an Indiana nonprofit corporation, and Community Howard Regional Health, Inc., an Indiana nonprofit corporation, are currently the only Obligated Group Members. The Series 2018A Note is a joint and several obligation of each Obligated Group Member. Payment of the principal of and premium, if any, and interest on the Series 2018A Note is secured by the Unrestricted Receivables (as hereinafter defined) of the Obligated Group Members. See "SOURCES OF PAYMENT AND SECURITY FOR SERIES 2018A BONDS."

Maturity Schedule

Maturity Date	Principal Amount	Interest Rate	Price	CUSIP¹
May 1, 2053	\$102,000,000	4.790%	100.00	20369EAC6
May 1, 2058	100,000,000	4.940	100.00	20369EAD4

The Series 2018A Bonds are subject to optional redemption and purchase in lieu of redemption prior to maturity, as set forth in this Offering Memorandum. See "SERIES 2018A BONDS—Redemption."

The proceeds from the sale of the Series 2018A Bonds will be used by CHNw for general corporate purposes of CHNw and to pay costs of issuance of the Series 2018A Bonds. See "INTRODUCTION—Use of Proceeds."

There are risks involved in a purchase of the Series 2018A Bonds. See "BONDHOLDERS' RISKS."

Interest on and gain, if any, on the sale of the Series 2018A Bonds are not excludable from gross income for federal, state or local income tax purposes. See "CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS."

The Series 2018A Bonds have not been registered under the Securities Act of 1933, as amended, or any state securities laws.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Offering Memorandum to obtain information essential to the making of an informed investment decision.

The Series 2018A Bonds are offered when, as and if issued and received by the Underwriters, subject to prior sale, to withdrawal or modification of the offer without notice, and to approval of their validity by Ice Miller LLP, Indianapolis, Indiana, bond counsel. Certain legal matters will be passed upon for the Obligated Group Members by Karen Ann Lloyd, Esquire, Indianapolis, Indiana, Executive Vice President of Legal Affairs and General Counsel of CHNw, and for the Underwriters by Barnes & Thornburg LLP, Indianapolis, Indiana. Hammond Hanlon Camp LLC is financial advisor to CHNw in connection with the issuance of the Series 2018A Bonds. It is expected that the Series 2018A Bonds in definitive form will be available for delivery in book-entry form to DTC in New York, New York, or to its custodial agent, on or about February 21, 2018.

Wells Fargo Securities

PNC Capital Markets LLC

Offering Memorandum dated: February 13, 2018

¹ Copyright 2018, American Bankers Association. CUSIP data is provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP numbers are included solely for convenience of reference. None of the CHNw, the Underwriters or the Bond Trustee assumes any responsibility for the accuracy of such numbers.

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[†] The consolidated financial statements of Community Health Network, Inc. (“CHNw”) and Affiliates included in this Offering Memorandum represent the accounts and transactions of CHNw, Community Hospital South, Inc. (“CHS”), Community Howard Regional Health, Inc. (“CHRH”), and certain of their affiliates. However, **CHNw, CHS and CHRH are currently the only Obligated Group Members (as defined in Appendix D hereto) and none of their affiliates (other than CHNw, CHS and CHRH) will be obligated to make any payments upon the Series 2018A Note (as defined in Appendix D hereto) or any other Obligations (as defined in Appendix D hereto) or to comply with any covenants of the Master Indenture (as defined in Appendix D hereto).**

GENERAL INFORMATION

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2018A BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

No dealer, broker, salesperson or other person has been authorized by CHNw or the Underwriters to give information or to make representations with respect to the Series 2018A Bonds, other than those contained in this Offering Memorandum, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Offering Memorandum does not constitute an offer by any person to sell or the solicitation by any person of an offer to buy, nor shall there be any sale of, the Series 2018A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

Certain information contained herein has been obtained from CHNw, DTC and other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation of the Underwriters. The Underwriters have provided the following sentence for inclusion in this Offering Memorandum. The Underwriters have reviewed the information in this Offering Memorandum in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Offering Memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the parties referred to above since the date hereof.

This Offering Memorandum, including Appendix A, contains disclosures that include “forward-looking statements.” Forward-looking statements comprise all statements that do not relate solely to historical or current fact and can be identified by use of words like “pro forma,” “may,” “believe,” “will,” “expect,” “project,” “estimate,” “anticipate,” “plan” or “continue.” These forward-looking statements are based on CHNw management’s current plans and expectations and are subject to a number of known and unknown uncertainties and risks, many of which are beyond its control, that could significantly affect current plans and expectations and CHNw’s future financial position and results of operations. As a consequence, current plans, anticipated actions and future financial position and results of operations may differ from those expressed in any forward-looking statements made by or on behalf of CHNw. Investors are cautioned not to unduly rely on such forward-looking statements when evaluating the information presented in this Offering Memorandum, including Appendix A. CHNw expressly disclaims any obligation or undertaking to issue any updates or revisions to those forward-looking statements if or when expectations change or events, conditions or circumstances on which such statements are based occur or fail to occur.

THE SERIES 2018A BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAWS, AND NEITHER THE BOND INDENTURE NOR THE MASTER INDENTURE HAS BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS AND LAWS. THE SERIES 2018A BONDS ARE EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, PURSUANT TO SECTION 3(a)(4) THEREOF.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the Series 2018A Bonds, or determined that this Offering Memorandum is accurate or complete. Any representation to the contrary is a criminal offense.

SUMMARY OF OFFERING

Issuer	Community Health Network, Inc. (“CHNw”)
Securities Offered	\$202,000,000 Taxable Bonds, Series 2018A (the “Series 2018A Bonds”), maturing on the dates and bearing interest at the rates per annum set forth on the cover page hereof
Interest Accrual Date	Interest will accrue from the Settlement Date
Interest Payment Dates	May 1 and November 1 of each year, commencing May 1, 2018
Redemption	The Series 2018A Bonds are subject to optional redemption in whole or in part by CHNw on or after May 1, 2028, at a redemption price of 100% of the principal amount thereof, plus accrued and unpaid interest to the date fixed for redemption. The Series 2018A Bonds are also subject to purchase in lieu of redemption. See “SERIES 2018A BONDS – Redemption.”
Settlement Date	February 21, 2018
Authorized Denominations	\$1,000 or any integral multiple thereof
Form and Depository	The Series 2018A Bonds will be delivered solely in book-entry form through the facilities of The Depository Trust Company. See “SERIES 2018A BONDS—Book-Entry Only System.”
Use of Proceeds	CHNw will use the proceeds of the Series 2018A Bonds for general corporate purposes of CHNw and to pay costs of issuance of the Series 2018A Bonds. See “INTRODUCTION—Use of Proceeds.”
Ratings	Standard & Poor’s: “A” Moody’s: “A2” See “RATINGS.”

OFFERING MEMORANDUM

\$202,000,000

**Community Health Network, Inc.
Taxable Bonds, Series 2018A**

INTRODUCTION

Purpose of Offering Memorandum

The purpose of this Offering Memorandum is to set forth certain information concerning Community Health Network, Inc., an Indiana nonprofit corporation (“CHNw”), and its \$202,000,000 Taxable Bonds, Series 2018A (the “Series 2018A Bonds”). The Series 2018A Bonds will be issued by CHNw under a Trust Indenture by and between CHNw and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Bond Trustee”), dated as of February 1, 2018 (the “Bond Indenture”). The information contained in this Offering Memorandum is provided for use in connection with the initial sale of the Series 2018A Bonds. All capitalized terms used in this Offering Memorandum and not otherwise defined herein have the same meanings as in the Bond Indenture or the Master Indenture (as hereinafter defined), as the case may be. Certain terms used in this Offering Memorandum are defined in Appendix D hereto.

Series 2018A Bonds

The Series 2018A Bonds are general obligations of CHNw. Payment of the principal of and premium, if any, and interest on the Series 2018A Bonds is secured by certain payments to be made by the Obligated Group Members (as hereinafter defined) under a Master Note Obligation, Series 2018A (the “Series 2018A Note”), to be issued by CHNw under an Amended and Restated Master Trust Indenture by and between the Obligated Group Members and The Bank of New York Mellon Trust Company, N.A., as successor master trustee (the “Master Trustee”), dated as of November 27, 2012, as supplemented and amended to date (the “Master Indenture”). CHNw, Community Hospital South, Inc., an Indiana nonprofit corporation (“CHS”), and Community Howard Regional Health, Inc., an Indiana nonprofit corporation (“CHRH”), are currently the only Obligated Group Members. The Series 2018A Note is a joint and several obligation of each Obligated Group Member. Payment of the principal of and premium, if any, and interest on the Series 2018A Note is secured by the Unrestricted Receivables (as hereinafter defined) of the Obligated Group Members. See “SOURCES OF PAYMENT AND SECURITY FOR SERIES 2018A BONDS–Series 2018A Bonds.”

Obligated Group Members

CHNw, along with its nonprofit and for-profit affiliates (collectively, the “Network”), comprises an integrated health care delivery system in central Indiana. The Network includes: (i) CHNw, which operates an acute care hospital facility on the northeast side of Indianapolis and an acute care hospital facility on the east side of Indianapolis; (ii) CHS, which operates an acute care hospital facility on the south side of Indianapolis; and (iii) CHRH, which operates an acute care hospital facility in Kokomo, Indiana. CHNw, CHS and CHRH are currently the only Obligated Group Members. Appendix A hereto contains certain information about the history, organization and financial performance of the Network.

The consolidated financial statements of Community Health Network, Inc. and Affiliates included in Appendix B to this Offering Memorandum represent the accounts and transactions of CHNw, CHS, CHRH and certain of their affiliates. However, CHNw, CHS and CHRH are currently the only Obligated Group Members and none of their affiliates (other than CHNw, CHS and CHRH) will be obligated to make any payments upon the Series 2018A Note or any other Obligations (as hereinafter defined) or to comply with any covenants of the Master Indenture.

Use of Proceeds

The proceeds from the sale of the Series 2018A Bonds will be used by CHNw for general corporate purposes of CHNw and to pay costs of issuance of the Series 2018A Bonds.

Series 2018A Note

To evidence and secure its obligations under the Bond Indenture and the Series 2018A Bonds, CHNw will deliver to the Bond Trustee the Series 2018A Note, issued by CHNw under the Master Indenture, as supplemented by a Series 2018A Supplemental Master Indenture between CHNw, as Credit Group Representative (as hereinafter defined), and the Master Trustee, dated as of February 1, 2018 (the “Series 2018A Supplemental Master Indenture”). The Series 2018A Note will be issued in a principal amount equal to the aggregate principal amount of the Series 2018A Bonds and will require CHNw to make payments which, together with other monies available therefor, will be sufficient to pay the principal of and premium, if any, and interest on the Series 2018A Bonds. See “SOURCES OF PAYMENT AND SECURITY FOR SERIES 2018A BONDS—Series 2018A Note.”

Master Indenture

In the Master Indenture, each Obligated Group Member, in order to secure the payment of the principal of and premium, if any, and interest on, and all other payments with respect to, obligations which have been or may in the future be issued by any Obligated Group Member under the Master Indenture (such obligations, including the Series 2018A Note, “Obligations”), and the performance and observance of all of the covenants and conditions contained in the Master Indenture or Obligations, grants to the Master Trustee a security interest in all accounts, instruments, chattel paper and assignable general intangibles (other than those general intangibles that may not be assigned under applicable law) now owned or hereafter acquired by any Obligated Group Member regardless of where or how generated and including without limitation accounts and assignable general intangibles payable or arising (i) pursuant to agreements with insurance companies, Medicare, Medicaid, governmental units and prepaid health organizations, (ii) pursuant to insurance policies or condemnation proceedings, (iii) pursuant to health-care insurance receivables or (iv) pursuant to gifts, grants, bequests, donations, contributions and pledges, and all proceeds therefrom, whether cash or non-cash (all as defined in Article 9 of the Uniform Commercial Code, as amended, of the applicable jurisdiction or jurisdictions in which such Obligated Group Member has its principal place of business); **excluding**, however, gifts, grants, bequests, donations, contributions and pledges to such Obligated Group Member heretofore or hereafter made, and the income and gains derived therefrom, which are specifically restricted by the donor or grantor to a particular purpose which is inconsistent with its use for payments required under the Master Indenture or on Obligations (such accounts, instruments, chattel paper and assignable general intangibles, subject to such exclusion, the “Unrestricted Receivables”). See “SOURCES OF PAYMENT AND SECURITY FOR SERIES 2018A BONDS—Master Indenture.”

Under the Master Indenture, the Master Trustee will, at the written request of CHNw, release or terminate the security interest created under the Master Indenture in those Unrestricted Receivables that are sold or factored to the extent expressly permitted by the Master Indenture. See “SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS—SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE—Particular Covenants; Representations and Warranties—Limitations on Creation of Liens” and “—Sale, Lease or Other Disposition of Property” in Appendix C hereto.

Under the Master Indenture, Unrestricted Receivables may be made subject to any Permitted Liens (as hereinafter defined). See “Permitted Liens” under “DEFINITIONS” in Appendix D hereto.

In the Master Indenture, each member of the obligated group under the Master Indenture (individually, a “Member,” a “Member of the Obligated Group” or an “Obligated Group Member” and, collectively, the “Obligated Group”) jointly and severally covenants to pay or cause to be paid the principal of and premium, if any, and interest on all Obligations which have been or may in the future be issued by any Obligated Group Member under the Master Indenture (including the Series 2018A Note), and to perform the covenants of the Obligated Group Members under the Master Indenture. **CHNw, CHS and CHRH are currently the only Obligated Group Members.** However, any person may, at any time and from time to time, join or withdraw from the Obligated Group, upon satisfaction of certain conditions precedent thereto. See “SUMMARY OF CERTAIN PROVISIONS OF

PRINCIPAL DOCUMENTS—SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE—Particular Covenants; Representations and Warranties—Parties Becoming Members of the Obligated Group” and “—Withdrawal from the Obligated Group” in Appendix C hereto.

Under the Master Indenture, CHNw may designate any person controlled by any Obligated Group Member to be a credit group affiliate under the Master Indenture (individually, a “Credit Group Affiliate” and, collectively, together with the Obligated Group Members, the “Credit Group”). Each Obligated Group Member designated by CHNw to establish and maintain control over any Credit Group Affiliate (such Obligated Group Member, a “Controlling Member”) covenants in the Master Indenture that it will cause each of its Credit Group Affiliates to pay, lend or otherwise transfer to CHNw such amounts as are necessary to enable the Obligated Group Members to comply with the provisions of the Master Indenture, including the payment of the principal of and premium, if any, and interest on the Obligations and the performance of the covenants under the Master Indenture. ***However, no Credit Group Affiliate is obligated under the Master Indenture to pay any principal of or premium, if any, or interest on any Obligations or to perform any covenants under the Master Indenture.***

Visionary Enterprises, Inc., an Indiana corporation (“VEI”), and Community Hospital of Anderson and Madison County, Incorporated, an Indiana nonprofit corporation (“CHA”), are currently the only Credit Group Affiliates. However, CHNw may, at any time and from time to time, add or remove any Credit Group Affiliate, without satisfaction of any financial conditions precedent thereto. See “SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS—SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE—Payment Obligations; Credit Group Affiliates—Designation of Credit Group Affiliates” in Appendix C hereto.

CHNw is the Controlling Member of both of the current Credit Group Affiliates. Management of CHNw believes that the existing contractual and corporate relationships of CHNw with each of the current Credit Group Affiliates give CHNw the requisite authority to cause the current Credit Group Affiliates to pay, lend or otherwise transfer to CHNw such amounts as are necessary to enable the Obligated Group Members to comply with the provisions of the Master Indenture. In furtherance of the foregoing, CHNw has entered into a participation agreement with each current Credit Group Affiliate, pursuant to which each Credit Group Affiliate has agreed that CHNw has such authority.

The Master Indenture includes a variety of covenants, agreements and restrictions on the part of the Obligated Group with respect to such matters as indebtedness, liens, debt service coverage, insurance, disposition of property, and mergers and consolidations. See “SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS—SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE—Particular Covenants; Representations and Warranties” in Appendix C hereto.

The Obligated Group Members and the Credit Group Affiliates will be combined for purposes of determining whether certain financial and other covenants contained in the Master Indenture (including covenants requiring the maintenance of debt service coverage and covenants limiting the incurrence of additional indebtedness, the disposition of property, the creation of liens, the consolidation or merger with others, and the entrance into or withdrawal from the Obligated Group) are satisfied. See “SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS—SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE—Particular Covenants; Representations and Warranties” in Appendix C hereto.

Upon the issuance of the Series 2018A Bonds, a number of Obligations will be outstanding. See “SOURCES OF PAYMENT AND SECURITY FOR SERIES 2018A BONDS—Outstanding Obligations.”

Additional Obligations may be issued by CHNw and any other Obligated Group Members upon the terms and subject to the conditions provided in the Master Indenture, and such Obligations will be on a parity with the Series 2018A Note. In addition, subject to limitations provided in the Master Indenture, CHNw and any other Obligated Group Members may issue indebtedness not constituting Obligations. See “SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS—SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE—Particular Covenants; Representations and Warranties—Limitations on Indebtedness” in Appendix C hereto.

Substitution of Notes

With the consent of the holders of a majority in principal amount of the Series 2018A Bonds outstanding, the Series 2018A Note may be substituted with replacement notes or similar obligations issued under and secured by a replacement master trust indenture executed by the then current Members of the Obligated Group and any other entities which are parties to and obligated with respect to indebtedness issued under such replacement master trust indenture and an independent corporate master trustee. This could, under certain circumstances, lead to the substitution of different security in the form of a note backed by an obligated group that is financially and operationally different than the current Obligated Group. Such replacement master trust indenture may also have substantially different covenants than the covenants under the Master Indenture. The covenants under the Master Indenture would no longer be binding on the current Obligated Group. Such substitution could adversely affect the market price for and marketability of the Series 2018A Bonds. See “SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS—SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE—Authorization and Issuance of Obligations—Substitution Obligations” in Appendix C hereto.

Bondholders’ Risks

There are risks involved in a purchase of the Series 2018A Bonds. See “BONDHOLDERS’ RISKS.”

Additional Bonds

Additional bonds (“Additional Bonds”) may be issued under the Bond Indenture subsequent to the initial Series 2018A Bonds, which are consolidated with such Series 2018A Bonds or which are issued as a separate series of bonds. Any Additional Bonds consolidated with the initial Series 2018A Bonds will have the same interest rates, redemption provisions, maturity dates and other terms (other than issue price) as such Series 2018A Bonds, may have the same CUSIP numbers as such Series 2018A Bonds and, together with such Series 2018A Bonds, will be treated as a single series of Series 2018A Bonds for all purposes of the Bond Indenture. See “SOURCES OF PAYMENT AND SECURITY FOR SERIES 2018A BONDS—Additional Bonds”.

Other Information

This INTRODUCTION is only a brief description, and is qualified by reference to the entire Offering Memorandum. A full review should be made of the entire Offering Memorandum.

Brief descriptions of the Series 2018A Bonds, the Series 2018A Note, the Bond Indenture, the Master Indenture and the Series 2018A Supplemental Master Indenture follow in this Offering Memorandum. Information concerning the Network’s operations and business is contained in Appendix A hereto. All descriptions herein of the Series 2018A Bonds, the Series 2018A Note, the Bond Indenture, the Master Indenture and the Series 2018A Supplemental Master Indenture are only summaries and are qualified in their entirety by reference to each such document. Copies of the Master Indenture and the proposed form of the Series 2018A Bonds, the Series 2018A Note, the Bond Indenture and the Series 2018A Supplemental Master Indenture may be obtained from the Underwriters and, following delivery of the Series 2018A Bonds, copies of the Series 2018A Bonds, the Series 2018A Note, the Bond Indenture, the Master Indenture and the Series 2018A Supplemental Master Indenture will be on file at the designated corporate trust office of The Bank of New York Mellon Trust Company, N.A., as Bond Trustee, at 300 North Meridian Street, Indianapolis, Indiana 46204.

Certain capitalized terms used herein are defined in Appendix D hereto.

SERIES 2018A BONDS

General

The Series 2018A Bonds will be issued in the aggregate principal amount of \$202,000,000 and will mature on the dates and bear interest at the rates per annum set forth on the cover page hereof. Subject to the provisions described under “SERIES 2018A BONDS – Book-Entry Only System,” the Series 2018A Bonds are issuable as

fully registered bonds without coupons in the denomination of \$1,000 or any integral multiple thereof. The Series 2018A Bonds will be dated the date of initial delivery thereof.

The principal or redemption price of the Series 2018A Bonds will be payable by check or by wire transfer of immediately available funds in lawful money of the United States of America at the designated office of the Bond Trustee. Interest on the Series 2018A Bonds is payable on May 1 and November 1 of each year, commencing May 1, 2018 (each, an “Interest Payment Date”), and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Series 2018A Bonds will be payable from the later of (i) the dated date of the Series 2018A Bonds and (ii) the most recent Interest Payment Date to which interest has been paid or duly provided for. Payment of the interest on each Interest Payment Date will be made to the Person whose name appears on the bond registration books of the Bond Trustee as the Holder thereof as of the close of business on the fifteenth day (whether or not a Business Day) of the month immediately preceding such Interest Payment Date (each, a “Record Date”), such interest to be paid by check mailed on such Interest Payment Date by first class mail to such Holder at its address as it appears on such registration books, or, upon the written request of any Holder of at least \$1,000,000 in aggregate principal amount of Series 2018A Bonds, submitted to the Bond Trustee at least one Business Day prior to such Record Date, by wire transfer in immediately available funds to an account within the United States designated by such Holder. Notwithstanding the foregoing, as long as The Depository Trust Company (“DTC”) or any other securities depository selected pursuant to the terms of the Bond Indenture (DTC or any other such securities depository, a “Securities Depository”) is the Holder of all or part of the Series 2018A Bonds in book-entry form, said principal or redemption price and interest payments will be made to the Securities Depository by wire transfer in immediately available funds. CUSIP number identification will accompany all payments of any principal or redemption price and interest, whether by check or by wire transfer.

Any such interest not so punctually paid or duly provided for with respect to any Series 2018A Bond will forthwith cease to be payable to the Series 2018A Bondholder on such Record Date and will be paid to the Person in whose name such Series 2018A Bond is registered at the close of business on a “Special Record Date” for the payment of such defaulted interest to be fixed by the Bond Trustee, notice whereof to be given by first class mail to the Holders of such Series 2018A Bonds not less than ten days prior to such Special Record Date.

The Series 2018A Bonds will be registered initially in the name of Cede & Co., as nominee for DTC. So long as DTC or its nominee is the Bondholder, payment of any principal, redemption price and interest on the Series 2018A Bonds will be made to DTC for ultimate distribution to the Beneficial Owners (hereinafter defined) of the Series 2018A Bonds in accordance with the procedures described herein under the heading “Book-Entry Only System.”

If any date specified in the Bond Indenture is not a Business Day, any action required on such date may be made on the next succeeding Business Day with the same effect as if made on such date.

Redemption

Optional Redemption. At any time on or after May 1, 2028, the Series 2018A Bonds are subject to redemption prior to maturity at the option of CHNw, in whole or in part, in any order of maturity designated by CHNw, at a redemption price of 100% of the principal amount of each Series 2018A Bond to be redeemed, plus accrued and unpaid interest to the date fixed for redemption.

Purchase in Lieu of Redemption. The Series 2018A Bonds are subject to purchase in lieu of redemption by the Bond Trustee at the direction of CHNw prior to maturity, on the same terms that would apply to the Series 2018A Bonds if the Series 2018A Bonds were then being optionally redeemed.

Selection of Series 2018A Bonds for Redemption. If (i) the Series 2018A Bonds are registered in book-entry only form and so long as the Securities Depository or its nominee is the sole registered owner of the Series 2018A Bonds and (ii) less than all of the Series 2018A Bonds of a maturity are called for redemption, the particular Series 2018A Bonds or portions thereof to be redeemed will be selected on a pro rata pass-through distribution of principal basis in accordance with procedures of the Securities Depository. However, the selection for redemption of such Series 2018A Bonds will be made in accordance with the operational arrangements of the Securities Depository then in effect and, if the Securities Depository’s operational arrangements at such time do not allow for redemption on a pro rata pass-through distribution of principal basis, the Series 2018A Bonds will be selected for

redemption in accordance with Securities Depository procedures, by lot or in such other manner as in accordance with the applicable arrangements of the Securities Depository.

If (i) the Securities Depository or its nominee is no longer the sole registered owner of the Series 2018A Bonds and (ii) less than all of the Series 2018A Bonds of a maturity are called for redemption, the particular Series 2018A Bonds or portions thereof to be redeemed will be selected on a pro rata pass-through distribution of principal basis in accordance with procedures of the Bond Trustee. However, the selection for redemption of such Series 2018A Bonds will be made in accordance with the operational arrangements of the Bond Trustee then in effect and, if the Bond Trustee's operational arrangements at such time do not allow for redemption on a pro rata pass-through distribution of principal basis, the Series 2018A Bonds will be selected for redemption in accordance with the Bond Trustee's procedures, by lot or in such other manner as in accordance with the applicable arrangements of the Bond Trustee.

Notice of Redemption. Notice of redemption will be mailed by CHNw to the Bond Trustee by first class mail, not less than 30 days nor more than 60 days prior to the redemption date, or such fewer days as may be agreed to between CHNw and the Bond Trustee. Notice of redemption will be mailed by the Bond Trustee, by first class mail, not less than 25 days nor more than 60 days prior to the date fixed for redemption, to the respective Holders of any Series 2018A Bonds designated for redemption at their addresses appearing on the bond registration books of the Bond Trustee. If the Series 2018A Bonds are no longer held by the Securities Depository or its successor or substitute, the Bond Trustee will also give notice of redemption by overnight mail to such securities depositories and/or securities information services as are designated in a certificate of CHNw. Each notice of redemption will state the date of such notice, the date of issue of the Series 2018A Bonds, the redemption date, the calculation method for determining the redemption price, the interest rate, the place or places of redemption (including the name and appropriate address or addresses of the Bond Trustee), the maturity (including CUSIP number, if any) and, in the case of Series 2018A Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed. Each such notice will also state that on said date there will become due and payable on each of said Series 2018A Bonds the redemption price thereof or of said specified portion of the principal amount thereof in the case of a Series 2018A Bond to be redeemed in part only, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon will cease to accrue, and will require that such Series 2018A Bonds be then surrendered.

Failure by the Bond Trustee to give notice of redemption pursuant to the Bond Indenture to any one or more of the securities information services or depositories designated by CHNw, or the insufficiency of any such notice, will not affect the sufficiency of the proceedings for redemption. Failure by the Bond Trustee to mail notice of redemption pursuant to the Bond Indenture to any one or more of the respective Holders of any Series 2018A Bonds designated for redemption will not affect the sufficiency of the proceedings for redemption with respect to the Holders to whom such notice was mailed.

CHNw may instruct the Bond Trustee to provide conditional notice of redemption, which may be conditioned upon the receipt of moneys or any other event. If such conditions are not met, the Bond Trustee will give notice of such failure, as soon as practicable thereafter, in the same manner and to the same Persons as notice of such redemption was given pursuant to the Bond Indenture. Additionally, any notice given pursuant to the Bond Indenture may be rescinded by written notice given to the Bond Trustee by CHNw no later than five Business Days prior to the date specified for redemption. The Bond Trustee will give notice of such rescission, as soon thereafter as practicable, in the same manner and to the same Persons as notice of such redemption was given pursuant to the Bond Indenture. Any failure of CHNw to pay the redemption price on the date fixed for redemption as a result of the failure to meet any condition specified in a conditional notice of redemption will not constitute an Event of Default under the Bond Indenture.

Partial Redemption of Series 2018A Bonds. Upon surrender of any Series 2018A Bond redeemed in part only, CHNw will execute (but need not prepare) and the Bond Trustee will prepare or cause to be prepared, authenticate and deliver to the Holder thereof, at the expense of CHNw, a new Series 2018A Bond or Bonds of the same series, bearing interest at the same rate and maturing on the same date, of Authorized Denominations, equal in aggregate principal amount to the unredeemed portion of the Series 2018A Bond surrendered.

Effect of Redemption. Notice of redemption having been duly given as aforesaid, and moneys for payment of the redemption price of, together with interest accrued to the date fixed for redemption on, the Series 2018A

Bonds (or portion thereof) so called for redemption being held by the Bond Trustee, on the date fixed for redemption designated in such notice, the Series 2018A Bonds (or portion thereof) so called for redemption will become due and payable at the redemption price specified in such notice and interest accrued thereon to the date fixed for redemption. Interest on the Series 2018A Bonds so called for redemption will cease to accrue, said Series 2018A Bonds (or portion thereof) will cease to be entitled to any benefit or security under the Bond Indenture, and the Holders of said Series 2018A Bonds will have no rights in respect thereof except to receive payment of said redemption price and accrued interest to the date fixed for redemption from funds held by the Bond Trustee for such payment.

Transfer and Exchange; Bond Registrar

Transfer of Series 2018A Bonds. Any Series 2018A Bond may, in accordance with its terms and subject to the limitations provided in the Bond Indenture, be transferred upon the 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 its duly authorized attorney, upon surrender of such Series 2018A Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form approved by the Bond Trustee.

Whenever any Series 2018A Bond or Series 2018A Bonds are surrendered for transfer, CHNw will execute and the Bond Trustee will authenticate and deliver a new Series 2018A Bond or Bonds of the same series, bearing interest at the same rate and maturing on the same date, for a like aggregate principal amount in Authorized Denominations. The Bond Trustee may require the Bondholder requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer, and the Bond Trustee may also require the Bondholder requesting such transfer to pay a reasonable sum to cover any expenses incurred by CHNw in connection with such transfer. The Bond Trustee will not be required to transfer (i) any Series 2018A Bond during the 15 days next preceding the selection of Series 2018A Bonds for redemption or (ii) any Series 2018A Bond called for redemption.

Exchange of Series 2018A Bonds. Series 2018A Bonds may be exchanged at the Designated Office of the Bond Trustee for a like aggregate principal amount of Series 2018A Bonds of the same series, bearing interest at the same rate and maturing on the same date, of other Authorized Denominations. The Bond Trustee may require the Bondholder requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange, and the Bond Trustee may also require the Bondholder requesting such exchange to pay a reasonable sum to cover any expenses incurred by CHNw in connection with such exchange. The Bond Trustee will not be required to exchange (i) any Series 2018A Bond during the 15 days next preceding the selection of Series 2018A Bonds for redemption or (ii) any Series 2018A Bond called for redemption.

Bond Register. The Bond Trustee will keep or cause to be kept sufficient books for the registration and transfer of the Series 2018A Bonds, which will at all times (during regular business hours at the location where such books are kept) be open to inspection by any Bondholder, CHNw or their respective agents duly authorized in writing. Upon presentation for such purpose, the Bond Trustee will, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such books, Series 2018A Bonds as provided in the Bond Indenture.

Book-Entry Only System

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series 2018A Bonds. The Series 2018A Bonds will be issued as fully registered securities in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Series 2018A Bond certificate will be issued for each maturity of the Series 2018A 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" and, together with the Direct Participants, the "Participants"). DTC has a Standard & Poor's rating of AA+. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2018A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2018A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2018A Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2018A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2018A Bonds, except in the event that use of the book-entry system for the Series 2018A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2018A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2018A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2018A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2018A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2018A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2018A Bonds, such as redemptions, tenders, defaults and proposed amendments to the Series 2018A Bond documents. For example, Beneficial Owners of Series 2018A Bonds may wish to ascertain that the nominee holding the Series 2018A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2018A Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2018A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to CHNW 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 the Series 2018A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption premium, if any, and interest payments on the Series 2018A 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 CHNw 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 or CHNw, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of CHNw 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.

DTC may discontinue providing its services as depository with respect to the Series 2018A Bonds at any time by giving reasonable notice to CHNw or the Bond Trustee. Under such circumstances, in the event that a successor depository is not obtained, the Series 2018A Bond certificates are required to be printed and delivered.

CHNw may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2018A Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that CHNw believes to be reliable, but neither CHNw, the Underwriters nor the Bond Trustee takes any responsibility for the accuracy thereof.

CHNw and the Bond Trustee may treat DTC (or its nominee) as the sole and exclusive registered owner of the Series 2018A Bonds registered in its name for the purposes of payment of the principal and redemption premium, if any, of, or interest on, the Series 2018A Bonds, giving any notice permitted or required to be given to registered owners under the Bond Indenture, registering the transfer of the Series 2018A Bonds, or other action to be taken by registered owners and for all other purposes whatsoever. CHNw and the Bond Trustee shall not have any responsibility or obligation to any Direct or Indirect Participant, any person claiming a beneficial ownership interest in the Series 2018A Bonds under or through DTC or any Direct or Indirect Participant, or any other person which is not shown on the registration books of CHNw (kept by the Bond Trustee) as being a registered owner, with respect to the accuracy of any records maintained by DTC or any Direct or Indirect Participant; the payment by DTC or any Direct or Indirect Participant of any amount in respect of the principal of or redemption premium, if any, or interest on the Series 2018A Bonds; any notice which is permitted or required to be given to registered owners thereunder or under the conditions to transfers or exchanges adopted by CHNw; or other action taken by DTC as registered owner. Interest, redemption premium, if any, and principal will be paid by the Bond Trustee to DTC, or its nominee. Disbursement of such payments to the Direct or Indirect Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the Direct or Indirect Participants.

So long as Cede & Co. is the registered owner of the Series 2018A Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the Series 2018A Bonds (other than under the caption "CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS" herein) means Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series 2018A Bonds.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference only relates to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they will be sent by the Bond Trustee to DTC only.

For every transfer and exchange of Series 2018A Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

NEITHER CHNw, THE BOND TRUSTEE NOR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO: (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT, (II) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE SERIES 2018A BONDS; (III) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2018A BONDS;

(IV) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE SERIES 2018A BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE SERIES 2018A BONDS; OR (VI) ANY OTHER MATTER.

SOURCES OF PAYMENT AND SECURITY FOR SERIES 2018A BONDS

Series 2018A Bonds

The Series 2018A Bonds are general obligations of CHNw. The Bond Indenture provides that CHNw is obligated to pay to the Bond Trustee on each Payment Date an amount equal to principal of and interest on the Series 2018A Bonds due on such Payment Date (less the amounts, if any, in the Bond Fund available therefor), and requires the Bond Trustee to make transfers from the Bond Fund in amounts and at times necessary to provide for debt service payments on the Series 2018A Bonds. See “SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS—SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE—Funds and Accounts—Payments by CHNw: Allocation of Funds” in Appendix C hereto. The Bond Indenture will remain in full force and effect until such time as all of the Series 2018A Bonds and the interest thereon have been fully paid or until adequate provision for such payments has been made. See “SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS—SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE—Defeasance” in Appendix C hereto.

Payment of the principal of and premium, if any, and interest on the Series 2018A Bonds is secured by certain payments to be made by the Obligated Group Members under the Series 2018A Note. See “Series 2018A Note.”

Additional Bonds

CHNw may, at any time and from time to time, issue Additional Bonds under a Supplemental Indenture. Each Supplemental Indenture authorizing the issuance of any Additional Bonds will specify:

- (a) the authorized principal amount of such Additional Bonds;
- (b) the purpose of such Additional Bonds;
- (c) if such Additional Bonds are consolidated with the initial Series 2018A Bonds, the first Interest Payment Date for such Additional Bonds;
- (d) if such Additional Bonds are not consolidated with the initial Series 2018A Bonds, the interest rates, the Interest Payment Dates (including the first Interest Payment Date), the Principal Payment Dates and the redemption provisions for such Additional Bonds;
- (e) directions for the application of the proceeds of such Additional Bonds;
- (f) the conditions precedent to the issuance of such Additional Bonds, including the delivery to the Bond Trustee of an Obligation, issued by CHNw to the Bond Trustee, payable at times and in amounts sufficient to pay the principal of and interest on, and redemption price of, such Additional Bonds, in form and substance satisfactory to the Bond Trustee; and
- (g) such other provisions as CHNw deems advisable.

CHNw covenants and agrees that any Additional Bonds that are consolidated with the initial Series 2018A Bonds:

- (a) constitute a part of such Series 2018A Bonds;

(b) will mature on the same dates as such Series 2018A Bonds, bear interest at the same rates per annum and be payable on the same dates as such Series 2018A Bonds, and be subject to redemption at the same times and at the same redemption price as such Series 2018A Bonds;

(c) will have the same Authorized Denominations; and

(d) will, as a condition precedent to the issuance thereof, be issued only upon the delivery to the Bond Trustee of an Opinion of Counsel, experienced in federal securities and tax laws, that the issuance and consolidation thereof will not cause (i) any adverse tax impact on the Holders of any Outstanding Series 2018A Bonds, (ii) any Outstanding Series 2018A Bonds to be required to be registered under the Securities Act of 1933, as amended, or (iii) the Bond Indenture to be required to be qualified under the Trust Indenture Act of 1939, as amended.

Series 2018A Note

To evidence and secure its obligations under the Bond Indenture and the Series 2018A Bonds, CHNw will deliver to the Bond Trustee the Series 2018A Note, issued by CHNw under the Master Indenture, as supplemented by the Series 2018A Supplemental Master Indenture. The Series 2018A Note will be issued in a principal amount equal to the aggregate principal amount of the Series 2018A Bonds and will require CHNw to make payments which, together with other money available therefor, will be sufficient to pay the principal of and premium, if any, and interest on the Series 2018A Bonds. All payments by CHNw of principal of and premium, if any, and interest on the Series 2018A Note will be made to the Bond Trustee, and each payment will be made on or before the date when the corresponding payment is required to be made on the Series 2018A Bonds. The Series 2018A Note will at all times be in fully registered form and will be non-transferrable except by written assignment to a successor trustee. The Series 2018A Note and all other Obligations will be equally and ratably secured under the Master Indenture by the covenants and agreements therein, except as otherwise described herein. See “SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS—SUMMARY OF CERTAIN PROVISIONS OF THE SERIES 2018A SUPPLEMENTAL MASTER INDENTURE” in Appendix C hereto.

Master Indenture

In the Master Indenture, each Obligated Group Member, in order to secure the payment of the principal of and premium, if any, and interest on, and all other payments with respect to, Obligations (including the Series 2018A Note), and the performance and observance of all of the covenants and conditions contained in the Master Indenture or Obligations, grants to the Master Trustee a security interest in the Unrestricted Receivables. The Unrestricted Receivables are comprised of all accounts, instruments, chattel paper and assignable general intangibles (other than those general intangibles that may not be assigned under applicable law) now owned or hereafter acquired by any Obligated Group Member regardless of where or how generated and including without limitation accounts and assignable general intangibles payable or arising (i) pursuant to agreements with insurance companies, Medicare, Medicaid, governmental units and prepaid health organizations, (ii) pursuant to insurance policies or condemnation proceedings, (iii) pursuant to health-care insurance receivables or (iv) pursuant to gifts, grants, bequests, donations, contributions and pledges, and all proceeds therefrom, whether cash or non-cash (all as defined in Article 9 of the Uniform Commercial Code, as amended, of the applicable jurisdiction or jurisdictions in which such Obligated Group Member has its principal place of business); *excluding*, however, gifts, grants, bequests, donations, contributions and pledges to such Obligated Group Member heretofore or hereafter made, and the income and gains derived therefrom, which are specifically restricted by the donor or grantor to a particular purpose which is inconsistent with its use for payments required under the Master Indenture or on Obligations.

Under the Master Indenture, the Master Trustee will, at the written request of CHNw, release or terminate the security interest created under the Master Indenture in those Unrestricted Receivables that are sold or factored to the extent expressly permitted by the Master Indenture. See “SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS—SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE—Particular Covenants; Representations and Warranties—Limitations on Creation of Liens” and “—Sale, Lease or Other Disposition of Property” in Appendix C hereto.

Under the Master Indenture, Unrestricted Receivables may be made subject to any Permitted Liens. See “Permitted Liens” under “DEFINITIONS” in Appendix D hereto.

In the Master Indenture, each Obligated Group Member jointly and severally covenants to pay or cause to be paid the principal of and premium, if any, and interest on all Obligations which have been or may in the future be issued by any Obligated Group Member under the Master Indenture (including the Series 2018A Note), and to perform the covenants of the Obligated Group Members under the Master Indenture. ***CHNw, CHS and CHRH are currently the only Obligated Group Members.*** However, any person may, at any time and from time to time, join or withdraw from the Obligated Group, upon satisfaction of certain conditions precedent thereto. See “SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS—SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE—Particular Covenants; Representations and Warranties—Parties Becoming Members of the Obligated Group” and “—Withdrawal from the Obligated Group” in Appendix C hereto.

Under the Master Indenture, CHNw may designate a Person controlled by any Obligated Group Member to be a Credit Group Affiliate. Each Controlling Member covenants in the Master Indenture that it will cause each of its Credit Group Affiliates to pay, lend or otherwise transfer to CHNw such amounts as are necessary to enable the Obligated Group Members to comply with the provisions of the Master Indenture, including the payment of the principal of and premium, if any, and interest on the Obligations and the performance of the covenants under the Master Indenture. ***However, no Credit Group Affiliate is obligated under the Master Indenture to pay any principal of or premium, if any, or interest on any Obligations or to perform any covenants under the Master Indenture.***

VEI and CHA are currently the only Credit Group Affiliates. However, CHNw may, at any time and from time to time, add or remove any Credit Group Affiliate, without satisfaction of any financial conditions precedent thereto. See “SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS—SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE—Payment Obligations; Credit Group Affiliates—Designation of Credit Group Affiliates” in Appendix C hereto.

CHNw is the Controlling Member of both of the current Credit Group Affiliates. Management of CHNw believes that the existing contractual and corporate relationships of CHNw with each of the current Credit Group Affiliates give CHNw the requisite authority to cause the current Credit Group Affiliates to pay, lend or otherwise transfer to CHNw such amounts as are necessary to enable the Obligated Group Members to comply with the provisions of the Master Indenture. In furtherance of the foregoing, CHNw has entered into a participation agreement with each current Credit Group Affiliate, pursuant to which each Credit Group Affiliate has agreed that CHNw has such authority.

The Master Indenture includes a variety of covenants, agreements and restrictions on the part of the Obligated Group with respect to such matters as indebtedness, liens, debt service coverage, insurance, disposition of property, and mergers and consolidations. See “SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS—SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE—Particular Covenants; Representations and Warranties” in Appendix C hereto.

The Obligated Group Members and the Credit Group Affiliates will be combined for purposes of determining whether certain financial and other covenants contained in the Master Indenture (including covenants requiring the maintenance of debt service coverage and covenants limiting the incurrence of additional indebtedness, the disposition of property, the creation of liens, the consolidation or merger with others, and the entrance into or withdrawal from the Obligated Group) are satisfied. See “SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS—SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE—Particular Covenants; Representations and Warranties” in Appendix C hereto.

Outstanding Obligations

Upon the issuance of the Series 2018A Bonds, the following Obligations will be outstanding under the Master Indenture:

- (a) Obligations by which CHNw evidenced and secured certain of its obligations under a revolving line of credit from a bank in the maximum principal amount of \$50,000,000;

(b) Obligations by which CHNw borrowed the proceeds of \$376,195,000 original principal amount of Indiana Finance Authority Hospital Revenue Bonds, Series 2012A (Community Health Network Project) (the “Series 2012A Bonds”), \$349,710,000 of which remain outstanding;

(c) Obligations by which CHNw (i) borrowed the proceeds of \$74,250,000 original principal amount of Indiana Finance Authority Hospital Revenue Bonds, Series 2012B (Community Health Network Project) (the “Series 2012B Bonds”), \$65,605,000 of which remain outstanding, and (ii) issued a note to evidence and secure certain of its obligations to a bank that purchased the Series 2012B Bonds;

(d) Obligations by which CHNw borrowed the proceeds of \$201,728,000 original principal amount of Community Health Network, Inc. Taxable Bonds, Series 2015A (the “Series 2015A Bonds”), \$201,728,000 of which remain outstanding;

(e) Obligations by which CHNw (i) borrowed the proceeds of \$86,600,000 original principal amount of Indiana Finance Authority Hospital Revenue Bonds, Series 2016A (Community Health Network Project) (the “Series 2016A Bonds”), \$84,505,000 of which remain outstanding, and (ii) issued a note to evidence and secure certain of its obligations to a bank that purchased the Series 2016A Bonds;

(f) Obligations by which CHNw (i) borrowed the proceeds of \$26,000,000 original principal amount of Indiana Finance Authority Hospital Revenue Bonds, Series 2016B (Community Health Network Project) (the “Series 2016B Bonds”), \$22,800,000 of which remain outstanding, and (ii) issued a note to evidence and secure certain of its obligations to a bank that purchased the Series 2016B Bonds;

(g) Obligations by which CHNw evidenced and secured certain of its obligations under a term loan from a bank in the original principal amount of \$8,000,000 (the “Term Loan”), \$4,571,428.52 of which remains outstanding; and

(h) Obligations by which CHNw evidenced and secured certain of its obligations under an equipment lease financing from a financial institution in the original principal amount of \$50,000,000 (the “Equipment Lease Financing”), \$22,155,978.82 of which remains outstanding.

Additional Obligations

Additional Obligations may be issued by CHNw and any other Obligated Group Members upon the terms and subject to the conditions provided in the Master Indenture, and such Obligations will be on a parity with the Series 2018A Note. In addition, subject to limitations provided in the Master Indenture, CHNw and any other Obligated Group Members may issue indebtedness not constituting Obligations. See “SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS—SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE—Particular Covenants; Representations and Warranties—Limitations on Indebtedness” in Appendix C hereto.

Substitution of Notes

With the consent of the holders of a majority in principal amount of the Series 2018A Bonds outstanding, the Series 2018A Note may be substituted with replacement notes or similar obligations issued under and secured by a replacement master trust indenture executed by the then current Members of the Obligated Group and any other entities which are parties to and obligated with respect to indebtedness issued under such replacement master trust indenture and an independent corporate master trustee. This could, under certain circumstances, lead to the substitution of different security in the form of a note backed by an obligated group that is financially and operationally different than the current Obligated Group. Such replacement master trust indenture may also have substantially different covenants than the covenants under the Master Indenture. The covenants under the Master Indenture would no longer be binding on the current Obligated Group. Such substitution could adversely affect the market price for and marketability of the Series 2018A Bonds. See “SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS—SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE—Authorization and Issuance of Obligations—Substitution Obligations” in Appendix C hereto.

Events of Default and Acceleration under Bond Indenture

Each of the following constitutes an Event of Default under the Bond Indenture:

(i) default in the due and punctual payment of the principal or redemption price of any Series 2018A Bond when and as the same becomes due and payable, whether at maturity as therein expressed, by proceedings for redemption, by purchase in lieu of redemption, by acceleration or otherwise (except that any failure of CHNw to pay the redemption price on the date fixed for redemption as a result of the failure to meet any condition specified in a conditional notice of redemption);

(ii) default in the due and punctual payment of any interest on any Series 2018A Bond when and as such interest becomes due and payable;

(iii) default by CHNw in the performance or observance of any of the other covenants, agreements or conditions on its part contained in the Bond Indenture or in the Series 2018A Bonds (other than a default by CHNw in the performance or observance of the Continuing Disclosure Covenant (see “CONTINUING DISCLOSURE”)), if such default has continued for a period of 60 days after written notice, specifying such default and requiring the same to be remedied and stating that such notice is a “Notice of Default” under the Bond Indenture, has been given to CHNw by the Bond Trustee, or to CHNw and the Bond Trustee by the Holders of not less than a majority in aggregate principal amount of the Series 2018A Bonds at the time Outstanding (unless, if such default is not capable of being cured within 60 days, CHNw has commenced to cure such default within said 60 days and diligently prosecutes the cure thereof);

(iv) the commencement by CHNw of a voluntary case under the federal bankruptcy laws, or CHNw’s becoming insolvent or unable to pay its debts as they become due, or making an assignment for the benefit of creditors, or applying for, consenting to or acquiescing in the appointment of, or the taking of possession by, a trustee, receiver, custodian or similar official or agent for or of itself or any substantial part of its property;

(v) an “Event of Default” under the Master Indenture;

(vi) the appointment of a trustee, receiver, custodian or similar official or agent for CHNw or for any substantial part of its property, which trustee, receiver, custodian or similar official or agent is not discharged within 60 days; or

(vii) an order or decree for relief in an involuntary case under the federal bankruptcy laws is entered against CHNw, or a petition seeking reorganization, readjustment, arrangement, composition or other similar relief as to CHNw under the federal bankruptcy laws or any similar law for the relief of debtors is brought against it and is consented to by it or remains undismissed for 60 days.

Failure of CHNw to make payment on the Series 2018A Bonds will not constitute an Event of Default under the Bond Indenture if timely payment is made by the Obligated Group on the Series 2018A Note in place of payment on the Series 2018A Bonds. See “SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS—SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE—Events of Default and Remedies of Bondholders—Events of Default” in Appendix C hereto.

The Bond Indenture provides that, if an Event of Default occurs, then, and in each and every such case during the continuance of such Event of Default, the Bond Trustee may, upon notice in writing to CHNw, declare the principal of all the Series 2018A Bonds then Outstanding and the interest accrued thereon (or, in the case of a failure to pay the redemption price on the date fixed for redemption upon an unconditional redemption proceeding, the redemption price thereof) to be due and payable immediately, and upon any such declaration by the Bond Trustee the same will become and will be immediately due and payable, without any further action or notice, anything in the Bond Indenture or in the Series 2018A Bonds contained to the contrary notwithstanding. In such event, there will be due and payable on the Series 2018A Bonds an amount equal to the total principal amount of all the 2018A Bonds, plus all interest accrued thereon and which accrues to the date of payment. See “SUMMARY OF

CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS—SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE—Acceleration of Maturity” in Appendix C hereto.

Any such declaration, however, is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due have been obtained or entered, there is deposited with the Bond Trustee a sum sufficient to pay all the principal of and interest on the Series 2018A Bonds and premium, if any, payment of which is overdue, with interest on such overdue principal at the rate borne by the Series 2018A Bonds, and the reasonable charges and expenses of the Bond Trustee, and any and all other Defaults known to the Bond Trustee (other than in the payment of principal of and interest on the Series 2018A Bonds due and payable solely by reason of such declaration) have been made good or cured to the satisfaction of the Bond Trustee or provision deemed by the Bond Trustee to be adequate has been made therefor, then, and in every such case, the Bond Trustee will, on behalf of the Holders of all of the Series 2018A Bonds, by written notice to CHNw, rescind and annul such declaration and its consequences and waive such Default. However, no such rescission and annulment will extend to or affect any subsequent Default, or will impair or exhaust any right or power consequent thereon. See “SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS—SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE—Events of Default and Remedies of Bondholders—Acceleration of Maturity” in Appendix C hereto.

The Bond Indenture provides that, upon the Bond Trustee’s actual knowledge of the existence of any Default under the Bond Indenture, the Bond Trustee will transmit by mail to all Bondholders, as their names and addresses appear in the bond register, notice of such Default under the Bond Indenture, within 90 days, unless such Default has been cured or waived. However, except in the case of Default in the payment of the principal or redemption price of or interest on any Series 2018A Bond, the Bond Trustee may withhold such notice if and so long as the Bond Trustee in good faith determines that the withholding of such notice is in the interests of the Bondholders. Further, in the case of any Default of the character specified in clause (iii) of the first paragraph of this section under the heading “Events of Default and Acceleration under Bond Indenture,” no such notice to Bondholders will be given until at least 60 days after the date of the applicable Notice of Default. See “SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS—SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE—Notice of Default” in Appendix C hereto.

SOURCES AND USES OF FUNDS

The estimated sources and uses of proceeds of the Series 2018A Bonds is shown below:

Sources of Funds

Principal Amount of Series 2018A Bonds	\$202,000,000
Total Sources	\$202,000,000

Uses of Funds

CHNw General Corporate Purposes ⁽¹⁾	\$200,306,190
Costs of Issuance ⁽²⁾	1,693,810
Total Uses	\$202,000,000

⁽¹⁾ See “PLAN OF FINANCE.”

⁽²⁾ Includes Underwriters’ discount, legal fees and expenses, auditors fees and expenses, rating agency fees and other costs of issuance.

PLAN OF FINANCE

The Series 2018A Bonds are being issued for general corporate purposes of CHNw and to pay costs of issuance of the Series 2018A Bonds.

Proceeds from the Series 2018A Bonds are expected (a) to fund master facility plans for both the Network's acute and ambulatory facilities over the next three to ten years, to support several key strategic initiatives for the Network, and (b) to reimburse the Network for routine capital expenditures.

The first stage of identification of needs has been completed for the master facility plans. From that stage, the Network has been identified multiple ambulatory pavilions as well as medical office buildings that are needed in various locations to support the Network's core business. Additionally, once the East Campus revitalization project is complete, the Network will still have two hospital facilities that were constructed in the 1950s that are in need of updates and upgrades to improve clinical efficiencies, environmental efficiencies and patient experience. Finally, several emergency rooms at various campuses are in need of upgrades to existing facilities to improve patient and clinical flows.

The Network intends to continue to invest capital in its facilities in the future. The Network may issue additional Obligations or other indebtedness to finance these investments. However, the type, amount and timing of the issuance of any such additional Obligations or other indebtedness are subject to a number of conditions that cannot be predicted, including the evolving requirements of the Network, conditions in the credit markets and costs of construction.

ANNUAL DEBT SERVICE REQUIREMENTS

The table below outlines the annual debt service requirements on the Series 2018A Bonds and all Obligations which will be outstanding upon the issuance of the Series 2018A Bonds.

<u>Period Ending</u>	<u>Series 2018A Bonds</u>		<u>Prior Obligations⁽¹⁾⁽²⁾</u>	<u>Aggregate</u>
	<u>Principal</u>	<u>Interest</u>		<u>Debt Service⁽¹⁾⁽²⁾</u>
12/31/2018	--	\$6,823,472	\$ 50,250,831	\$ 57,074,303
12/31/2019	--	9,825,800	50,312,070	60,137,870
12/31/2020	--	9,825,800	49,703,386	59,529,186
12/31/2021	--	9,825,800	42,431,199	52,256,999
12/31/2022	--	9,825,800	41,639,700	51,465,500
12/31/2023	--	9,825,800	40,829,877	50,655,677
12/31/2024	--	9,825,800	40,910,536	50,736,336
12/31/2025	--	9,825,800	138,883,089	148,708,889
12/31/2026	--	9,825,800	36,882,241	46,708,041
12/31/2027	--	9,825,800	37,424,685	47,250,485
12/31/2028	--	9,825,800	37,540,857	47,366,657
12/31/2029	--	9,825,800	37,654,800	47,480,600
12/31/2030	--	9,825,800	37,767,525	47,593,325
12/31/2031	--	9,825,800	37,881,580	47,707,380
12/31/2032	--	9,825,800	38,001,216	47,827,016
12/31/2033	--	9,825,800	38,121,990	47,947,790
12/31/2034	--	9,825,800	38,258,069	48,083,869
12/31/2035	--	9,825,800	38,392,618	48,218,418
12/31/2036	--	9,825,800	38,429,841	48,255,641
12/31/2037	--	9,825,800	38,471,732	48,297,532
12/31/2038	--	9,825,800	38,515,706	48,341,506
12/31/2039	--	9,825,800	38,563,632	48,389,432
12/31/2040	--	9,825,800	38,589,110	48,414,910
12/31/2041	--	9,825,800	38,587,532	48,413,332
12/31/2042	--	9,825,800	38,584,907	48,410,707
12/31/2043	--	9,825,800	9,128,259	18,954,059
12/31/2044	--	9,825,800	9,103,684	18,929,484
12/31/2045	--	9,825,800	108,048,027	117,873,827
12/31/2046	--	9,825,800	--	9,825,800
12/31/2047	--	9,825,800	--	9,825,800
12/31/2048	--	9,825,800	--	9,825,800
12/31/2049	--	9,825,800	--	9,825,800
12/31/2050	--	9,825,800	--	9,825,800
12/31/2051	--	9,825,800	--	9,825,800
12/31/2052	--	9,825,800	--	9,825,800
12/31/2053	\$102,000,000	7,382,900	--	109,382,900
12/31/2054	--	4,940,000	--	4,940,000
12/31/2055	--	4,940,000	--	4,940,000
12/31/2056	--	4,940,000	--	4,940,000
12/31/2057	--	4,940,000	--	4,940,000
12/31/2058	100,000,000	2,470,000	--	102,470,000

⁽¹⁾ Prior Obligations consist of the Series 2012A Bonds, the Series 2012B Bonds, the Series 2015A Bonds, the Series 2016A Bonds, the Series 2016B Bonds, the Term Loan and the Equipment Lease Financing. See "SOURCES OF PAYMENT AND SECURITY FOR SERIES 2018A BONDS—Outstanding Obligations."

⁽²⁾ Assumes variable rate obligations bear interest at a percentage of the 10-year average of one month LIBOR plus a spread.

Source: Network records.

BONDHOLDERS' RISKS

General

As described herein under the caption “SOURCES OF PAYMENT AND SECURITY FOR SERIES 2018A BONDS,” Series 2018A Bonds are general obligations of CHNw. Payment of the principal of and premium, if any, and interest on the Series 2018A Bonds is secured by certain payments to be made by the Obligated Group Members under the Series 2018A Note. No representation or assurance is given or can be made that revenues will be realized by CHNw and the other Obligated Group Members in amounts sufficient to pay debt service on the Series 2018A Bonds and other obligations of the Obligated Group Members. The risk factors described below, as well as those factors discussed under “SOURCES OF PAYMENT AND SECURITY FOR SERIES 2018A BONDS,” should be considered in evaluating the ability of CHNw and the other Obligated Group Members to make payments in amounts sufficient to provide for the payment of the principal of and premium, if any, and interest on the Series 2018A Bonds.

The receipt of future revenues by the Obligated Group will be subject to, among other factors, federal and state policies affecting the health care industry (including changes in reimbursement rates and policies), increased competition from other health care providers, the capability of the management of the Obligated Group and future economic and other conditions that are impossible to predict. The extent of the ability of the Obligated Group to generate future revenues has a direct effect upon the payment of the principal of and premium, if any, and interest on the Series 2018A Bonds. The Underwriters have not made any independent investigation of the extent to which any such factors may have an adverse effect on the revenues of the Obligated Group.

The practical realization of any rights upon any default under the Bond Indenture or the Master Indenture will depend upon the exercise of various remedies specified in these instruments, as restricted by federal and state laws. The federal bankruptcy laws may have an adverse effect on the ability of the Bond Trustee and the holders of the Series 2018A Bonds and the Master Trustee to enforce their claim to liens granted by the Bond Indenture and the Master Indenture.

The operations of the health care industry and the ownership and organization of individual participants have been subject to increasing scrutiny by federal, state and local governmental agencies. In response to perceived abuses and actual violations of the terms of existing federal, state and local health care payment programs, these agencies have increased their audit and enforcement activities, and federal and state legislation has been considered or enacted providing for or expanding existing civil and criminal penalties against certain activities. In addition, federal, state and local agencies have increased their scrutiny of transactions involving not-for-profit, tax-exempt organizations and are focusing in particular upon limitations on the use of charitable assets and revenues.

The Master Indenture permits the issuance of additional Obligations on a parity with the Series 2018A Note and all other Obligations and also permits incurrence of other additional indebtedness by the Obligated Group. See “SOURCES OF PAYMENT AND SECURITY FOR SERIES 2018A BONDS—Additional Obligations” and “SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS—SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE—Particular Covenants; Representations and Warranties—Limitations on Indebtedness” and “—Limitations on Creation of Liens” in Appendix C hereto.

This discussion of risk factors is not, and is not intended to be, exhaustive.

Impact of Market Turmoil

In recent years, the financial sector of the economies of the United States and other countries has experienced severe disruption, prompting a number of banks and other financial institutions to seek additional capital, including capital provided through the federal government, to merge, and, in some cases, to cease operations. These events collectively have at times led to significant reductions in lending capacity and extension of credit, erosion of investor confidence in the financial sector, and historically aberrant fluctuations in interest rates. This disruption of the credit and financial markets has led to volatility in the securities markets, significant losses in investment portfolios, increased business failures and consumer and business bankruptcies.

The health care sector has been materially adversely affected by these developments, including realized and unrealized investment portfolio losses, reduced investment income, limitations on access to the credit markets, difficulties in extending existing or obtaining new liquidity facilities, difficulties in rolling maturing commercial paper and remarketing revenue bonds subject to tender, requiring the expenditure of internal liquidity to fund principal payments on commercial paper or tenders of revenue bonds, and increased borrowing costs.

The current economic climate has adversely affected the health care sector generally. Patient service revenues and inpatient and outpatient volumes have not increased as historic trends would otherwise indicate. The health care sector has experienced increases in self-pay admissions, increased levels of bad debt and uncompensated care, reduced demand for elective procedures, and reduced availability and affordability of health insurance. The economic climate has also increased stresses on the budget of the State of Indiana, resulting in reductions in Medicaid payment rates and consideration of changes in Medicaid eligibility standards, and delays of payment of amounts due under Medicaid and other state or local payment programs.

Regulation of Health Care Industry

General. The health care industry is highly dependent on a number of factors which may limit the ability of CHNW to meet its obligations under the Bond Indenture and the Series 2018A Bonds or the ability of the Obligated Group to meet its obligations under the Master Indenture and the Series 2018A Note. Among other things, participants in the health care industry (such as the Obligated Group) are subject to significant regulatory requirements of federal, state and local governmental agencies; independent professional organizations and accrediting bodies; technological advances and changes in treatment modes; various competitive factors; and changes in third party reimbursement programs. Discussed below are certain of these factors which could have a significant effect on the future operations and financial condition of the Obligated Group.

Health Care Reform. Various cost containment measures proposed or adopted by federal and state governments may restrict the scope and amount of reimbursable health care expenses and may alter the financing and delivery of health care services provided by the Obligated Group. The ultimate effect of these measures on the Obligated Group cannot be determined. Certain proposals may encourage the growth of managed care networks, extend current reductions in Medicare reimbursement, impose additional cuts in Medicare reimbursement and substantially restructure Medicaid.

In March 2010, President Obama signed sweeping health care reform legislation referred to as the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively, the “Health Care Reform Act”). Some of the provisions of the Health Care Reform Act took effect immediately, while others have been or will be phased in over time, ranging from one year to ten years. Because of the complexity of health care reform generally, additional legislation has been enacted and is likely to continue to be considered and enacted over time. The Health Care Reform Act has required and will continue to require the promulgation of substantial regulations with significant effect on the health care industry. Thus, the health care industry is now subject to significant new statutory and regulatory requirements and consequently to structural and operational changes and challenges for a substantial period of time. Although the Health Care Reform Act was upheld by the United States Supreme Court on June 28, 2012, the Health Care Reform Act has faced a number of challenges, including challenges that have eliminated or modified certain provisions of the Health Care Reform Act and challenges that may in the future eliminate or modify other provisions of the Health Care Reform Act, or repeal the Health Care Reform Act, in whole or in part. The health care industry continues to be subject to additional changes in its statutory and regulatory landscape as challenges to the Health Care Reform Act progress and evolve.

Management of the Obligated Group is analyzing the Health Care Reform Act, its implementing legislation and its challenges, and will continue to do so in order to assess the effect of the legislation on current and projected operations, financial performance and financial condition. However, management cannot predict with any reasonable degree of certainty or reliability any interim or ultimate effects of the legislation.

A significant component of the Health Care Reform Act was reformation of the sources and methods by which consumers pay for health care for themselves and their families and by which employers procure health insurance for their employees and dependents and, as a consequence, the expansion of the base of consumers of healthcare services. One of the primary drivers of this health care reform legislation was to provide or make

available, or subsidize the premium costs of, health care insurance for some of the millions of uninsured (or underinsured) consumers who fell below certain income levels.

The Health Care Reform Act intended to accomplish this objective through various provisions, including: (i) the creation of active markets (referred to as exchanges) in which individuals and small employers can purchase health care insurance for themselves and their families or their employees and dependents, (ii) providing subsidies for premium costs to individuals and families based upon their income relative to federal poverty levels, (iii) mandating that individual consumers obtain and certain employers provide a minimum level of health care insurance, and providing for penalties or taxes on consumers and employers that do not comply with these mandates, (iv) establishment of insurance reforms that expand coverage generally through such provisions as prohibitions on denials of coverage for pre-existing conditions and elimination of lifetime or annual cost caps, and (v) expansion of existing public programs, including Medicaid for individuals and families.

However, certain legislative and policy changes have impacted and eliminated certain of these provisions, including: (i) subsidies – the administration recently announced that it will no longer make cost-sharing reduction payments; and (ii) the individual mandate - the Tax Cuts and Jobs Act, which was passed in December of 2017, eliminated the individual mandate. The elimination of subsidies and the individual mandate may lead to an increase in the number of uninsured individuals and increased insurance premiums. However, it is not known what the exact impact of these changes will be.

To the extent all or any of those remaining provisions of the Health Care Reform Act continue to produce the intended result, an increase in utilization of health care services by those who are currently avoiding or rationing their health care can be expected and bad debt expenses may be reduced. However, to the extent the elimination of subsidies and the individual mandate impact consumer behavior, an increase in uninsured or underinsured individuals and an increase in premiums may occur.

In addition to those discussed above, some of the specific provisions of the Health Care Reform Act that may affect hospital operations, financial performance or financial condition are described below. This listing is not intended to be, nor should be considered by the reader as, comprehensive. The legislation is complex and comprehensive, and includes a myriad of programs and initiatives and changes to existing programs, policies, practices and laws.

- With varying effective dates, the annual Medicare market basket updates for many providers, including hospitals, have been and will continue through federal fiscal year 2020 and beyond, to be adjusted.
- Commencing in federal fiscal year 2018 and continuing through fiscal year 2025, a state's Medicaid disproportionate share hospital allotment from federal funds will be reduced as set forth in 1923(f)(7) of the Social Security Act.
- In those states that have expanded Medicaid coverage, expansion of Medicaid programs to a broader population with incomes up to 133% of federal poverty levels.
- Commencing in federal fiscal year 2012, Medicare payments that would otherwise have been made to hospitals were reduced by specified percentages to account for excess and "preventable" hospital readmissions.
- Commencing in federal fiscal year 2018, Medicare payments to certain hospitals for hospital-acquired conditions have been reduced by 1%. Commencing in 2012, federal payments to states for Medicaid services related to health care-acquired conditions were prohibited.
- Commencing October 1, 2011, health care insurers were required to include quality improvement covenants in their contracts with hospital providers, and were required to report their progress on such actions to the Secretary of Health and Human Services ("HHS"). Commencing January 1, 2017, qualified health care plans participating in the health insurance exchanges were only permitted to contract with hospitals that implemented programs designed to ensure patient safety

and enhance quality of care. The effect of these provisions upon the process of negotiating contracts with insurers or the costs of implementing such programs has not yet been determined.

- Commencing October 1, 2010, through September 30, 2019, payments under the “Medicare Advantage” programs (Medicare managed care) were being reduced, which may result in increased premiums or out-of-pocket costs to Medicare beneficiaries enrolled in Medicare Advantage plans. Those beneficiaries may terminate their participation in those plans and opt for the traditional Medicare fee-for-service program. The reduction in payments to Medicare Advantage programs may also lead to decreased payments to providers by managed care companies operating Medicare Advantage programs. All or any of these outcomes will have a disproportionately negative effect upon those providers with relatively high dependence upon Medicare managed care revenues.
- Effective in 2012, a value-based purchasing program was established under the Medicare program designed to pay hospitals based on performance on quality measures.
- With varying effective dates, the Health Care Reform Act mandates a reduction of waste, fraud and abuse in public programs by allowing 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, and by requiring Medicare and Medicaid program providers and suppliers to establish compliance programs. The legislation requires the development of a database to capture and share healthcare provider data across federal healthcare programs and also provides for increased penalties for fraud and abuse violations, and increased funding for anti-fraud activities.
- Additional requirements for tax-exemption were imposed upon tax-exempt hospitals, including obligations to conduct a community needs assessment every three years; adopt an implementation strategy to meet those identified needs; adopt and publicize a financial assistance policy; limit charges to patients who qualify for financial assistance to the lowest amount charged to insured patients; and control the billing and collection processes. Failure to satisfy these conditions may result in the imposition of fines or threaten a hospital’s tax-exempt status.
- Commencing in 2014, the potential implementation of proposals developed by an Independent Payments Advisory Board to improve the quality of care and limit cost increases.
- The end of the risk corridor program, which ran from 2014 to 2016, and the failure of the government to repay risk corridor collections.

The Health Care Reform Act also provided for the implementation of various demonstration programs and pilot projects to test, evaluate, encourage and expand new payment structures and methodologies to reduce health care expenditures while maintaining or improving quality of care, including bundled payments under Medicare and Medicaid, and comparative effectiveness research programs that compare the clinical effectiveness of medical treatments and develop recommendations concerning practice guidelines and coverage determinations. Other provisions encourage the creation of new health care delivery programs, such as accountable care organizations, or combinations of provider organizations, that voluntarily meet quality thresholds to share in the cost savings they achieve for the Medicare program. The projects and programs have continued to evolve and their effect on payments to providers and financial performance continues to change. These programs and projects have caused, and may continue to cause in the future, a reduction in the net revenues of the Obligated Group.

Based upon all of the above, it is more difficult to project future performance than it has been in the past, particularly because of the continued enactment of additional laws and promulgation of new regulations and guidelines that is expected to occur for an indefinite, but lengthy, period of time into the future.

Nonprofit Healthcare Environment

CHNw, CHS and CHRH are nonprofit corporations, exempt from federal income taxation as organizations described in Section 501(c)(3) of the Code. As nonprofit tax-exempt organizations, CHNw, CHS and CHRH 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, CHNw, CHS and CHRH conduct large-scale complex business transactions and are major employers in their geographic areas. There can often be a tension between the rules designed to regulate a wide range of charitable organizations and the day-to-day operations of complex healthcare organizations.

Recently, an increasing number of the operations or practices of healthcare providers have been challenged or questioned to determine if they are consistent with the regulatory requirements for nonprofit tax-exempt organizations. These challenges 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. 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 and others. These challenges and questions have come from a variety of sources, including state attorneys general, the Internal Revenue Service, 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:

Congressional Hearings. A number of House and Senate Committees, including, the House Committee on Energy and Commerce, the House Committee on Ways and Means and the Senate Finance Committee, have conducted hearings and/or investigations into issues related to nonprofit tax-exempt health care organizations. These hearings and investigations have included a nationwide investigation of hospital billing and collection practices, charity/indigent care, community benefit, prices charged to uninsured patients and possible reforms to the nonprofit health care sector. These hearings and investigations may result in new legislation. The effect on the nonprofit health care sector or on CHNw and the other Members of the Obligated Group of any such legislation, if enacted, cannot be determined at this time.

Internal Revenue Service Examination of Compensation Practices. The Internal Revenue Service has undertaken an enforcement effort to identify and halt abuses by tax-exempt organizations that pay excessive compensation and benefits to their officers and other insiders. This examination project is ongoing and may be extended to other transactions.

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

State Oversight. Nonprofit corporations, including CHNw and the other Members of the Obligated Group, are subject to oversight and examination by the Indiana Attorney General to ensure their charitable purposes are being carried out, that their fundraising and investment activities comply with state law and that the terms of charitable gifts are followed.

Challenges to Real Property Tax Exemptions. 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 charitable activities. These challenges have been based on a variety of grounds, including allegations of aggressive billing and collection practices and excessive financial margins. Several of these disputes have been determined in favor of the taxing authorities or have resulted in settlements.

User Fees. Various state and local governmental units, including some in Indiana, have considered the enactment of laws, regulations and ordinances to impose “user fees” on tax-exempt hospitals to apply to the cost of providing governmental services, such as fire and police services, to these hospitals.

Action by Purchasers of Hospital Services and Consumers. Major purchasers of hospital services could take action to restrain hospital charges or charge increases. As a result of increased public scrutiny, it is also possible that the pricing strategies of hospitals may be perceived negatively by consumers, resulting in decreased utilization and/or forcing hospitals to reduce fees for their services, negatively affecting hospital revenues.

The foregoing are some examples of the challenges and examinations facing nonprofit healthcare organizations. They are indicative of a greater scrutiny of the billing, collection and other business practices of these organizations, and may indicate an increasingly more difficult operating environment for healthcare organizations, including CHNw, CHS and CHRH. The challenges and examinations, and any resulting legislation, regulations, judgments or penalties, could have a material adverse effect on the Obligated Group.

Charity Care

Hospitals are permitted to acquire tax-exempt status under the Code because the provision of health care historically has been treated as a “charitable” enterprise. This treatment arose before most Americans had health insurance, when charitable donations were required to fund the health care provided to the sick and disabled. Some commentators and others have taken the position that, with the onset of employer health insurance and governmental reimbursement programs, there is no longer any justification for special tax treatment for the health care industry, and the availability for tax-exempt status should be eliminated. Federal and state tax authorities are demanding that tax-exempt hospitals justify their tax-exempt status by documenting their charitable care and other community benefits.

Accountable Care Organizations

The Health Care Reform Act establishes a Medicare Shared Savings Program that seeks to promote accountability and coordination of care through the creation of Accountable Care Organizations (“ACOs”). The program will allow hospitals, physicians and others to form ACOs and work together to invest in infrastructure and redesign integrated delivery processes which are intended 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. The United States Department of Health and Human Services 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, the Centers for Medicare & Medicaid Services (“CMS”) published the final rules regarding ACOs. In June 2015, CMS released a final rule containing changes to its Medicare Shared Savings Program and commentary on the rule that had important implications for ACOs, particularly those owned and operated by hospitals and health systems. The regulations regarding ACOs have been complex and the feasibility and profitability of ACOs remain in question. For those that do qualify, it is not clear if the savings associated with the ACO will be adequate to recoup the 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. In particular, since the federal ACO regulation does not preempt state law, providers in any state participating as a federal ACO must be organized and operated in compliance with such state’s existing statutes and regulations. It remains unclear whether providers will pursue federal ACO status or whether the required investment would be warranted by the potential for increased payment. Nevertheless, it is anticipated that private insurers may seek to establish similar incentives for providers, while requiring less infrastructural and organizational change. The potential impacts of these initiatives are unknown.

Gross Patient Service Revenues

Gross patient service revenues realized by the Obligated Group are derived from a variety of sources and will vary among the individual facilities owned and operated by the Obligated Group and also among the various

market areas in which such facilities are located. Certain facilities and market areas may realize substantially more revenues from private payment programs, such as managed care organizations, than do others.

A substantial portion of the gross patient service revenues of the Obligated Group is derived from third-party payors which pay for the services provided to patients covered by third parties for services. These third-party payors include the federal Medicare program, federal and state Medicaid programs and private health plans and insurers, including health maintenance organizations and preferred provider organizations. Many of those programs make payments to the Obligated Group in amounts that may not reflect the direct and indirect costs of the Obligated Group providing services to patients.

The financial performance of the Obligated Group has been and could be in the future adversely affected by the financial position or the insolvency or bankruptcy of or other delay in receipt of payments from third-party payors that provide coverage for services to the patients of the Obligated Group.

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 a combined federal and state program. Medicare provides certain health care benefits to beneficiaries who are 65 years of age or older, blind, disabled or qualify for the End Stage Renal Disease Program. Medicare Part A covers inpatient hospital services, skilled nursing care and some home health care, and Medicare Part B covers physician services and some supplies. Medicaid is designed to pay providers for care given to the medically indigent and others who receive federal aid. Medicaid is funded by federal and state appropriations and administered by the various states. Hospital benefits are available under each participating state's Medicaid program, within proscribed limits, to persons meeting certain minimum income or other eligibility requirements.

Medicare

Medicare is a federal governmental health insurance system under which physicians, hospitals and other health care providers are reimbursed or paid directly for services provided to eligible elderly and disabled persons. Medicare is administered by CMS. In order to achieve and maintain Medicare certification, a health care provider must meet CMS's "Conditions of Participation" on an ongoing basis, as determined by the state in which the provider is located and/or The Joint Commission ("The Joint Commission") or the Healthcare Facilities Accreditation Program ("HFAP").

Medicare patients accounted for approximately 42.1% and 41.2% of the Network's gross patient charges for the fiscal years ended December 31, 2016 and 2015, respectively. See footnote 2 of the Network's consolidated financial statements for the fiscal year ended December 31, 2016, in Appendix B hereto, and see "PAYOR MIX" in Appendix A hereto.

Because of the Obligated Group's reliance upon Medicare, changes in the Medicare program may have a material effect on the Obligated Group. Current and future reductions in Medicare reimbursement, or increases in Medicare reimbursement in amounts less than increases in the costs of providing care, may have a material adverse financial effect on the Obligated Group.

In 2015, the Medicare Access and CHIP Reauthorization Act ("MACRA") was signed into law. MACRA repealed the Sustainable Growth Rate ("SGR") Formula that was previously used to determine Medicare reimbursement rates for physicians.

MACRA replaces the SGR with a reimbursement structure in which physician payments are made based on value, rather than volume. MACRA's value-based programs are based on two reimbursement structures:

The *Merit Based Incentive Payments System* ("MIPS") combines parts of the Physician Quality Reporting System ("PQRS"), the Value Modifier ("VM" or "Value-Based Payment Modifier") and the Medicare Electronic Health Record ("EHR") incentive programs into one. Under MIPS, Eligible Professionals ("Eps") will be measured and paid based on:

- quality;
- resource use;
- clinical practice improvement; and
- meaningful use of certified electronic health record technology

MIPS guidelines will determine whether providers' compensation for Medicare Part B reimbursements is adjusted up, for superior performance, or down, for performance that falls short of the established mean. Based on the MIPS composite performance score, providers will receive positive, negative or neutral adjustments to the base rate of their Medicare Part B Payment that will increase each year from 2019 (+4% to -4%) through 2022 (+9% to -9%), when adjustment levels will stabilize. The MIPS composite performance score will be determined by performance measures established in the forthcoming MACRA rules. MIPS payment adjustments are required to be budget neutral. This means that rather than additional spending, higher reimbursement for those who score well will come from reduced payments to those with poorer performance.

Alternative Payment Models ("APMs") provide a new way for Medicare to compensate healthcare providers for the care they give to Medicare beneficiaries. Most providers who participate in APMs will also be subject to MIPS, but will receive favorable scoring – with correspondingly higher reimbursement rates. Providers participating in the most advanced APMs (including Accountable Care Organizations ("ACOs"), Patient Centered Medical Homes and Bundled Payment Models) may be designated as Qualifying APM Participants ("QPs"), which are not subject to MIPS. They may be eligible for:

- annual 5% lump-sum bonus payments from 2019 through 2024;
- beginning in 2026, higher annual premiums (for some participating providers); and
- increased flexibility through physician-focused payment model

The costs of providing a unit of care may exceed the revenues realized from Medicare for providing that service. Additionally, the aggregate costs to a provider of providing care to Medicare beneficiaries may exceed aggregate Medicare revenues received during the relevant fiscal period. Although it is uncertain how MACRA will impact Medicare payment, hospitals' inpatient revenues may diminish under MACRA. The implementation of MACRA may result in physicians responding to payment models in ways that reduce the use of hospital care, such as avoiding admissions and readmissions.

A portion of the Medicare revenues of the Obligated Group is derived from payments made for services rendered to Medicare beneficiaries under a prospective payment system ("PPS"). Under a prospective payment system, the amount paid to the provider for an episode of care is established by federal regulation and is not related to the provider's charges or costs of providing that care. Presently, inpatient and outpatient services, skilled nursing care and home health care are paid on the basis of a prospective payment system. Under inpatient PPS, fixed payment amounts per inpatient discharge are established based on the patient's assigned diagnosis related group, or DRG. DRGs classify treatments for illnesses according to the estimated intensity of hospital resources necessary to furnish care for each principal diagnosis.

PPS exempt hospitals and units (inpatient psychiatric, rehabilitation and long term hospital services) are currently reimbursed for their reasonable costs, subject to a cost per discharge target. These limits are updated annually by an index generally based upon inflationary increases in costs of providing health care services.

From time to time, the factors used in calculating the prospective payments for units of service are modified by CMS, which may reduce revenues for particular services. Additionally, as part of the federal budgetary process, Congress has regularly amended the Medicare law to reduce increases in payments that are otherwise

scheduled to occur, or to provide for reductions in payments for particular services. These actions could adversely affect the revenues of the Obligated Group.

In the Inpatient Prospective Payment Final Rule for 2009 and in the Inpatient Prospective Payment Final Rule for 2010 (together, the “IPPS Rules”), CMS included provisions preventing hospitals from assigning patient cases to DRGs with higher payments where a secondary diagnosis warranting higher payment is one of several specified health conditions and was acquired in the hospital. Specifically, the IPPS Rules identify certain conditions, including certain infections and serious preventable errors (“never events”), for which CMS will not reimburse hospitals unless the conditions were present at the time of admission. CMS has also announced its intent to identify additional conditions for which higher payment will be unavailable. Various HMOs and other private insurers have followed suit in refusing to pay for certain hospital acquired conditions. Recently enacted health care reform legislation further requires limits on reimbursement for “never events.” There can be no assurance that these future payment limitations will not adversely affect the revenues of the Obligated Group. “Never events” 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.

The Balanced Budget Act of 1997 provided authority for CMS to implement a prospective payment system for hospital outpatient services, certain Part B services furnished to hospital inpatients who have no Part A coverage, and partial hospitalization services furnished by community mental health centers (“Outpatient PPS”). All services paid under this Outpatient PPS are classified into groups called ambulatory payment classifications, or “APCs.” Services in each APC are similar clinically and in terms of the resources they require. A payment rate is established for each APC which is based on national median hospital costs (including operating and capital costs) adjusted for variations in hospital labor costs across geographic areas. Depending on the services provided, hospitals may be paid for more than one APC for an encounter. There can be no assurance that payments under Outpatient PPS will be sufficient to cover the actual costs of providing such services.

Additional payments may be made to individual providers. Hospitals that treat a disproportionately large number of low income patients (Medicaid and Medicare patients eligible to receive supplemental Social Security income) currently receive additional payments in the form of disproportionate share payments. Additional payments are made to hospitals that treat patients who are costlier to treat than the average patient; these additional payments are referred to as “outlier payments.” Hospitals are paid for a portion of their direct and indirect medical education costs. These additional payments are also subject to reductions and modifications in otherwise scheduled increases as a result of amendments to relevant statutory provisions.

In addition, hospitals participating in Medicare are subject to audits and retroactive audit adjustments with respect to reimbursements claimed under the Medicare program. The Obligated Group receives payments for various services provided to Medicare patients based upon charges or other reimbursement methodologies that are then reconciled annually based upon the preparation and submission of annual cost reports. Estimates for the annual cost reports are reflected on the Network’s financial statements as amounts due to/from third-party payors and represent several years of open cost reports due to time delays in Medicare audits and the complexity of billing and reimbursement regulations. These estimates are adjusted periodically based upon correspondence received from Medicare. Medicare regulations also provide for withholding Medicare payment in certain circumstances if it is determined that an overpayment of Medicare funds has been made. In addition, under certain circumstances, payments 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 Obligated Group to civil or criminal sanctions. Under regulations proposed in February 2012, the Health Care Reform Act would require overpayments to be refunded to Medicare by the later of the date which is 60 days after the date the overpayment was “identified” or the due date of any corresponding cost report. Any overpayment retained beyond this deadline may be treated as a false claim. Under the proposed regulations, an overpayment is deemed to be “identified” when the provider has actual knowledge of the overpayment or where the provider is deliberately ignorant or recklessly disregards whether it has received an overpayment. As a result, the Obligated Group must exercise reasonable diligence to determine if Medicare overpayments exist to avoid a claim that it was deliberately ignorant or recklessly disregarded whether it has been overpaid. The proposed regulations also amend Medicare regulations to allow reopening within ten years from the date of the Medicare payment.

The Balanced Budget Act of 2003 also included provisions creating a three-year demonstration program using Recovery Audit Contractors (“RACs”) to detect and correct improper payments in the Medicare fee for

service program. The RAC demonstration program was designed to determine whether the use of RACs would be a cost-effective means of adding resources to ensure correct payments were being made to providers and suppliers and, therefore, protect the Medicare Trust Fund. The demonstration program operated initially in New York, Florida and California, and was expanded to Massachusetts and South Carolina, and ended on March 27, 2008. The Tax Relief and Health Care Act of 2006 made the RAC program permanent and required the Secretary of the Department of Health and Human Services to expand the program to all 50 states in a permanent program. As implemented by CMS, RACs are required to identify both overpayments and underpayments and are paid on a contingency fee basis. It is unknown what, if any, future impact such reviews will have on the revenues of the Obligated Group.

CMS regulations describe the criteria and procedures for determining whether a facility or organization is “provider-based” and thereby treated as part of another Medicare provider, rather than as a freestanding entity. The current regulations impose significantly greater requirements for obtaining provider-based status than was the case under previous regulations. Reclassification of or failure to obtain provider-based status in the future for any of the provider-based facilities or departments of the Obligated Group could reduce reimbursement under the Medicare program. In addition, in the event that a facility or department that bills for outpatient services as a provider-based entity is found to be out of compliance with the current provider-based regulations, the Obligated Group could be liable for Medicare overpayments.

Medicaid

General. Medicaid is a health insurance program for certain low-income and needy individuals that is jointly funded by the federal government and the states. Pursuant to broad federal guidelines, each state establishes its own eligibility standards; determines the type, amount, duration and scope of services; sets the payment rates for services; and administers its own programs. Effective 2014, the Health Care Reform Act (as modified by the June 28, 2012, Supreme Court decision) gives states the option to expand Medicaid eligibility to all individuals under age 65 with incomes at or below 133% of the federal poverty level guidelines.

Medicaid patients accounted for approximately 18.5% and 16.4% of the Network’s gross patient charges for the fiscal years ended December 31, 2016 and 2015, respectively. See footnote 2 of the Network’s consolidated financial statements for the fiscal year ended December 31, 2016, in Appendix B hereto, and see “PAYOR MIX” in Appendix A hereto.

Under the Medicaid program, the federal government supplements funds provided by the various states for medical assistance to the medically indigent. Payment for medical and health services is made to providers in amounts determined in accordance with procedures and standards established by state law under federal guidelines. Fiscal considerations of both federal and state governments in establishing their budgets will directly affect the funds available to the providers for payment of services rendered to Medicaid beneficiaries.

Payment for Medicaid patients is subject to appropriation by the respective state legislatures of sufficient funds to pay the incurred patient obligations. Delays in appropriations and state budget deficits which may occur from time to time create a risk that payment for services to Medicaid patients will be withheld, reduced or delayed.

The federal and state governments have considered, and are continuing to consider, changes to Medicaid funding, particularly in light of the budget crises facing many states, including Indiana. The United States Congress continues to explore options for a long-term solution to the funding difficulties with Medicaid. Certain proposals being examined may ultimately result in reduced federal Medicaid funding to the states, which could adversely impact the amount of revenue received by the Obligated Group.

Indiana. Since a portion of the Medicaid program’s costs in Indiana is paid by the State of Indiana, the absolute level of Medicaid revenues paid to the Obligated Group, as well as the timeliness of their receipt, may be affected by the financial condition of and budgetary factors facing the State of Indiana. The actions the State of Indiana could take to reduce Medicaid expenditures to accommodate any budgetary shortfalls include, but are not limited to, changes in the method of payment to hospitals, changes in eligibility requirements for Medicaid recipients and delays or reductions in payments due to hospitals. Any such action taken by the State of Indiana could have a material adverse effect upon the Obligated Group’s operations and financial results. As such, no assurance can be given that payments under the Medicaid program will be sufficient to cover the operating and

capital costs incurred by the Obligated Group in providing services to Medicaid beneficiaries or that further significant changes to the Medicaid program may not be implemented by the Indiana General Assembly.

While federal laws impose certain basic requirements on the individual Medicaid plans developed by the states, each state develops its own payment system; determines the type, amount, duration and scope of services; establishes eligibility standards; and administers its own program. Payments for services rendered to Indiana Medicaid beneficiaries remain subject to an appropriation by the Indiana General Assembly of sufficient funds to pay the incurred payment obligations for the Medicaid program. Delays in appropriations and state budgets which may occur from time to time create a risk that payment for services to Medicaid beneficiaries will be delayed or withheld.

The Indiana Medicaid program makes payments to hospitals using a DRG system that bases payments on patient discharges. Previously, the Indiana Medicaid program reimbursed hospitals for inpatient services on the basis of the hospital's reasonable costs, as determined under Medicare cost reimbursement principles, and limited such reimbursement by allowing increases in the per discharge target rates based upon certain fiscal year inflationary adjustment percentages.

The Indiana Medicaid Program has an outpatient payment system that reimburses hospitals based upon established fee schedule allowances and rates for surgery groups. Previously, outpatient reimbursement was made on a prospective reimbursement methodology providing a predetermined percentage based upon an aggregate "cost-to-charge" ratio, with no year-end costs settlement. Consequently, no assurance can be given that Medicaid payments received or to be received by the Obligated Group will be sufficient to cover costs for inpatient and outpatient services, debt service obligations or other expenses otherwise eligible for reimbursement.

Effective January 1, 2014, the Indiana Family and Social Services Administration, Office of Medicaid Policy and Planning ("OMPP"), adopted an emergency rule under the Indiana Administrative Code temporarily reducing state Medicaid hospital reimbursement. For the period of January 1, 2014, through June 30, 2018, OMPP reduced reimbursement by 3% for inpatient hospital services and outpatient hospital services (excluding ambulatory surgical center reimbursement) (the "3% Reduction"). The 3% Reduction was subsequently extended through June 30, 2019. The Indiana Family and Social Services Administration has stated that the 3% Reduction is necessary to avoid a budgetary shortfall and to remain within the available Medicaid appropriation. Beginning July 1, 2019, reimbursement rates are scheduled to return to the level that was in effect prior to the 3% Reduction. Any extension of the 3% Reduction or the implementation of additional reductions, if any, could adversely impact future reimbursements received by the Obligated Group.

Effective July 1, 2011, Indiana authorized assessment of a provider tax on hospitals (the "Hospital Assessment Fee" or "HAF"), which was extended until June 30, 2017. The HAF was subsequently extended through June 30, 2019, by the Indiana General Assembly. Revenue raised from the HAF is to be used, in part, to increase Medicaid reimbursement to Medicare payment levels for general, acute care hospitals that are not operated by the state or federal government. The 3% Reduction will not apply to hospitals that pay the HAF. The HAF and the increased Medicaid reimbursement (as well as the exemption from the 3% Reduction) may be extended beyond June 30, 2019; however there is no assurance that will occur.

CMS approved Indiana's Medicaid waiver plan known as the Healthy Indiana Plan 2.0, or HIP 2.0, which was implemented effective February 1, 2015. HIP 2.0 derives the nonfederal share of Medicaid payments starting in 2017 by a combination of revenues from Indiana's existing cigarette tax and an increase in the HAF. A committee of hospital representatives and State officials will determine the HAF each year during the five-year waiver period using a formula that, combined with annual cigarette tax revenues, must be sufficient to:

- expand Medicaid to all applicants below 138% of the federal poverty level, including administrative costs and the cost of a new premium assistance program for employer sponsored coverage;
- provide the nonfederal share of payments to fund an increase from approximately 55% to 75% of Medicare reimbursement rates for physician and physician extender services provided under current Medicaid programs, including Hoosier Healthwise, programs for the aged, blind and disabled, and other non-HIP programs; and

- provide additional annual funding of \$50 million starting in 2017 to fund the Medicaid program and contributions to the HIP trust fund to assure appropriate reserves and funding for one year of HIP operational costs.

The terms of the State's approved waiver request rely on the availability of the enhanced federal matching rate and the continuation of the HAF. If either funding source is reduced or eliminated at any point during the five-year waiver period, the HIP 2.0 program will automatically terminate for the new expansion population. There is no assurance that either funding source will be available at projected levels during the waiver period or that the waiver period will be extended.

Certain Indiana hospitals that serve a disproportionate share of Medicaid and low-income patients may be eligible to receive "disproportionate share payment adjustments" or "significant disproportionate share payment adjustments" and may qualify for additional enhanced disproportionate share payments, as well as indigent care payments. The disproportionate share adjustment and significant disproportionate share adjustment are percentage add-ons to the regular hospital reimbursements based upon each hospital's Medicaid and low-income patient utilization. The enhanced disproportionate share adjustment provides additional funds to eligible hospitals based upon their Medicaid discharges and patient days. Indigent care payments provide funds for the treatment of eligible individuals based upon each inpatient day. Although the Obligated Group has from time to time in the past received disproportionate share payments, there can be no assurance that the Obligated Group will continue to receive disproportionate share hospital payments or enhanced disproportionate share hospital payments in the future.

Section 340B Drug Pricing Program

Congress established section 340B of the Public Health Service Act in the Veterans Health Care Act of 1992 ("340B Program") to require drug manufacturers to sell certain outpatient drugs at discounted prices ("340B Drugs") to eligible clinics, hospitals and other entities—commonly referred to as covered entities—in order to have their drugs covered by Medicaid. The Health Resources and Services Administration ("HRSA") of the United States Department of Health and Human Services ("HHS") administers the 340B Program.

The Health Care Reform Act expanded the definition of covered entities to include general acute care hospitals that serve a disproportionate number of low-income patients, referred to as disproportionate share hospitals (DSH). In addition, hospitals must qualify as either government owned or operated hospitals or as private, nonprofit hospitals under contract with a state or local government to provide health care services to low-income individuals who are not eligible for Medicaid or Medicare. Hospitals may dispense 340B Drugs only to registered patients in connection with outpatient services provided by a health care professional employed by or under contract with the hospital.

Covered entities can dispense 340B Drugs to all eligible patients regardless of income or insurance status and generate revenue by receiving reimbursement from insurance that may exceed the 340B price paid for the drugs. The 340B Program does not dictate how covered entities are to use this revenue or require that they pass the discounts on to patients. In 2011, the U.S. Government Accountability Office (GAO) reported that the 340B discount ranges from an estimated 20 to 50 percent discount, resulting in significant profits from dispensing 340B Drugs to patients other than Medicaid and Medicare beneficiaries. The GAO recommended that HRSA audit covered entities to prevent dispensing of 340B Drugs to ineligible patients.

In accordance with the GAO recommendations, HRSA now conducts approximately 200 audits of covered entities annually. On August 28, 2015, HRSA published proposed 340B Drug Pricing Program Omnibus Guidance in the Federal Register, 80 Fed. Reg. 52300 ("Proposed Guidance"). The Proposed Guidance would have reinforced that a pharmacy operated by or under contract with a covered entity may not dispense 340B Drugs to any patient not registered as a hospital outpatient or pursuant to a prescription from a health care professional not employed by or under contract with the covered entity at the time of dispensing. On January 30, 2017, HRSA withdrew the Proposed Guidance in accordance with directives from the new administration to freeze, withdraw or postpone all non-final federal regulations and guidance. HRSA may in the future seek to promulgate a rule or issue additional guidance.

In addition, the calendar year 2018 updates to the Medicare Outpatient Prospective Payment System ("OPPS") published on December 14, 2017, reduced the Medicare Part B payment rate to hospitals for 340B Drugs from average sales price (ASP) plus 6 percent to ASP minus 22.5 percent. CMS estimated that this change would

reduce Medicare Part B payments for 340B Drugs dispensed to Medicare beneficiaries by approximately \$1.6 billion in calendar year 2018. CMS indicated in the final rule that a reduction in the Part B payment for 340B Drugs still leaves room for covered entities to generate profits from Part B payments and does not affect current profit levels for 340B Drugs covered by other payers. CMS also stated that it may decide to revisit 340B Drug payment policy in the calendar year 2019 OPPTS rule. Thus, it is possible that CMS could propose additional reductions in future years.

The American Hospital Association is joining two other hospital lobbying groups — America's Essential Hospitals and the Association of American Medical Colleges — in a lawsuit against CMS over the payment cuts for 340B Drugs.

Civil and Criminal Fraud and Abuse Laws

Federal and state health care fraud and abuse laws regulate both the provision of services to government program beneficiaries and the methods and requirements for submitting claims for services rendered to beneficiaries. Under these laws, individuals and organizations can be penalized for submitting claims for services that are not provided, billed in a manner other than as actually provided, not medically necessary, provided by an improper person, accompanied by an illegal inducement to utilize or refrain from utilizing a service or product, or billed in a manner that does not otherwise comply with applicable government requirements.

Federal and state governments have a range of criminal, civil and administrative sanctions available to penalize and remediate healthcare fraud and abuse, including exclusion of the provider from participation in the Medicare/Medicaid programs, fines, civil monetary penalties, suspension of payments and, in the case of individuals, imprisonment. Fraud and abuse may be prosecuted by one or more government entities and/or private individuals, and more than one of the available penalties may be imposed for each violation.

Laws governing fraud and abuse apply to all individuals and healthcare enterprises with which a hospital does business, including other hospitals, home health agencies, long term care entities, infusion providers, pharmaceutical providers, insurers, health maintenance organizations, preferred provider organizations, third party administrators, physicians, physician groups and physician practice management companies. Fraud and abuse prosecutions can have a catastrophic effect on a provider and potentially a material adverse impact on the financial condition of other entities in the healthcare delivery system of which that entity is a part.

The federal Anti-Kickback statute (the “Anti-Kickback Law”) 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 health care program. The statute covers 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 Law may result in imprisonment for up to five years and/or fines of up to \$25,000 for each act. In addition, the Office of Inspector General (the “OIG”) has the authority to impose civil assessments and fines and to exclude hospitals engaged in prohibited activities from the Medicare, Medicaid, TRICARE (a health care program providing benefits to dependents of uniformed services), and other federal health care programs for not less than five years. In addition to certain statutory exceptions to the Anti-Kickback Law, the OIG has promulgated a number of regulatory “safe harbors” under the Anti-Kickback Law 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. Failure to comply with a statutory exception or regulatory safe harbor, or to receive an advisory opinion with respect thereto, does not mean that an arrangement is unlawful, but may increase the likelihood of challenge.

The Health Insurance Portability and Accountability Act of 1996 (“HIPAA”) created a new program operated jointly by HHS and the United States Attorney General to coordinate federal, state and local law enforcement with respect to fraud and abuse, including the Anti-Kickback Law. HIPAA also provides for the possibility of minimum periods of exclusion from a federal health care program for fraud related to federal health care programs and intermediate sanctions and expands the scope of civil monetary penalties. The Balanced Budget Act of 1997 expanded the authority of the OIG to exclude persons from federal health care programs, increased certain civil and monetary penalties for violations of the Anti-Kickback Law 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 health care programs. Finally, actions which violate the Anti-Kickback Law or similar laws may also involve liability under the

federal civil False Claims Act which prohibits the knowing presentation of a false, fictitious or fraudulent claim for payment to the United States. Actions under the civil False Claims Act may be brought by the United States Attorney General or as a qui tam action brought by a private individual in the name of the government.

Pursuant to the mandates of HIPAA, increased emphasis is being placed on federal investigations and prosecutions of Medicare and Medicaid “fraud and abuse” cases, and increases in personnel investigations and prosecuting such cases have been reported, which will most likely result in a higher level of scrutiny of hospitals and health care providers, including the Obligated Group.

Because of the breadth of the Anti-Kickback Law, and the narrowness of the safe harbor regulations, there can be no assurance that an Obligated Group Member will not be found to have violated the Anti-Kickback Law.

Another federal law (known as the “Stark Law”) prohibits, subject to certain 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 patients to such entities for the furnishing of such designated health services. Stark Law designated health services include physical therapy services, occupational therapy services, speech-language pathology, radiology or other diagnostic services (including magnetic resonance imaging (“MRIs”), computed tomography (“CT”) scans and ultrasound procedures), durable medical equipment, radiation therapy services, diagnostic and therapeutic nuclear medicine services, parenteral and enteral nutrients, equipment and supplies, prosthetics, orthotics and prosthetic devices, home health services, outpatient prescription drugs, inpatient and outpatient hospital services and clinical laboratory 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. The prohibition applies regardless of the reasons for the financial relationship and the referral; that is, unlike the federal Anti-Kickback Law, no finding of intent to violate the Stark Law is required. 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 ownership and investment interests and compensation arrangements that fail to meet an exception.

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 claim submitted pursuant to the prohibited referral, exclusion from 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. The Health Care Reform Act codify the legal concept that knowing violations of the Stark Law may also serve as the basis for liability under the False Claims Act. Medicare providers and suppliers are expressly obligated under the Health Care Reform Act to report and return overpayments (which include payments received in violation of the Stark Law) within 60 days of the date that the overpayment is “identified”. Overpayments retained after the 60 day grace period may be considered an “overpayment” for false claim liability under the False Claims Act, and could therefore be subject to treble damages and penalties if there is a “knowing and improper” failure to return the overpayment.

There can be no assurance that an Obligated Group Member’s arrangements with physicians will not be found to violate the Stark Law. Any sanctions imposed on an Obligated Group Member under the Stark Law, including exclusion from the Medicare and Medicaid programs, could have a material adverse effect on the Obligated Group.

There are principally three federal statutes addressing the issue of “false claims.” First, the False Claims Act 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. This statute authorizes private persons to file qui tam actions on behalf of the United States.

In addition to the False Claims Act, the Civil Monetary Penalties Law authorizes the imposition of substantial civil money penalties against an entity that engages in activities including, but not limited to: (i) 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; (ii) knowingly giving or causing to be given false or misleading information reasonably expected to influence the decision to discharge a patient; (iii) offering or giving

remuneration to any beneficiary of a federal health care program likely to influence the receipt of reimbursable items or services; (iv) arranging for reimbursable services with an entity which is excluded from participation from a federal health care program; (v) knowingly or willfully soliciting or receiving remuneration for a referral of a federal health care program beneficiary; or (vi) using a payment intended for a federal health care program beneficiary for another use. The Secretary of HHS, acting through the OIG, also has both mandatory and permissive authority to exclude individuals and entities from participation in federal health care programs pursuant to this statute.

Finally, it is a criminal federal health care fraud offense to (i) knowingly and willfully execute or attempt to execute any scheme to defraud any healthcare benefit program or (ii) 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.

The Obligated Group has internal policies and procedures and has developed and implemented a compliance program to reduce exposure for violations of the laws described above. However, because the government's enforcement efforts presently are widespread within the industry and may vary from region to region, there can be no assurance that the compliance program will significantly reduce or eliminate the exposure of the Obligated Group to civil or criminal sanctions or adverse administrative determinations.

Review of Outlier Patients

CMS is reviewing health care providers that are receiving large proportions of their Medicare revenues from outlier payments. Health care providers found to have obtained inappropriately high outlier payments will be subject to further investigation by the CMS Program Integrity Unit and potentially the Office of Inspector General.

Patient Records, Confidentiality and Transfers

The Health Insurance Portability and Accountability Act of 1996, or "HIPAA", addresses the confidentiality of individuals' health information. Disclosure of certain broadly defined protected health information is prohibited unless expressly permitted under the provisions of the HIPAA statute and regulations or authorized by the patient. HIPAA's confidentiality provisions extend not only to patient medical records, but also to a wide variety of health care clinical and financial settings where patient privacy restrictions often impose new communication, operational, accounting and billing restrictions. These add costs and create potentially unanticipated sources of legal liability.

HIPAA imposes civil monetary penalties for violations and criminal penalties for knowingly obtaining or using individually identifiable health information. The civil monetary penalties are \$100 per violation, up to \$50,000 per HIPAA standard violated subject to a calendar year maximum of \$1,500,000. The criminal penalties range from \$50,000 to \$250,000 in fines and/or imprisonment for up to ten years if the information was obtained or used with the intent to sell, transfer or use the information for commercial advantage, personal gain or malicious harm.

The Health Information Technology for Economic and Clinical Health Act (the "HITECH Act") significantly changed the landscape of federal privacy and security law with regard to individually identifiable health information. The HITECH Act (i) extended the reach of HIPAA, (ii) imposed a breach notification requirement on HIPAA covered entities, (iii) limited certain uses and disclosures of individually identifiable health information, (iv) increased individuals' rights with respect to individually identifiable health information and (v) increased enforcement of, and penalties for, violations of privacy and security of individually identifiable health information. Many of the HITECH Act's provisions became effective on February 17, 2010, but other provisions require implementing regulations that have yet to be issued.

Any violation of the HITECH Act is subject to HIPAA civil and criminal penalties. Additionally, the HITECH Act also created a tiered approach to civil monetary penalties for violations of HIPAA and the HITECH Act. The new tiered approach under the HITECH Act provides for civil monetary penalties of up to \$1,500,000 for violations during a calendar year.

Federal and state authorities are increasingly focused on the importance of protecting the confidentiality of individuals' personal information, including patient health information. Many states, including Indiana, have enacted laws requiring businesses to notify individuals of security breaches that result in the unauthorized release of personal information. In some states, notification requirements may be triggered even where information has not been used or disclosed, but rather has been inappropriately accessed. State consumer protection laws may also provide the basis for legal action for privacy and security breaches and frequently, unlike HIPAA, authorize a private right of action. In particular, the public nature of security breaches exposes health organizations to increased risk of individual or class action lawsuits from patients or other affected persons, in addition to government enforcement. Failure to comply with restrictions on patient privacy or to maintain robust information security safeguards, including taking steps to ensure that contractors who have access to sensitive patient information maintain the confidentiality of such information, could damage a health care provider's reputation and materially adversely affect business operations.

The Emergency Medical Treatment and Active Labor Act ("EMTALA"), a federal "anti-dumping" statute, imposes certain requirements that must be met before transferring a patient to another facility. Failure to comply with EMTALA can result in exclusion from the Medicare and/or Medicaid programs as well as civil and criminal penalties. Failure of the Obligated Group to meet its responsibilities under EMTALA could adversely affect the financial conditions of the Obligated Group.

Electronic Health Records

The American Recovery and Reinvestment Act of 2009 (the "ARRA") provides for Medicare payment adjustment for eligible acute care inpatient hospitals that are unable to become meaningful users of certified electronic health record ("EHR") technology. Eligible hospitals that are not or were not meaningful EHR users were subject to a payment adjustment on October 1, 2017. Any inability of any Obligated Group Member to achieve meaningful use of certified EHR technology will result in lower Medicare reimbursement under the inpatient prospective payment system.

Physician Recruitment

The Internal Revenue Service ("IRS") and the OIG have issued various pronouncements that could limit physician recruiting and retention arrangements. In IRS 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 Law unless a regulatory exception applies. Physician recruiting and retention arrangements may also implicate the Stark Law. The OIG has promulgated a limited practitioner recruitment safe harbor and CMS has created a limited Stark Law exception for practitioner recruitment.

No assurance can be given that these or future laws, regulations or policies will not have a material adverse impact on the ability of the Obligated Group to recruit and retain physicians.

Federal and State Legislation

The Obligated Group is subject to a wide variety of federal regulatory actions and legislative and policy changes by those governmental and private agencies that administer Medicare and Medicaid and other federal healthcare programs and other third party payors, and actions by, among others, the Department of Health and Human Services, the Internal Revenue Service, the Office of the Inspector General, the National Labor Relations Board, the Healthcare Facilities Accreditation Program, and other federal, state and local governmental agencies. There can be no assurance that such agencies and legislative bodies may not make regulatory or legislative policy changes that could produce adverse effects upon the ability of the Obligated Group to generate revenues or upon the utilization of its health facilities.

Wide varieties of bills and regulations proposing to regulate, control or alter the method of financing healthcare costs are often proposed and introduced in Congress, state legislatures and regulatory agencies. Legislation or regulatory actions have been enacted, proposed or discussed which would, among other things:

- Condition the use of tax-exempt financing and the receipt of certain Medicare funding on hospital acceptance of Medicaid patients;
- Condition tax exemption on furnishing a full time emergency room and deny tax exemption for any period of time during which a hospital's Medicare provider agreement is terminated or suspended due to a violation of the Emergency Medical Treatment and Active Labor Act;
- Condition tax exemption on provision of certain levels of charity care;
- Set new standards for medical staff peer review, potentially increasing hospital exposure to litigation and/or liability regarding medical staff disputes;
- Prohibit many hospital physician joint business ventures which are typical of the healthcare industry, and limit the permissibility of many other hospital physician employment, contractual and business relationships;
- Effectively reintroduce a new federally mandated health planning process through which capital improvements would require more extensive government approval;
- Extend the prohibition on patient referral arrangements for items or services between physicians and providers in which referring physicians have certain financial interests;
- Increase the probability of labor union organization and activity in the healthcare industry;
- Restrict rate increases by private hospitals;
- Shift funding for Medicaid to block grants to the states; and
- Impose provider taxes on hospitals at the federal level or in one or more states.

This list is not comprehensive, and there could be new proposals or regulatory approaches introduced. Because of the many possible financial effects that could result from enactment of any bills or regulatory actions proposing to regulate the healthcare industry, it is not possible to predict with assurance the effect on the business of the Obligated Group of such bills or regulatory actions.

Private Health Plans and Insurers

Certain private insurance companies contract with hospitals on an "exclusive" or a "preferred" provider basis, and some insurers have introduced plans known as "preferred provider organizations" ("PPOs"). Under such plans, there may be financial incentives for subscribers to use only those hospitals which contract with the plans. Under an exclusive provider plan, which includes most health maintenance organizations ("HMOs"), private payors limit coverage to those services provided by selected hospitals. With this contracting authority, private payors may direct patients away from unselected hospitals by denying coverage for services provided by them.

Most PPOs and HMOs currently pay hospitals on a discounted fee for service basis or on a discounted fixed rate per day of care. Many healthcare providers, including the Obligated Group, do not have accurate information about their actual costs of providing specific types of care, particularly since each patient presents a different mix of services and length of stay. Consequently, the discounts offered to HMOs and PPOs may result in payment at less than actual cost, and the volume of patients directed to a hospital under an HMO or PPO contract may vary significantly from projections. Therefore, the future financial consequences of such contracts are unknown, and their effect on the financial condition of the Obligated Group may be different in the future than that reflected in the financial statements set forth in Appendix B hereto.

Some HMOs offer and mandate a "capitation" payment method under which hospitals are paid a predetermined periodic rate for each enrollee in the HMO who is "assigned" to, or otherwise directed to receive care at, a particular hospital. In a capitation payment system, the hospital assumes an insurance risk for the cost and scope of care given to such HMO's enrollees. In some cases, the capitated payment covers total patient care

provided, including the physician's component. If payment under an HMO or PPO contract is insufficient to meet the hospital's costs of care, the financial condition of the hospital may erode rapidly and significantly. Often, HMO or PPO contracts are enforceable for a stated term, regardless of provider losses. Furthermore, HMO contracts may contain a requirement that the hospital care for HMO enrollees for a certain period of time regardless of whether the HMO has funds to make payment to the hospital.

The Obligated Group Members currently have contracts with HMOs, PPOs and other managed care providers, the terms of which include discounted fee for service payments, discounted fixed rate per day of care payments and DRG type payments. There is no assurance that the Obligated Group Members will maintain such contracts or obtain other similar contracts in the future. Failure to maintain such PPO and HMO contracts could have the effect of reducing the patient base or gross revenues of the Obligated Group. Conversely, participation may maintain or increase the patient base, but may result in reduced payment and lower net income to the Obligated Group. Furthermore, the effect of such contracts on the financial statements of the Network may be different in the future than that reflected in the financial statements for the current period.

There can be no assurances that the managed care contracts entered into by the Obligated Group Members with managed care providers will be renewed by such providers upon the expiration thereof or will not be terminated prior to the expiration thereof. Termination, or expiration without renewal, of managed care contracts could have a material adverse effect on the financial condition or results of operations of the Obligated Group.

Increasingly, physician practice groups, independent practice associations and other physician management companies have become a part of the process of negotiating payment rates to hospitals by private insurers and health plans. This involvement has taken many forms but typically increases the competition for limited payment resources from private insurers and health plans.

Integrated Delivery Systems

Many hospitals and health systems, including the Obligated Group, are pursuing strategies with physicians that may be capital intensive and that may create certain business and legal liabilities for the related hospital or health system. Such integration strategies take many forms, including medical service organizations ("MSOs") or physician hospital organizations ("PHOs"), which may provide a combination of financial and managed care contracting, and facilities and equipment to groups of physicians. Other integration structures include hospital based clinics or medical practice foundations, which may purchase and operate physician practices, as well as provide all administrative services to physicians.

Often the start up funding for such systems, as well as operational deficits, may be capitalized by the sponsoring hospital or health system. Depending on the size and organizational characteristics of a particular system, these capital requirements may be substantial. In some cases, the sponsoring hospital or health system may be asked to provide a financial guarantee for the debt of a related entity which is carrying out an integrated delivery strategy. In certain of these structures, the sponsoring hospital or health system may have an ongoing financial commitment to support operating deficits, which may be substantial on an annual or aggregate basis.

These types of integrated delivery developments are generally designed to conform to existing trends in the delivery of medicine, to implement anticipated aspects of healthcare reform, to increase physician availability to the community and/or enhance the managed care capability of the affiliated hospital and physicians. However, these goals may not be achieved, and, if the development is not functionally successful, it may produce materially adverse results that are counterproductive to some or all of the above stated goals.

All such integrated delivery developments carry with them the potential for legal or regulatory risks in varying degrees. Such developments may call into question compliance with the Medicare Anti-Kickback Law or Stark Law (collectively, the "anti-referral laws") and relevant antitrust laws (discussed above under "Medicare" and below under "Antitrust"). Questions of federal or state tax exemption may arise in certain types of developments or as a result of formation, operation or future modification of such developments. See "Tax Matters—Tax Exemption for Nonprofit Corporations." MSOs which operate at a deficit over an extended period of time may raise significant risks of investigation or challenge regarding tax exemption or compliance with the Medicare anti-referral laws. In addition, depending on the type of development, a wide range of governmental billing and reimbursement issues may arise, including questions of the authorization of the entity to bill for or on behalf of the physicians involved.

Other related legal and regulatory risks may arise, including employment, pension and benefits, and corporate practice of medicine, particularly in the current atmosphere of frequent and often unpredictable changes in federal and state legal requirements regarding healthcare and medical practice. There can be no assurance that such issues and risks will not lead to material adverse consequences in the future.

Affiliation, Merger, Acquisition and Divestiture

The Obligated Group plans for, evaluates and pursues potential merger and affiliation candidates as a part of its overall strategic planning and development process. Such planning and discussions may result in changes in the composition of the Obligated Group over time. As part of its ongoing planning and property management functions, the Obligated Group reviews the use, compatibility and business viability of its operations, and from time to time the Obligated Group pursues changes in the use or disposition of its facilities. Likewise, the Obligated Group occasionally receives offers from, or conducts discussions with, third parties about the potential acquisition of operations or properties which may become part of the Obligated Group in the future, or about the potential sale of some of the operations and properties which are currently a part of the Obligated Group. Discussions with respect to affiliation, merger, acquisition, disposition or change of use are held on a frequent, and usually confidential, basis with other parties and may include the execution of nonbinding letters of intent. As a result, it is possible that new hospitals will be added as members of the Obligated Group in the future, and that the organizations and assets which make up the current Obligated Group may change from time to time, subject to the provisions of the Master Indenture and other financing documents which apply to the merger, sale, disposition or purchase of assets, or with respect to joining or withdrawing from the Obligated Group.

Currently, the Obligated Group is affiliated with other nonprofit and for-profit organizations. In certain instances, such affiliates may conduct operations which are of strategic importance to the Obligated Group or its operations and may subject the Obligated Group to potential legal or financial liabilities. In some cases, the Obligated Group may fund the affiliates on a startup or ongoing basis, and this funding may be significant.

State Laws

States, including the State of Indiana, are increasingly regulating the delivery of health care services. Much of this increased regulation has centered around the managed care industry. State legislatures have cited their right and obligation to regulate and oversee health care insurance and have enacted sweeping measures that aim to protect consumers and, in some cases, providers. In recent years, a number of states have enacted laws mandating a minimum of a 48-hour hospital stay for women after delivery; laws prohibiting “gag clauses” (contract provisions which prohibit providers from discussing various issues with their patients); laws defining “emergencies,” which provide that a health care plan may not deny coverage for an emergency room visit if a lay person would perceive the situation as an emergency; and laws requiring direct access to obstetrician-gynecologists without the requirement of a referral from a primary care physician.

Due to this increased state oversight, the Obligated Group could be subject to a variety of state health care laws and regulations, affecting both managed care organizations and health care providers. In addition, the Obligated Group could be subject to state laws and regulations prohibiting, restricting or otherwise governing preferred provider organizations, third party administrators, physician-hospital organizations, independent practice associations or other intermediaries; fee-splitting; the “corporate practice of medicine”; selective contracting (“any willing provider” laws and “freedom of choice” laws); coinsurance and deductible amounts; insurance agency and brokerage; quality assurance, utilization review and credentialing activities; provider and patient grievances; mandated benefits; rate increases; and many other areas.

In the event that the Obligated Group engages in businesses subject to such laws, the Obligated Group may be required to comply with these laws or to seek appropriate licenses or other authorizations. Such requirements may impose operational, financial and legal burdens, costs or risks on the Obligated Group.

Antitrust

Enforcement of the antitrust laws against health care 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 health care is still evolving, and enforcement activity by federal and state agencies appears to be increasing. In particular, the Federal Trade Commission 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. 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, 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 health care 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 this or similar 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 U.S. Supreme Court decision 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. Court decisions have also established private causes of action against hospitals which use their local market power to promote ancillary health care 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.

Changes in Health Care Delivery

General. Efforts by health insurers and governmental agencies to limit the cost of hospital service and to reduce utilization of hospital facilities may reduce future revenues. Through various combinations of changes in governmental policy, advances in technology and treatment, increased costs of operations, increased charges, changes in payment methodology, utilization review and greater competition, inpatient hospitalizations have generally decreased in recent years. It is uncertain whether that decrease will continue, and to what extent these factors will continue to create operational and economic uncertainty for hospitals in the United States. It is now generally acknowledged that hospital operations pose greater complexity and higher risk than in years past, and this trend may continue. It is not practical to enumerate each and every operating risk which may result from hospital operations, and certain risks or combinations of risks which are now unanticipated may have material adverse results in the future. Certain risks relating to hospital operations are enumerated below.

Labor Relations. Hospitals are large employers with a wide diversity of employees. Increasingly, employees of hospitals are becoming unionized, and many hospitals have collective bargaining agreements with one or more labor organizations. Employees subject to collective bargaining agreements may include essential nursing and technical personnel, as well as food service, maintenance and other trades.

Physician Contracting and Relations. The Obligated Group expects to enter into a wide variety of relationships with physicians. Many of these relationships may be of material importance to the operations of the facilities operated by the Obligated Group, and, in an increasingly complex legal and regulatory environment, these relationships pose a variety of legal or business risks. Increasingly, the focus of these relationships is a physician practice group or independent practice association that concentrates a large number of physicians in a limited number of contracting organizations. This increases the importance of these contracts and increases the risk of the loss of one or more such contracts.

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, denied or revoked, often file legal actions against hospitals and medical staffs. Such actions may include a wide variety of claims, some of which could result in substantial uninsured damages to a hospital. In addition, failure of the hospital governing body to adequately oversee the conduct of its medical staff may result in hospital liability to third parties. All hospitals, including the Obligated Group Members, are subject to such risks.

Certain contracts between hospitals and physicians may be void or voidable by challenge from one of its participants in situations where a hospital exercises certain aspects of control over a physician's practice or where the physician is in a position to refer patients to the hospital and is compensated based on a percentage of revenues formula. Such contracts may also present additional liability as otherwise set forth herein. In many cases, the determination of the validity of such agreements and the materiality of their loss is dependent on factual circumstances and on the relative position of the parties at a particular time. Consequently, the outcome cannot be determined with precision in advance of a dispute or controversy with respect to such relationships.

Certain contracts entered into with physicians or physician groups create an exclusive relationship. With increased competition among healthcare providers and the increasing frequency of the application of antitrust principles in healthcare, such exclusive relationships are subject to challenge, generally by other physicians competing with those who have the exclusive relationship. Absent facts which may arise from a specific challenge or controversy, the validity of such agreements cannot in many cases be accurately determined, nor can the materiality of the loss of the exclusive relationship to a hospital or the damages, if any, which might be assessed against the parties to it. The Obligated Group may have exclusive relationships of this type.

Technology and Services. 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. Technological advances in recent years have accelerated the trend toward the use by hospitals of sophisticated, and costly, equipment and services for diagnosis and treatment. The acquisition and operation of certain equipment or services may continue to be a significant factor in hospital utilization, but the ability of the Obligated Group to offer such equipment or services may be subject to the availability of equipment or specialists, governmental approval or the ability to finance such acquisitions or operations.

Competition. Increased competition from a wide variety of potential sources, including, but not limited to, other hospitals, inpatient and outpatient healthcare facilities, clinics, physicians and others, could adversely affect the utilization and/or revenues of the Obligated Group. Existing and potential competitors may not be subject to various restrictions applicable to the Obligated Group, and competition may, in the future, arise from new sources not currently anticipated or prevalent. The Obligated Group has experienced increased competition from physicians for outpatient services in its service areas. The absence of any "certificate of need" requirements in Indiana allow competitors to easily enter or expand in the Obligated Group's service areas.

Licensing, Surveys, Investigations and Audits

Health facilities are subject to numerous legal, regulatory, professional and private licensing, certification and accreditation requirements. These include, but are not limited to, requirements relating to Medicare and Medicaid participation and payment, state licensing agencies, private payors and The Joint Commission or HFAP. 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 corrective action or response by the Obligated Group. These activities generally are conducted in the normal course of business of health facilities. Nevertheless, an adverse result could result in a loss or reduction in the scope of licensure, certification or accreditation of an Obligated Group Member, thereby materially adversely affecting the revenues or reputation of the Obligated Group, or could reduce the payments received or require repayment of amounts previously remitted, thereby materially adversely affecting the financial condition of the Obligated Group.

Certain Obligated Group Members are subject to periodic review by HFAP, and the various federal, state and local agencies created by the National Health Planning and Resources Development Act of 1974. From time to time, accrediting bodies may review the accreditations of such Obligated Group Members and may terminate or suspend, or require certain actions for or impose certain conditions on, an existing accreditation. Any difficulties in

renewing or continuing currently held licenses, certifications or accreditations could materially adversely affect the reputation of the Obligated Group or could result in the loss of utilization or revenues or the loss of the ability of such Obligated Group Members to operate all or a portion of their facilities and, consequently, could have a material adverse effect on the Obligated Group. 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.

Environmental Laws and Regulations

Healthcare providers are subject to a wide variety of federal, state and local environmental and occupational health and safety laws and regulations which address, among other things, provider operations or facilities and properties owned or operated by providers. Among the types of regulatory requirements faced by healthcare providers are: air and water quality control requirements; waste management requirements; specific regulatory requirements applicable to asbestos, polychlorinated biphenyls and radioactive substances; requirements for providing notice to employees and members of the public about hazardous materials handled by or located at the provider; requirements for training employees in the proper handling and management of hazardous materials and wastes; and other requirements.

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

Tax Matters

Tax Exemption for Nonprofit Corporations. Loss of tax-exempt status by CHNw, CHS or CHRH could result in loss of tax exemption of tax-exempt debt issued for the benefit of CHNw, CHS or CHRH, and defaults in covenants regarding related tax-exempt debt would likely be triggered. Such an event could have material adverse consequences on the financial condition of the Obligated Group.

The maintenance by CHNw, CHS and CHRH of their status as organizations described in Section 501(c)(3) of the Code is contingent upon compliance with general rules promulgated in the Code and related regulations regarding the organization and operation of tax-exempt entities, including their operation for charitable and educational purposes and their avoidance of transactions that may cause their assets to inure to the benefit of private individuals. The Internal Revenue Service has announced that it intends to closely scrutinize transactions between not-for-profit 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 Internal Revenue Service in the form of Private Letter Rulings, many activities have not been addressed in any official opinion, interpretation or policy of the Internal Revenue Service. Because CHNw, CHS and CHRH conduct large-scale and diverse operations involving private parties, there can be no assurances that certain of their transactions would not be challenged by the Internal Revenue Service.

The Internal Revenue Service has taken the position that hospitals which are in violation of the Anti-Kickback Law may also be subject to revocation of their tax-exempt status. See “Civil and Criminal Fraud and Abuse Laws.” As a result, tax-exempt organizations, such as CHNw, CHS and CHRH, which have, and will continue to have, extensive transactions with physicians are subject to an increased degree of scrutiny and perhaps enforcement by the Internal Revenue Service.

The Taxpayers Bill of Rights 2, referred to for purposes of this Offering Memorandum as the Intermediate Sanctions Law, allows the Internal Revenue Service to impose “intermediate sanctions” against certain individuals in circumstances involving the violation by tax-exempt organizations of the prohibition against private inurement. Prior to the enactment of the Intermediate Sanctions Law, the only sanction available to the Internal Revenue Service was revocation of an organization’s tax-exempt status. Intermediate sanctions may be imposed in situations in which a “disqualified person” (such as an “insider”) (i) engages in a transaction with a tax-exempt organization on other than a fair market value basis, (ii) receives unreasonable compensation from a tax-exempt organization or (iii) receives payment in an arrangement that violates the prohibition against private inurement. These transactions are referred to as “excess benefit transactions.” A disqualified person who benefits from an excess benefit transaction will be subject to an excise tax equal to 25% of the amount of the excess benefit. Organizational managers who participate in the excess benefit transaction knowing it to be improper are subject to an excise tax equal to 10% of the amount of the excess benefit, subject to a maximum penalty of \$10,000. A second penalty, in the amount of 200% of the excess benefit, may be imposed on the disqualified person (but not upon the organizational manager) if the excess benefit is not corrected within a specified period of time.

In certain cases, the Internal Revenue Service 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 501(c)(3) exemption requirements. Given the uncertainty regarding how tax-exemption requirements may be applied by the Internal Revenue Service, CHNw, CHS and CHRH may be at risk for incurring monetary and other liabilities imposed by the Internal Revenue Service through this “closing agreement” or similar process. Like certain of the other business and legal risks described herein, these liabilities are probable from time to time and could be substantial, in some cases involving millions of dollars, and could be materially adverse.

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

In recent years, the Internal Revenue Service and state, county and local taxing authorities have been undertaking 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 CHNw, CHS and CHRH participate in activities that may generate unrelated business taxable income. An investigation or audit of CHNw, CHS or CHRH could lead to a challenge which 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 CHNw, CHS or CHRH, as well as the exclusion from gross income for federal income tax purposes of the interest payable on tax-exempt debt of CHNw, CHS or CHRH. In addition, legislation, if any, which may be adopted at the federal, state and local levels with respect to unrelated business income cannot be predicted. Any legislation could have the effect of subjecting a portion of the income of CHNw, CHS or CHRH to federal or state income taxes.

Because of the complexity of the tax laws and the presence of issues about which reasonable persons can differ, an audit of CHNw, CHS or CHRH could result in additional taxes, interest and penalties. An audit could ultimately affect the tax-exempt status of CHNw, CHS or CHRH, as well as the exclusion from gross income for federal income tax purposes of the interest payable with respect to the tax-exempt debt of CHNw, CHS or CHRH.

It is not possible to predict the scope or effect of future legislative or regulatory actions with respect to taxation of not-for-profit corporations. There can be no assurance that future changes in the laws and regulations of federal, state or local governments will not materially adversely affect the operations and financial condition of CHNw, CHS or CHRH by requiring it to pay income taxes, property taxes or sales taxes.

Bond Examinations. Internal Revenue Service officials have indicated that more resources will be invested in audits of tax-exempt bonds in the charitable organization sector with specific review of private use. In addition, the Internal Revenue Service has sent several hundred post-issuance compliance questionnaires to nonprofit corporations that have borrowed on a tax-exempt basis regarding their post-issuance compliance with

various requirements for maintaining the federal tax exemption of interest on their bonds. The questionnaire includes questions relating to the borrower's (i) record retention, which the Internal Revenue Service 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.

The Internal Revenue Service has a new schedule to IRS Form 990 that requests detailed information related to all outstanding bond issues of nonprofit borrowers, including information regarding operating, management and research contracts as well as private use compliance.

These questionnaires and schedules may lead to Internal Revenue Service examinations of CHNw, CHS or CHRH or their tax-exempt bonds, the results of which cannot be determined at this time.

Cyber Attacks

The Network relies on information technology ("IT") systems, including electronic health records, to process, transmit and store sensitive and confidential data, including protected health information, personally identifiable information of its patients and employees, and proprietary and confidential business performance data. Although the Network routinely monitors and tests its security systems and processes and implements various security measures designed to protect confidential information, IT systems are often subject to computer viruses, attack by hackers, or breaches due to employee error or malfeasance. The Network's IT security measures may not be sufficient to prevent cyber-attacks. Additionally, as cybersecurity threats continue to evolve, the Network may not be able to anticipate certain attack methods in order to implement effective protective measures, and may be required to expend significant additional resources to continue to modify and strengthen security measures, investigate and remediate any vulnerabilities, or invest in new technology designed to mitigate IT security risks. The Network's IT systems routinely interface with and rely on third party systems which are also subject to the risks outlined above and may not have or use appropriate controls to protect confidential information. A breach or attack affecting a third party service provider could harm the Network's business and financial condition. Although the Network has insurance against some cyber risks and attacks, it may not be sufficient to offset the impact of a material loss event.

Secondary Market

There can be no assurance that there will be a secondary market for the purchase or sale of the Series 2018A Bonds, and, although the Underwriters may make a secondary market for the Series 2018A Bonds, from time to time there may be no market for the Series 2018A Bonds depending upon prevailing market conditions, the financial condition or market position of firms who may make the secondary market, and the financial condition and results of operations of Obligated Group. The Series 2018A Bonds should therefore be considered long-term investments in which funds are committed to maturity.

Prepayment Risks

The Series 2018A Bonds are subject to redemption prior to maturity on the dates and at the prices specified under "SERIES 2018A BONDS—Redemption." In addition, upon the occurrence of an Event of Default under the Bond Indenture, the payment of the principal of and interest on the Series 2018A Bonds may be accelerated. See "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS—SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE—Events of Default and Remedies of Bondholders—Acceleration of Maturity" in Appendix C hereto. Thus, there can be no assurance that the Series 2018A Bonds will remain outstanding until their stated maturities.

Professional Liability Claims and 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. Professional liability and other actions alleging wrongful conduct and seeking punitive damages often are filed against health care providers. Litigation may also arise from the corporate and business activities of the Obligated Group and its 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, many of these risks are covered by insurance, but some are not. For example, some antitrust claims, business disputes and workers' compensation claims are not covered by insurance or other sources and, in whole or in part, may be a liability of the Obligated Group and its affiliates if determined or settled adversely. Claims for punitive damages may not be covered by insurance under certain state laws. Although the Obligated Group currently maintains self-insurance reserves and carries malpractice and general liability insurance, management is unable to predict the availability, cost or adequacy of such insurance in the future.

Other Risk Factors

The following factors, among others, may also affect the operations or financial performance of the Obligated Group:

- Competition from hospitals located within and outside of the Obligated Group's primary and secondary service areas, from other types of health care providers that may offer comparable health care services, and from alternative or substitute health care delivery systems or programs, may decrease utilization of the Obligated Group's facilities. See Appendix A hereto for a discussion of the facilities which the Obligated Group considers to be its major competing hospitals.
- 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.
- Cost increases without corresponding increases in revenue could result from, among other factors: increases in the salaries, wages and fringe benefits of hospital employees; increases in costs associated with advances in medical technology or with inflation; or future legislation which would prevent or limit the ability of the Obligated Group to increase revenues.
- Any termination or alteration of existing agreements between any Obligated Group Member and individual physicians and physician groups who render services to the patients of such Obligated Group Member, or any termination or alteration of referral patterns by individual physicians and physician groups who render services to the patients of any Obligated Group Member with whom such Obligated Group Member does not have contractual arrangements.
- Future contract negotiations between public and private insurers and participating hospitals, including the Obligated Group, and other efforts of these insurers and of employers to limit hospitalization costs and coverage could adversely affect the level of reimbursement to the Obligated Group.
- The ability of, or the cost to, the Obligated Group to continue to insure or otherwise protect itself against malpractice and general liability claims.
- Future legislation and regulations affecting hospitals, their tax exempt status, governmental and commercial medical insurance and the health care industry in general could adversely affect the operations of the Obligated Group.
- Medical and other scientific advances resulting in decreased usage of hospital facilities or services, including those of the Obligated Group.
- An inflationary economy and difficulty in increasing room charges and other fees charged while at the same time maintaining the amount or quality of health services may affect the ability of the Obligated Group to maintain sufficient operating margins.
- The cost and effect of any future unionization of employees of the Obligated Group.
- 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 operation of the Obligated Group.

- Imposition of wage and price controls for the health care industry, such as those that were imposed and adversely affected health care facilities in the early 1970's.
- Limitations on the availability of and increased compensation necessary to secure and retain nursing, technical or other professional personnel.
- Changes in law or revenue rulings governing the nonprofit or tax-exempt status of charitable corporations, such that nonprofit corporations such as CHNw, CHS and CHRH, as a condition of maintaining their tax exempt status, are required to provide increased indigent care at reduced rates or without charges or discontinue services previously provided.
- 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.
- The elimination of the tax-exempt status of interest on bonds issued to finance health facilities or the imposition of limitations on the use of such tax-exempt bonds, which would increase the cost to the Obligated Group of financing future capital needs.
- The availability and cost of capital.
- Increased unemployment, caused by a general downturn in the economy of the Obligated Group's service areas or by the closing of operations of one or more major employers in such service areas, which could increase the proportion of patients who are unable to pay fully for the cost of their care, or could may result in a significant change in the demographics of such service areas, such as a reduction in the population.

The occurrence of one or more of the foregoing, or the occurrence of other unanticipated events, could materially adversely affect the financial performance of the Obligated Group.

Certain Other Matters Relating to Security for Series 2018A Bonds

Facilities. The facilities of the Obligated Group are not composed of 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 any Obligated Group Member, or otherwise. Thus, upon any default, the Bond Trustee may not realize the amount of the outstanding Series 2018A Bonds from the sale or lease of such facilities.

Additional Indebtedness. Pursuant to the terms of the Master Indenture, the Obligated Group Members may incur additional indebtedness (including additional Obligations) which is entitled to the benefits of security which does not extend to any other indebtedness (including the Series 2018A Note). Such security may include liens on the property (including health care facilities) or a depreciation reserve, debt service or interest reserve or similar fund. See "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS—SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE—Particular Covenants; Representations and Warranties—Limitations on Indebtedness" and "—Limitations on Certain Liens" in Appendix C hereto.

Remedies. Pursuant to the provisions of the Master Indenture, certain of the rights and remedies afforded the holders of Obligations under the Master Indenture, including without limitation the right to demand acceleration of Obligations (including the Series 2018A Note), may be initiated by the holders of a majority in aggregate principal amount of Obligations. See "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS—SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE—Defaults" in Appendix C hereto.

Amendments. Certain amendments to the Bond Indenture may be made with the consent of the owners of not less than a majority of the principal amount of the outstanding Series 2018A Bonds. Certain amendments to the Master Indenture may be made with the consent of not less than a majority of the principal amount of outstanding Obligations. Such amendments may adversely affect the security of the Series 2018A Bondholders and, with respect to amendments to the Master Indenture, such majority may be comprised wholly or partially of the holders of Obligations other than the Series 2018A Note. See "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL

DOCUMENTS—SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE—Modification or Amendment of the Bond Indenture” and “—SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE—Supplements and Amendments” in Appendix C hereto.

Security Interest. The effectiveness of the security interest granted in the Master Indenture may be limited by a number of factors, including: (i) provisions prohibiting the direct payment of amounts due to health care 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 Bond Trustee, in the event of the bankruptcy of an Obligated Group Member, to collect and retain revenues due such Obligated Group Member from Medicare, Medicaid and other governmental programs; (iv) commingling of proceeds of revenues with other monies of the Obligated Group not so pledged under the Master Indenture; (v) statutory liens; (vi) rights arising in favor of the United States of America or any agency thereof; (vii) constructive trusts, equitable or other rights impressed or conferred by a federal or state court in the exercise of its equitable jurisdiction; (viii) federal bankruptcy laws which may affect the enforceability of the Master Indenture or the security interest in the Unrestricted Receivables of any Obligated Group Member which are earned by such Obligated Group 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 Obligated Group Member; (ix) rights of third parties in revenues converted to cash and not in the possession of the Bond Trustee; and (x) claims that might arise if appropriate financing or continuation statements are not filed in accordance with the Indiana Uniform Commercial Code as from time to time in effect.

Credit Group

The Obligated Group Members and the Credit Group Affiliates will be combined for purposes of determining whether certain financial and other covenants contained in the Master Indenture (including covenants requiring the maintenance of debt service coverage and covenants limiting the incurrence of additional indebtedness, the disposition of property, the creation of liens, the consolidation or merger with others, and the entrance into or withdrawal from the Obligated Group) are satisfied. See “SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS—SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE—Particular Covenants; Representations and Warranties” in Appendix C hereto.

While the Credit Group Affiliates are taken into account for these purposes, no Credit Group Affiliate is obligated under the Master Indenture to pay any principal of or premium, if any, or interest on any Obligations or to perform any covenants under the Master Indenture. VEI and CHA are currently the only Credit Group Affiliates. However, CHNw may, at any time and from time to time, add or remove any Credit Group Affiliate, without satisfaction of any financial conditions precedent thereto. See “SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS—SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE—Payment Obligations; Credit Group Affiliates—Designation of Credit Group Affiliates” in Appendix C hereto.

Certain Matters Relating to Enforceability of Master Indenture

The obligation of CHNw to make payments on the Series 2018A Bonds and the obligation of the Obligated Group to make payments on the Series 2018A Note will be limited, as the obligations of debtors typically are affected by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar laws or by equitable principles affecting the enforcement of creditors’ rights. CHNw or any other Obligated Group Member may file a plan for the reduction of its debts in a proceeding under the federal Bankruptcy Code which could include provisions modifying or altering the rights of creditors generally, or any class of them, secured or unsecured. Such a plan, when confirmed by the court, binds all creditors who had notice or knowledge of the plan and discharges all claims against the debtor provided for in the plan. No plan may be confirmed unless certain conditions are met, among which are that the plan is in the best interests of creditors, is feasible and has been accepted by each class of claims impaired thereunder. Each class of claims has accepted the plan if at least two-thirds in dollar amount and more than one-half in number of the allowed claims of the class that are voted with respect to the plan are cast in its favor. Even if the plan is not so accepted, it may be confirmed if the court finds that the plan is fair and equitable with respect to each class of non-accepting creditors impaired thereunder and does not discriminate unfairly.

It is uncertain whether certain obligations of CHNw under the Bond Indenture and the Series 2018A Bonds and whether certain obligations of an Obligated Group Member under the Master Indenture and the Series 2018A Note are enforceable. Such uncertainty bears on the availability of the assets of CHNw for payment of debt service on the Series 2018A Bonds and the availability of the assets of the Obligated Group Members for payment of debt service on the Obligations, including the Series 2018A Note. The obligation to make any payments on any such indebtedness may not be enforceable against CHNw or any Obligated Group Member (i) if the purposes for which such indebtedness is issued are not consistent with the charitable purposes of CHNw or such Obligated Group Member or if, at the time of payment thereunder, the beneficiary of such indebtedness is not then a tax-exempt organization, (ii) if such payments are requested to be made from any monies or assets which are donor-restricted or which are subject to a direct or express trust which does not permit the use of such monies or assets for such payments, (iii) if such payments would result in the cessation or discontinuation of any material portion of the health care or related services previously provided by CHNw or such Obligated Group Member or (iv) if such payments are requested to be made pursuant to any loan violating applicable usury laws.

There is no clear precedent in the law as to whether such payments or use of assets by an Obligated Group Member in order to pay Obligations, or portions thereof, the proceeds of which Obligations were not lent or otherwise disbursed to such Obligated Group Member, to the extent that such payment or use would render such Obligated Group Member insolvent, may be voided by a trustee in bankruptcy in the event of a bankruptcy of such Obligated Group Member, or by third party creditors in an action brought pursuant to Indiana fraudulent conveyance statutes. Under the United States Bankruptcy Code, a trustee in bankruptcy and, under Indiana fraudulent conveyance statutes, a creditor of a related guarantor, may void any obligation incurred by a related guarantor if, among other bases therefor, (i) the guarantor has not received fair or valuable consideration or reasonably equivalent value in exchange for the guaranty or grossly inadequate consideration is received for the guaranty and (ii) the guaranty renders the guarantor insolvent or is made while the guarantor is insolvent, as defined in the United States Bankruptcy Code, as amended, or Indiana statutes, or the guarantor is undercapitalized, or the guarantor incurs a debt which it believes is beyond its ability to pay upon maturity.

Application by courts of the tests of “insolvency,” “reasonably equivalent value” and “fair consideration” has resulted in a conflicting body of case law. It is possible that, in an action to force an Obligated Group Member to make a payment on an Obligation, including the Series 2018A Note, for which it was not a direct beneficiary, a court might not enforce such a payment in the event it is determined that such Obligated Group Member is analogous to a guarantor of the debt and that sufficient consideration for such Obligated Group Member’s obligation was not received or that the incurrence of such obligation has rendered or will render such Obligated Group Member insolvent, or such Obligated Group Member is undercapitalized or such Obligated Group Member incurs such obligation believing it is beyond such Obligated Group Member’s ability to pay upon maturity.

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

Variable Rate Bonds

The Series 2012B Bonds, Series 2016A Bonds and Series 2016B Bonds (collectively, the “Variable Rate Bonds”) bear interest at variable rates. See “LONG-TERM DEBT” in Appendix A hereto.

The Variable Rate Bonds expose the Network to certain risks, including:

- “interest rate risk” — the risk that the interest rate on the Variable Rate Bonds will increase; and
- “bank renewal risk” — the risk that the existing agreements by banks to hold the Variable Rate Bonds will, upon expiration or termination, not be renewed or replaced on reasonable terms.

Because the Network's obligations under any Variable Rate Bonds may be accelerated upon the expiration or termination of the existing agreement by a bank to hold such Variable Rate Bonds, the Network must regularly renew or replace the existing agreements. There is no assurance that, upon the expiration or termination of any existing agreement by a bank to hold any Variable Rate Bonds, the Network will be able to renew such agreement, replace such agreement with a new agreement, or refinance such Variable Rate Bonds.

Under the Master Indenture, upon an event of default thereunder, the Master Trustee, at the request of the holder of any Obligation that permits such holder to accelerate such Obligation upon such event of default, must accelerate all outstanding Obligations, including the Series 2018A Note. Under the Bond Indenture, upon a default under the Master Indenture or any Obligation, the Bond Trustee may accelerate the Series 2018A Bonds. Certain of the Obligations held by the banks providing support for the Variable Rate Bonds permit the holder thereof, upon an event of default under the Master Indenture, to accelerate such Obligations. As a result, an event of default under any such Obligation could result in an acceleration of the Series 2018A Bonds. See "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS—SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE—Defaults—Acceleration; Annulment of Acceleration" and "—SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE—Events of Default and Remedies of Bondholders" in Appendix C hereto.

Right of Offset

Any bank with whom any Obligated Group Member maintains any account has a right of offset against such account for any indebtedness of such Obligated Group Member to such bank.

Bond Rating

There is no assurance that any rating assigned to the Series 2018A 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 or marketability of the Series 2018A Bonds.

CONTINUING DISCLOSURE

CHNw has entered into an Amended and Restated Continuing Disclosure Undertaking Agreement between CHNw and The Bank of New York Mellon Trust Company, N.A., as dissemination agent, dated as of November 1, 2012 (the "Disclosure Agreement"), under Rule 15c2-12 of the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), for the benefit of the owners or holders of certain tax-exempt revenue bonds issued for CHNw (the "Municipal Bonds"). Holders and prospective purchasers of the Series 2018A Bonds may obtain copies of the information provided by CHNw under the Disclosure Agreement on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") system. The Disclosure Agreement will terminate when all of the Municipal Bonds are paid or deemed paid in full.

The Bond Indenture contains a covenant by CHNw (the "Continuing Disclosure Covenant"), under which, if, at any time during which any Series 2018A Bonds are Outstanding, CHNw ceases to be obligated to provide any information under any agreement or contract pursuant to Rule 15c2-12, CHNw agrees to provide the information described below at the times and in the manner as described below:

- (a) Within 150 days after the end of each fiscal year of CHNw, CHNw will (i) post on its website and (ii) furnish to the Bond Trustee and to any Bondholders requesting the same, copies of the audited consolidated financial statements of CHNw and affiliates for such fiscal year, together with the auditor's report and all notes thereto. Such financial statements will be audited by an independent public accountant and prepared in conformity with generally accepted accounting principles applied on a consistent basis, except that such financial statements may contain such changes as are concurred in by such accountant, and will include a balance sheet, a statement of operations and changes in net assets and a statement of cash flows of CHNw for such fiscal year.

(b) Within 60 days after the end of each of the first three fiscal quarters of each fiscal year of CHNw, CHNw will (i) post on its website and (ii) furnish to the Bond Trustee and to any Bondholders requesting the same, copies of the unaudited consolidated financial statements of CHNw and affiliates for such fiscal quarter, including a balance sheet, a statement of operations and changes in net assets and a statement of cash flows, prepared in conformity with generally accepted accounting principles applied on a consistent basis, except that such financial statements may exclude notes.

(c) CHNw will furnish to the Bond Trustee, within 150 days after the end of each fiscal year of CHNw, a certificate signed by an Authorized Representative certifying that, to the best of the knowledge of such Authorized Representative, no Default or Event of Default under the Bond Indenture has occurred and is continuing or, if any Default or Event of Default under the Bond Indenture has occurred and is continuing, a description thereof.

The failure of CHNw to comply with the Continuing Disclosure Covenant will not be considered a Default or Event of Default under the Bond Indenture. As the sole and exclusive remedy for CHNw's failure to comply with the Continuing Disclosure Covenant, the Bond Trustee may (and, at the request of the holders of at least 51% in aggregate principal amount in the Outstanding Series 2018A Bonds, will) or any Bondholder or any owner of a beneficial interest in a Series 2018A Bond or Series 2018A Bonds may take any actions to seek specific performance by court order to cause CHNw to comply with the Continuing Disclosure Covenant, and no person, including any Holder or any Beneficial Owner of the Series 2018A Bonds, may recover monetary damages.

CHNw currently participates in the Digital Assistance Certification L.L.C. ("DAC") disclosure system.

LITIGATION

There is no litigation pending or, to the knowledge of management of CHNw, threatened against CHNw or any other Obligated Group Member which seeks to restrain or enjoin the issuance, sale, execution or delivery of the Series 2018A Bonds or the Series 2018A Note or any proceedings of CHNw or any other Obligated Group Member taken with respect to the issuance or sale thereof, or the pledge or application of any monies or security provided for the payment of the Series 2018A Bonds or the Series 2018A Note, or the use of the Series 2018A Bond proceeds.

No litigation or proceedings are pending or, to the knowledge of management of CHNw, threatened against CHNw or any other Obligated Group Member, except (i) litigation or proceedings in which the probable ultimate recoveries and the estimated costs and expenses of defense, in the opinion of management of CHNw, will be entirely within the applicable insurance policy limits (subject to applicable deductibles) or for which adequate reserves exist, or (ii) litigation or proceedings in which, in the opinion of management of CHNw, an adverse determination would not have a material adverse effect on the operations or condition, financial or otherwise, of CHNw or any other Obligated Group Member. See "LITIGATION" in Appendix A hereto.

LEGAL MATTERS

The validity of the Series 2018A Bonds will be passed upon by Ice Miller LLP, Indianapolis, Indiana, bond counsel. Certain other legal matters will be passed on for the Obligated Group by Karen Ann Lloyd, Esquire, Indianapolis, Indiana, Executive Vice President of Legal Affairs and General Counsel of CHNw, and for the Underwriters by Barnes & Thornburg LLP, Indianapolis, Indiana.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following discussion summarizes certain U.S. federal income tax considerations generally applicable to holders of the Series 2018A Bonds. The discussion below is based upon current provisions of the Internal Revenue Code of 1986, as amended (the "Code"), current final, temporary and proposed Treasury regulations, judicial authority and current administrative rulings and pronouncements of the Internal Revenue Service (the "IRS"). On December 22, 2017, the Tax Cuts and Jobs Act (the "Act") was signed into law, which implemented significant and wide-ranging changes to many aspects of the United States federal income tax regime. Applicable

changes in federal tax law (except those areas that are specifically not addressed in this overview, as detailed below) that may have an impact on the Series 2018A Bonds are detailed below. However, since this tax law was recently enacted, much of the guidance relating to the Act from the IRS has yet to be issued. Accordingly, a full evaluation of the Act and its potential implications cannot be thoroughly addressed without further and more complete guidance from the IRS. Investors are encouraged to consult with their own tax advisors regarding the implications of the Act on their investment in a Series 2018A Bond.

Moreover, there can be no assurance that the IRS will not take a contrary view, and no ruling from the IRS has been, or is expected to be, sought on the issues discussed herein, potentially with retroactive affect. Legislative, judicial, or administrative changes or interpretations may occur that could alter or modify the statements and conclusions set forth herein. Any such changes or interpretations may or may not be retroactive and could adversely affect the tax consequences discussed below. **INTEREST ON THE SERIES 2018A BONDS IS NOT EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES.**

The summary is not a complete analysis or description of all potential U.S. federal tax considerations that may be relevant to, or of the actual tax effect that any of the matters described herein will have on, particular holders of Series 2018A Bonds and does not address U.S. federal gift or estate tax consequences, alternative minimum tax consequences or foreign, state, local or other tax consequences. This summary does not purport to address special classes of taxpayers (such as S corporations, insurance companies, financial institutions, small business investment companies, regulated investment companies, real estate mortgage investment conduits, real estate investment trusts, grantor trusts, former citizens of the United States, U.S. Holders (as defined below) whose functional currency is not the U.S. dollar, broker-dealers, traders in securities and tax-exempt organizations) that are subject to special treatment under the federal income tax laws, or persons that hold Series 2018A Bonds as part of a hedge against currency risk, or that are part of a hedge, straddle, conversion, constructive ownership, constructive sale or other risk reduction or integrated transaction. This summary also does not address the tax consequences to an owner of Series 2018A Bonds held through a partnership or other pass-through entity treated as a partnership for U.S. federal income tax purposes. In addition, this discussion is limited to persons purchasing the Series 2018A Bonds for cash in this offering at their “issue price” within the meaning of Section 1273 of the Code (i.e., the first price at which a substantial amount of Series 2018A Bonds are sold to the public for cash), and it does not address the tax consequences to holders that purchase the Series 2018A Bonds after their original issuance. This discussion assumes that the Series 2018A Bonds will be held as capital assets within the meaning of Section 1221 of the Code.

As used herein, the term “U.S. Holder” means a beneficial owner of Series 2018A Bonds that is (i) an individual citizen or resident of the United States for U.S. federal income tax purposes, (ii) a corporation (or other entity classified as a corporation for U.S. federal tax purposes) created or organized in or under the laws of the United States or any state thereof or the District of Columbia, (iii) an estate, the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source, or (iv) a trust if (a) a U.S. court can exercise primary supervision over the administration of such trust and one or more United States persons (within the meaning of the Code) have the authority to control all of the substantial decisions of such trust or (b) the trust has made a valid election under applicable Treasury regulations to be treated as a United States person (within the meaning of the Code). As used herein, the term “Non-U.S. Holder” means a beneficial owner of Series 2018A Bonds that is not a U.S. Holder.

If the liability of CHNw in respect of a Series 2018A Bond ceases as a result of an election by CHNw to pay and discharge the indebtedness on such Series 2018A Bond by depositing with the Bond Trustee sufficient cash and/or obligations to pay or redeem and discharge the indebtedness on such Series 2018A Bond (a “legal defeasance”), under current tax law a Holder will be deemed to have sold or exchanged such Series 2018A Bond. In the event of such a legal defeasance, a Holder generally will recognize gain or loss on the deemed exchange of the Series 2018A Bond. Ownership of the Series 2018A Bond after a deemed sale or exchange as a result of a legal defeasance may have tax consequences different than those described in this “Certain United States Federal Income Tax Considerations” section and each Holder should consult its own tax advisor regarding the consequences to such holder of a legal defeasance of a Series 2018A Bond.

BECAUSE INDIVIDUAL CIRCUMSTANCES MAY DIFFER, PROSPECTIVE HOLDERS OF THE SERIES 2018A BONDS ARE STRONGLY URGED TO CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THEIR PARTICULAR TAX SITUATIONS AND AS TO ANY FEDERAL,

FOREIGN, STATE, LOCAL OR OTHER TAX CONSIDERATIONS (INCLUDING ANY POSSIBLE CHANGES IN TAX LAW) AFFECTING THE PURCHASE, HOLDING AND DISPOSITION OF THE SERIES 2018A BONDS.

Certain U.S. Federal Income Tax Consequences to U.S. Holders

This section describes certain U.S. federal income tax consequences to U.S. Holders. Non-U.S. Holders should see the discussion under the heading “Certain U.S. Federal Income Tax Consequences to Non-U.S. Holders” for a discussion of certain tax consequences applicable to them.

Interest. Interest on the Series 2018A Bonds will generally be taxable to a U.S. Holder as ordinary interest income at the time such amounts are accrued or received, in accordance with the U.S. Holder’s method of accounting for U.S. federal income tax purposes.

If a Series 2018A Bond is issued at a discount from its stated redemption price at maturity, and the discount is at least the product of one-quarter of one percent (0.25%) of the stated redemption price at maturity of the Series 2018A Bond multiplied by the weighted average maturity of the Series 2018A Bonds, the Series 2018A Bond will be an “OID Bond.” In general, the excess of the stated redemption price at maturity of an OID Bond over its issue price will constitute original issue discount (“OID”) for U.S. federal income tax purposes. The stated redemption price at maturity of a Series 2018A Bond is the sum of all scheduled amounts payable on the Series 2018A Bond (other than qualified stated interest). The term “qualified stated interest” generally means stated interest that is unconditionally payable in cash or property (other than debt instruments of CHNw), or that is treated as constructively received, at least annually at a single fixed rate or, under certain conditions, at a variable rate. U.S. Holders of OID Bonds will be required to include OID in income for U.S. federal income tax purposes as it accrues, in accordance with a constant yield method based on a compounding of interest (which may be before the receipt of cash payments attributable to such income). Under this method, U.S. Holders generally will be required to include in income increasingly greater amounts of OID in successive accrual periods.

If a Series 2018A Bond is issued at a price greater than the principal amount payable at maturity, a U.S. Holder generally will be considered to have purchased the Series 2018A Bond at a premium, and generally may elect to amortize the premium as an offset to interest income otherwise required to be included in respect of the Series 2018A Bond during a taxable year, using a constant-yield method, over the remaining term of the Series 2018A Bond. If a U.S. Holder makes the election to amortize the premium, it generally will apply to all debt instruments held by such U.S. Holder at the time of the election, as well as any debt instruments that are subsequently acquired by such U.S. Holder. In addition, a U.S. Holder may not revoke the election without the consent of the IRS. If such U.S. Holder elects to amortize the premium, such U.S. Holder will be required to reduce its tax basis in the Series 2018A Bond by the amount of the premium amortized during the holding period of the U.S. Holder. If such U.S. Holder does not elect to amortize premium, the amount of premium will be included in its tax basis in the Series 2018A Bond. Therefore, if a U.S. Holder does not elect to amortize premium and holds the Series 2018A Bond to maturity, the premium will decrease the amount of gain or increase the amount of loss otherwise recognized on the disposition of such Series 2018A Bond. Special rules for determining the amount of amortizable bond premium attributable to a debt instrument may be applicable if the debt instrument may be optionally redeemed. These rules are complex and prospective purchasers are urged to consult their own tax advisors regarding the application of the amortizable bond premium rules to their particular situation.

Disposition of the Series 2018A Bonds. Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption (including pursuant to an offer by CHNw) or other disposition of a Series 2018A Bond, will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder of Series 2018A Bonds will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the Series 2018A Bonds which will be taxed in the manner described above under “Interest”) and (ii) the U.S. Holder’s adjusted tax basis in the Series 2018A Bonds. A U.S. Holder’s adjusted tax basis in a Series 2018A Bond generally will equal the purchase price paid by the U.S. Holder increased by any original issue discount included in income and decreased by the amount of payments, other than qualified stated interest payments, received and amortizable bond premium taken with respect to such Series 2018A Bond. Any such gain or loss generally will be long-term capital gain or loss,

provided the Series 2018A Bonds have been held for more than one year at the time of the disposition. The deductibility of capital losses is subject to limitations.

Under current law, a U.S. Holder of a Series 2018A Bond that did not purchase that Series 2018A Bond at its issue price in the initial public offering (a "subsequent purchaser") generally will be required, on the disposition (or earlier partial principal payment) of such Series 2018A Bond, to recognize as ordinary income a portion of the gain (or partial principal payment), if any, to the extent of the accrued "market discount." In general, market discount is the amount by which the price paid for such Series 2018A Bond by such a subsequent purchaser is less than the stated redemption price at maturity of that Series 2018A Bond, in the case of a Series 2018A Bond bearing original issue discount, is less than the "revised issue price" of that Series 2018A Bond (as defined below) upon such purchase), except that market discount is considered to be zero if it is less than one quarter of one percent of the principal amount times the number of complete remaining years to maturity. The Code also limits the deductibility of interest incurred by a subsequent purchaser on funds borrowed to acquire Series 2018A Bonds with market discount. As an alternative to the inclusion of market discount in income upon disposition, a subsequent purchaser may elect to include market discount in income currently as it accrues on all market discount instruments acquired by the subsequent purchaser in that taxable year or thereafter, in which case the interest deferral rule will not apply. The recharacterization of gain as ordinary income on a subsequent disposition of such Series 2018A Bonds could have a material effect on the market value of such Series 2018A Bonds.

Net Investment Income Tax. An additional 3.8% tax will be imposed on the net investment income (which includes interest, original issue discount and gains from a disposition of a Series 2018A Bond) of certain individuals, trusts and estates. Prospective investors in the Series 2018A Bonds should consult their tax advisors regarding the possible applicability of this tax to an investment in the Series 2018A Bonds.

Information Reporting and Backup Withholding. Payments of interest on the Series 2018A Bonds will be generally subject to IRS information reporting. In addition, under Section 3406 of the Code and applicable Treasury Regulations, a non-corporate U.S. Holder of the Series 2018A Bonds may be subject to backup withholding at the current rate of 24% (subject to future adjustment) with respect to "reportable payments," which include interest paid on the Series 2018A Bonds and the gross proceeds of a sale, exchange, redemption or retirement of the Series 2018A Bonds. The 24% backup withholding rate was recently implemented based upon the Tax Cuts and Jobs Act, which was signed into law on December 22, 2017, which – absent any additional changes in the law – should remain in effect through December 31, 2025. This was recently confirmed by the Internal Revenue Service's Notice 1036.

The applicable payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) there has been a failure of the payee to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against the U.S. Holder's federal income tax liability, if any, provided that the required information is timely furnished to the IRS.

Certain U.S. Federal Income Tax Consequences to Non-U.S. Holders

This section describes certain U.S. federal income tax consequences to Non-U.S. Holders.

Interest. If, under the Code, interest on the Series 2018A Bonds is "effectively connected with the conduct of a trade or business within the United States" by a Non-U.S. Holder, such interest will be subject to U.S. federal income tax in a similar manner as if the Series 2018A Bonds were held by a U.S. Holder, as described above, and in the case of Non-U.S. Holders that are corporations may be subject to U.S. branch profits tax at a rate of up to 30%, unless an applicable tax treaty provides otherwise. Such Non-U.S. Holder will not be subject to U.S. Federal withholding taxes, however, if it provides a properly executed Form W-8ECI (subject to the discussion below concerning FATCA withholding).

Interest on the Series 2018A Bonds held by other Non-U.S. Holders may be subject to withholding taxes of up to 30% of each payment made to the Non-U.S. Holders unless the "portfolio interest" exemption applies (subject to the discussion below concerning FATCA withholding). In general, interest paid on the Series 2018A Bonds to a

Non-U.S. Holder will qualify for the portfolio interest exemption, and thus will not be subject to U.S. federal withholding tax, if (i) such Non-U.S. Holder is not a “controlled foreign corporation” (within the meaning of Section 957 of the Code) related, directly or indirectly, to CHNw; (ii) the Non-U.S. Holder is not actually or constructively a “10-percent shareholder” under Section 871(h) of the Code; (iii) the Non-U.S. Holder is not a bank receiving interest described in Section 881(c)(3)(A) of the Code; (iv) the interest is not effectively connected with the conduct by the Non-U.S. Holder of a trade or business in the United States under Section 871(b) or Section 882 of the Code; (v) the Non-U.S. Holder is not related to CHNw under Sections 267(b) or 707(b) of the Code; and (vi) either (a) the Non-U.S. Holder who is the beneficial owner of the obligation provides a statement signed by such person under penalties of perjury, on IRS Form W-8BEN (or successor form), certifying that such owner is not a U.S. Holder and providing such owner’s name and address or (b) a securities clearing organization, bank or other financial institution that holds the Series 2018A Bonds on behalf of such Non-U.S. Holder in the ordinary course of its trade or business certifies under penalties of perjury that such an IRS Form W-8BEN (or a successor form) has been received from the beneficial owner and furnishes a copy thereof. A certificate (on IRS Form W-8BEN (or successor form)) is effective only with respect to payments of interest made to the certifying Non-U.S. Holder after issuance of the certificate in the calendar year of its issuance and the two immediately succeeding calendar years. Alternative methods may be applicable for satisfying the certification requirement described above. Foreign trusts and their beneficiaries are subject to special rules, and such persons should consult their own tax advisors regarding the certification requirements.

If a Non-U.S. Holder does not claim, or does not qualify for, the benefit of the portfolio interest exemption, the Non-U.S. Holder may be subject to a 30% withholding tax on interest payments on the Series 2018A Bonds. However, the Non-U.S. Holder may be able to claim the benefit of a reduced withholding tax rate under an applicable income tax treaty between the Non-U.S. Holder’s country of residence and the U.S. Non-U.S. Holders are urged to consult their own tax advisors regarding their eligibility for treaty benefits. The required information for claiming treaty benefits is generally submitted on Form W-8BEN (or successor form). In addition, a Non-U.S. Holder may under certain circumstances be required to obtain a U.S. taxpayer identification number.

Disposition of the Series 2018A Bonds. Subject to the discussion below concerning FATCA withholding, a Non-U.S. Holder will generally not be subject to U.S. federal income tax or withholding tax on gain recognized on a sale, exchange, redemption, retirement, or other disposition of a Series 2018A Bond. (Such gain does not include proceeds attributable to accrued but unpaid interest on the Series 2018A Bonds, which will be treated as interest.) A Non-U.S. Holder may, however, be subject to U.S. federal income tax on such gain if: (i) the Non-U.S. Holder is a nonresident alien individual who was present in the United States for 183 days or more in the taxable year of the disposition and certain other conditions are met under Section 871(a)(2) of the Code; or (ii) the gain is effectively connected with the conduct of a U.S. trade or business, as provided by applicable U.S. tax rules (in which case the U.S. branch profits tax may also apply), unless an applicable tax treaty provides otherwise.

Information Reporting and Backup Withholding. Certain payors must report annually to the IRS and to each Non-U.S. Holder any interest that is subject to U.S. withholding taxes or that is exempt from U.S. withholding taxes pursuant to an income tax treaty or certain provisions of the Code. Copies of these information returns may also be made available under the provisions of a specific tax treaty or agreement with the tax authorities of the country in which the Non-U.S. Holder resides.

A Non-U.S. Holder generally will not be subject to backup withholding with respect to payments of interest on the Series 2018A Bonds as long as the Non-U.S. Holder (i) has furnished to the applicable payor, a valid IRS Form W-8BEN (or successor form) certifying, under penalties of perjury, its status as a non-U.S. person, (ii) has furnished to the applicable payor, other documentation upon which it may rely to treat the payments as made to a non-U.S. person in accordance with Treasury regulations, or (iii) otherwise establishes an exemption. A Non-U.S. Holder may be subject to information reporting and/or backup withholding on a sale of the Series 2018A Bonds through the United States office of a broker and may be subject to information reporting (but generally not backup withholding) on a sale of the Series 2018A Bonds through a foreign office of a broker that has certain connections to the United States, unless the Non-U.S. Holder provides the certification described above or otherwise establishes an exemption. Non-U.S. Holders should consult their own tax advisors regarding their qualification for exemption from backup withholding and the procedure for obtaining such an exemption.

Amounts withheld under the backup withholding rules may be refunded or credited against the Non-U.S. Holder's U.S. federal income tax liability, if any, provided that the required information is timely furnished to the IRS.

FATCA Withholding. Under legislation commonly referred to as the "Foreign Account Tax Compliance Act" ("FATCA"), a withholding tax of 30% is generally applied to payments of (i) interest on a debt obligation of a U.S. issuer on or after July 1, 2014, and (ii) gross proceeds from the sale or other disposition of such a debt obligation on or after January 1, 2017, in each case made to (a) a foreign financial institution (as a beneficial owner or as an intermediary), unless such institution enters into an agreement with the U.S. government (or is required by applicable local law) to collect and provide to the United States or other relevant tax authorities certain information regarding U.S. account holders of such institution or unless the institution is otherwise exempt from FATCA; or (b) a foreign entity that is not a financial institution (as a beneficial owner or as an intermediary), unless such entity provides the withholding agent with a certification that it does not have any substantial U.S. owners or identifying its substantial U.S. owners, which generally includes any specified U.S. person that directly or indirectly owns more than a specified percentage of such entity, or unless such entity is otherwise exempt from FATCA. Investors are encouraged to consult with their own tax advisors regarding the implications of this legislation and the applicable regulations on their investment in a Series 2018A Bond.

THE FOREGOING SUMMARY IS INCLUDED HEREIN FOR GENERAL INFORMATION ONLY AND DOES NOT DISCUSS ALL ASPECTS OF U.S. FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER OF SERIES 2018A BONDS IN LIGHT OF THE HOLDER'S PARTICULAR CIRCUMSTANCES AND INCOME TAX SITUATION. PROSPECTIVE INVESTORS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO ANY TAX CONSEQUENCES TO THEM FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF SERIES 2018A BONDS, INCLUDING THE APPLICATION AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS.

Future Tax Legislation

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or affect the market value of the Series 2018A Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Series 2018A Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond counsel expresses no opinion regarding any pending or proposed federal tax legislation.

UNDERWRITING

The Series 2018A Bonds are being purchased for reoffering by Wells Fargo Securities, LLC, and PNC Capital Markets LLC (collectively, the "Underwriters") pursuant to a Purchase Contract between CHNw and the Underwriters (the "Purchase Contract"). The Series 2018A Bonds will be purchased by the Underwriters at a purchase price equal to the price of the Series 2018A Bonds set forth on the cover page hereof less an Underwriters' discount of \$839,560. The obligations of the Underwriters are subject to certain terms and conditions contained in the Purchase Contract. The Underwriters will be obligated to purchase all of the Series 2018A Bonds if any of the Series 2018A Bonds are so purchased. CHNw has agreed to indemnify the Underwriters against certain liabilities, including certain liabilities arising under federal and state securities laws. The initial offering prices of the Series 2018A Bonds may be changed by the Underwriters.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade

securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of CHNw or any other Obligated Group Member (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with CHNw or any other Obligated Group Member. 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 of CHNw or any other Obligated Group Member.

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 Securities, LLC, member NYSE, FINRA, NFA, and SIPC.

PNC Bank, National Association, an affiliate of PNC Capital Markets LLC, currently provides various credit facilities to the Network, including the Series 2012B Bonds, the Series 2016B Bonds, the Term Loan and a line of credit. See “LONG-TERM DEBT” in Appendix A hereto.

FINANCIAL ADVISOR

Hammond Hanlon Camp LLC (the “Financial Advisor”) is engaged as financial advisor to CHNw in connection with the issuance of the Series 2018A Bonds. The Financial Advisor’s fee for services rendered with respect to the sale of the Series 2018A Bonds is contingent upon the issuance and delivery of the Series 2018A Bonds.

The Financial Advisor has provided the following sentence for inclusion in this Offering Memorandum. The Financial Advisor has reviewed the information in this Offering Memorandum in accordance with, and as part of, its responsibilities to CHNw and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

INDEPENDENT ACCOUNTANTS

The consolidated financial statements of Community Health Network, Inc. and Affiliates as of December 31, 2016 and 2015, and for the years then ended, included in Appendix B to this Offering Memorandum, have been audited by PricewaterhouseCoopers LLP, independent accountants, as stated in their report appearing in Appendix B hereto.

FINANCIAL STATEMENTS

The consolidated financial statements of Community Health Network, Inc. and Affiliates included in Appendix B to this Offering Memorandum represent the accounts and transactions of the Obligated Group and certain other affiliates not part of the Obligated Group. CHNw, CHS and CHRH are currently the only Obligated Group Members and none of their affiliates (other than CHNw, CHS and CHRH) will be obligated to make any payments upon the Series 2018A Note or any other Obligations or to comply with any covenants of the Master Indenture.

RATINGS

Standard & Poor’s Rating Group, a division of the McGraw-Hill Companies, Inc. (“Standard & Poor’s”), and Moody’s Investors Service, Inc. (“Moody’s”), have assigned a rating of “A” and “A2”, respectively, to the Series 2018A Bonds. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Standard & Poor’s Ratings Services, 55 Water Street, New York, New York 10041, and Moody’s

Investors Service, Inc., Seven World Trade Center, New York, New York 10007. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by such rating agencies, if in the judgment of such rating agencies circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price or marketability of the Series 2018A Bonds.

SPECIAL RELATIONSHIPS

Certain directors and officers of the Obligated Group Members are associated with firms with which the Obligated Group Members maintain business relationships. See “GOVERNANCE—Certain Existing Relationships” and “COMPLIANCE PROGRAM” in Appendix A hereto.

Certain of the Underwriters and their affiliates provide certain financial and other services to the Obligated Group Members from time to time, including the purchase of, or the providing of credit or liquidity for, obligations of the Obligated Group Members and the provision of credit in the form of term loans and lines of credit. See “UNDERWRITING.”

MISCELLANEOUS

The summaries or descriptions of provisions of the Series 2018A Bonds, the Series 2018A Note, the Bond Indenture, the Master Indenture and the Series 2018A Supplemental Master Indenture, and all references to other materials not purported to be quoted in full, are only brief summaries of some of the provisions thereof and do not purport to summarize or describe all of the provisions thereof. Reference is made to the Series 2018A Bonds, the Series 2018A Note, the Bond Indenture, the Master Indenture and the Series 2018A Supplemental Master Indenture for a full and complete statement of the provisions thereof. Copies of the Master Indenture and the proposed form of the Series 2018A Bonds, the Series 2018A Note, the Bond Indenture and the Series 2018A Supplemental Master Indenture may be obtained from the Underwriters and, following delivery of the Series 2018A Bonds, copies of the Series 2018A Bonds, the Series 2018A Note, the Bond Indenture, the Master Indenture and the Series 2018A Supplemental Master Indenture will be on file at the designated corporate trust office of The Bank of New York Mellon Trust Company, N.A., as Bond Trustee, at 300 North Meridian Street, Indianapolis, Indiana 46204.

The agreements of CHNw with the Holders of the Series 2018A Bonds are fully set forth in the Bond Indenture, and neither any advertisement of the Series 2018A Bonds nor this Offering Memorandum is to be construed as constituting an agreement with the Bondholders.

So far as any statements are made in this Offering Memorandum involving matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact.

Information relating to DTC and the book-entry system described herein under the heading “SERIES 2018A BONDS – Book-Entry Only System” has been furnished by DTC.

Attached hereto as Appendix A is certain information relating to CHNw and certain of its affiliates. The Underwriters make no representations or warranties whatsoever with respect to the information contained therein. Attached hereto as Appendix B are the audited financial statements of CHNw and the report of its independent certified public accountants. The Underwriters have relied on the information contained in Appendix A and the financial statements contained in Appendix B.

Appendix C (“SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS”) and Appendix D (“DEFINITIONS”) have been prepared by bond counsel.

The attached Appendices are integral parts of this Offering Memorandum and must be read together with all of the foregoing statements.

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 Offering Memorandum.

CHNw has reviewed this Offering Memorandum, has furnished Appendix A to this Offering Memorandum, and has approved all such information for use with this Offering Memorandum. Upon the issuance and delivery of the Series 2018A Bonds, CHNw will certify that this Offering Memorandum, except for certain information relating to DTC and its book-entry system and certain information relating to the underwriting of the Series 2018A Bonds, do not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make such statements therein, in the light of the circumstances under which they are made, not misleading.

The execution and delivery of this Offering Memorandum has been duly authorized by CHNw.

COMMUNITY HEALTH NETWORK, INC.

By: /s/ Bryan Mills
Bryan Mills, President and Chief Executive Officer

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APPENDIX A

COMMUNITY HEALTH NETWORK

THIS APPENDIX A INCLUDES FORWARD-LOOKING STATEMENTS AS DEFINED IN THE SECURITIES ACT OF 1933, AS AMENDED. ANY SUCH STATEMENTS INHERENTLY ARE SUBJECT TO A VARIETY OF 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, INTEREST RATE RISK, DELINQUENCY AND DEFAULT RATES, COMPETITION, CHANGES IN POLITICAL, SOCIAL AND ECONOMIC CONDITIONS, REGULATORY INITIATIVES AND COMPLIANCE WITH GOVERNMENTAL REGULATIONS, PATIENT PREFERENCES AND VARIOUS OTHER MATTERS, MANY OF WHICH ARE BEYOND THE CONTROL OF THE OBLIGATED GROUP. THESE FORWARD-LOOKING STATEMENTS SPEAK ONLY AS OF THE DATE OF THIS OFFERING MEMORANDUM.

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OVERVIEW OF COMMUNITY HEALTH NETWORK, INC.

Community Health Network, Inc., an Indiana nonprofit corporation (“CHNw”), along with its nonprofit and for-profit affiliates (collectively, the “Network”), comprises an integrated health care delivery system in central Indiana with \$2.2 billion in total operating revenue. The Network is an integrated health delivery system that is centered on patients and inspired by physicians and other clinicians. Through its mission, the Network is deeply committed to the communities it serves in order to enhance health and well-being. The Network’s values include providing an exceptional patient experience that puts the needs of patients and their families first, building relationships among patients, providers, physicians and other clinicians, and providing high quality, top performing care across the continuum of care.

NETWORK HISTORY

The Network traces its origin back to the early 1950s, when the residents of the east side of Indianapolis organized an effort to build a hospital to meet the health care needs of their growing area. These efforts resulted in the opening, in 1956, of Community Hospital as a 300-bed, community sponsored, nonprofit hospital located on the east side of Indianapolis (the “East Campus”). Within ten years of its opening, Community Hospital expanded to approximately 500 beds, and added a second building, psychiatric inpatient units and a coronary care unit.

The Network has grown dramatically. Highlights of its growth include:

- In 1985, Community Hospital North (“CHN”) opened as a 100-bed, general acute care hospital, located on the northeast side of Indianapolis (the “North Campus”), to address the health care needs of this rapidly growing area of Indianapolis. With the opening of CHN, Community Hospital became Community Hospital East (“CHE”).
- The 1990s began a focus on high-tech innovation, new construction of professional buildings and surgery centers for the Network, and expansion of MedCheck immediate care centers to serve a wider geographic area. University Heights Hospital, located on the south side of Indianapolis (the “South Campus”), joined the Network and became Community Hospital South (“CHS”). In the late 1990s, Community Hospital of Anderson, located in Madison County, Indiana (the “Anderson Campus”), became a part of the Network as Community Hospital of Anderson and Madison County, Incorporated (“CHA”).
- In 2003, the Network, in partnership with cardiologists and cardiothoracic surgeons, opened the Community Heart and Vascular Hospital (“CHVH”), a 56-bed specialty heart hospital, located on the North Campus. On October 1, 2014, CHVH, as a separate legal entity, was merged into CHNw.
- In 2007, the Network completed an expansion project which doubled the size of CHN. This project, along with the completion of CHVH in 2003, effectively completed the transition of the Network’s tertiary hub from CHE to CHN.
- In 2010, the Network completed an expansion and renovation project at CHS, including a 150-bed all private room facility.
- In 2011, Indianapolis Osteopathic Hospital, Inc., now known as Community Westview Hospital (“Westview”), became a part of the Network. In December 2016, the Network closed Community Westview Hospital. However, the Network continues to own and operate several family practice centers and specialty centers on the west side of Indianapolis. In addition, the Network continues to own and operate its ambulatory health pavilion in Speedway, Indiana, which includes primary care practice, an immediate care center (MedCheck), occupational health services, imaging services, infusion services, outpatient therapy services and specialty physician time share practice space.
- In conjunction with the affiliation with Westview, the Network entered into a partnership with Marian University, Indiana’s only osteopathic school of medicine and the second medical school established in

Indiana, which opened in 2013. The first class of medical students graduated in May 2017. Over 50% of the Network's 2017 residents are from Marian University's medical school.

- In 2011, the Network entered into a joint venture with Centerre Healthcare Corporation (which was acquired by Kindred Healthcare, Inc., in January 2015) to build Community Health Network Rehabilitation Hospital, LLC ("CHNRH"), a free-standing rehabilitation hospital on the North Campus.
- As of January 1, 2012, the Network consolidated its employed primary care physician practices, its employed specialty care physician practices and its physician practice management services into a single organization named Community Physician Network ("CPN").
- Beginning in 2012 and continuing through 2017, the Network has added over 234,000 square feet of ambulatory health pavilion space, including pavilions in the Network's East, West, South and Anderson markets.
- In 2012, Howard Regional Health System, Inc. (now known as Community Howard Regional Health, Inc.) ("CHRH"), became part of the Network.
- In 2012, CHNw became the first local and largest system affiliate in Indiana of the MD Anderson Cancer Network, a program of The University of Texas MD Anderson Cancer Center. All of the Network's hospitals (East, North, South, Anderson and Howard) are MD Anderson certified.
- In 2012, the Network completed implementation of a \$120 million single patient record system for all services lines/entities throughout the Network.
- In 2014, CHS opened a 62,000 square foot cancer center on the South Campus.
- In 2015, the Network formed Primaria Health, LLC ("Primaria"), a management services organization. Primaria provides certain population health management services for physician practices with which the Network has employment or contractual relationships.
- In 2016, the Network acquired Alpha Home Physical Therapy, Inc. ("Alpha"), a home health company located on the south side of Indianapolis, to gain additional post-acute experience.

The Network's growth continued in 2017 and is expected to continue in 2018:

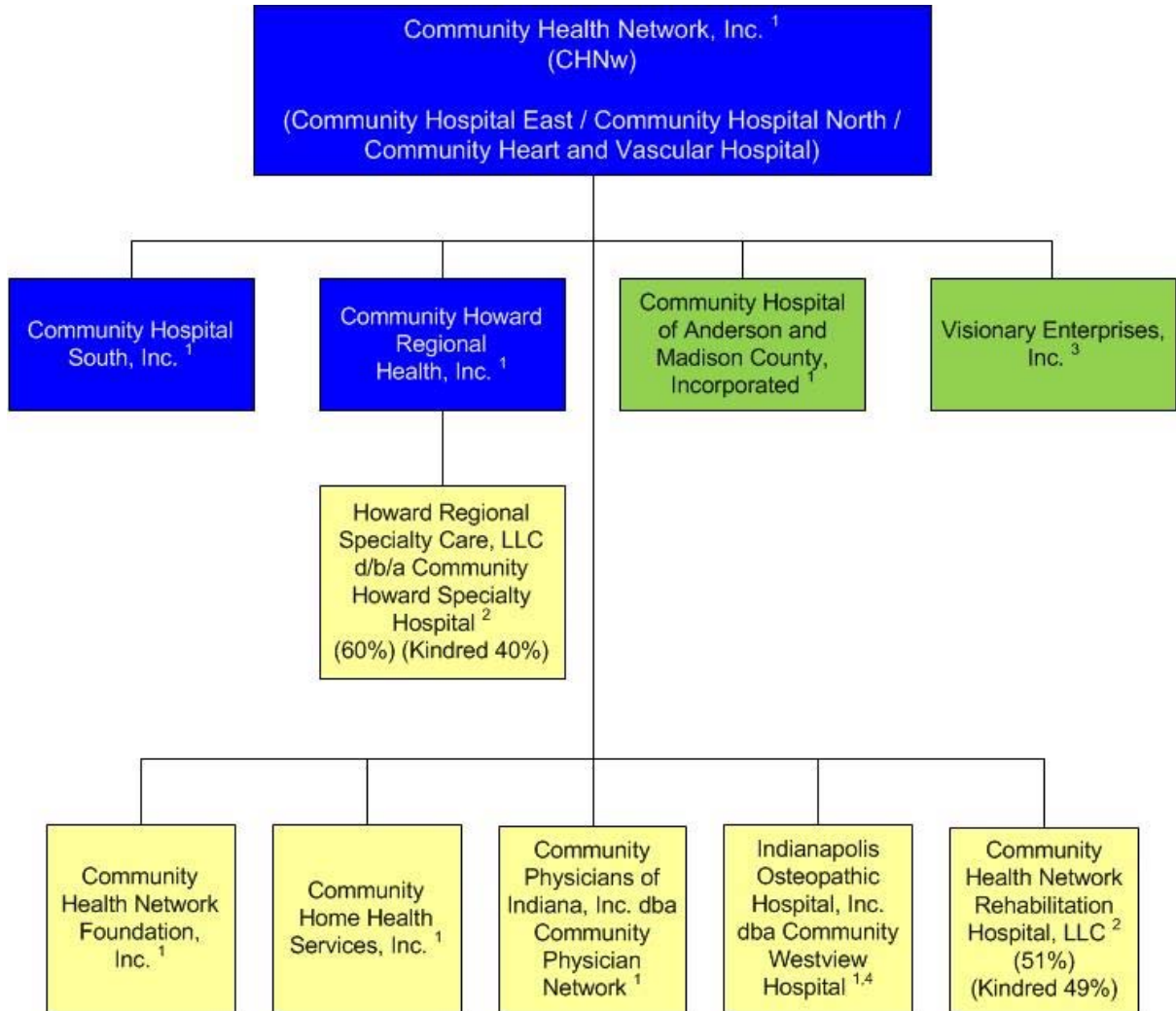
- In April 2017, the Network completed construction of a replacement Community Cancer Center North, a \$50 million, 104,000 square foot, state-of-the-art cancer center on the North Campus. The center was designed with the help of active patients to serve as a model for integrated healthcare and focused on the Network's chief value of "*patients first*." The building allows for coordination of care and offers spaces devoted to three cancer treatment modalities, physical therapy, medical imaging and an integrative cancer care program (including support groups, art and music therapy, tai chi and massage). A projected increase in patients is based on a projected increase in cancers diagnosed due to an aging population, improved screening and increasing survival rates.
- Effective July 2017, the Network brought Community Virtual Care up and running to serve patients in need of convenient and timely care. Patients can visit with a physician by phone or online video—at any time, from anywhere. Virtual care physicians can diagnose, recommend treatment and prescribe medication. Community Virtual Care is ideal for a wide range of conditions, such as allergies, colds and flus, sore throats, ear problems, headaches, nausea and insect bites.
- Effective July 2017, the Network entered into a new cardiology partnership with Hendricks Regional Health. The partnership will help the Network serve more cardiovascular patients in the western part of the Indianapolis area. The Network will deliver as many cardiology services as possible, such as

cardiology access, catheterization laboratory coverage, cardiac testing, cardiac rehabilitation and educational outreach, within Hendricks Regional Health facilities. Hendricks patients will visit CHVH for certain services, such as open-heart surgery, vascular surgery, thoracic surgery, minimally invasive valve repair and electrophysiology ablations.

- In November 2017, the Network opened a Women's Center on its North Campus in an existing building. The Women's Center provides comprehensive and collaborative care for women, in a convenient, multi-disciplinary center dedicated to women.
- Effective January 2018, the Network entered into a Next Gen Medicare Advantage Accountable Care Organization with the Centers for Medicare & Medicaid Services. Under this agreement, the Network assumes care management for 33,000 attributed lives, which provides upside opportunity and downside financial risk of up to 10%. The Network has effectively mitigated this risk by sharing 50% with current Primaria Health partners.
- In mid-2018, the Network will be opening and replacing its original East Campus facility. The Network will spend approximately \$175 million on this revitalization project. The project includes a new patient tower, as well as a new emergency department, medical imaging and surgical, delivery and inpatient rooms. The project will improve the patient experience by creating a healing environment and therapeutic culture, as well as accommodate more patients in a modernized, smaller footprint facility. The new tower will provide greater energy efficiencies. Additionally, the design of the tower will allow for more care process efficiencies. The Network does not expect any additional borrowings to pay for this patient tower.
- In late-2018, the State of Indiana will open a new state-of-the-art neuro-diagnostic facility on East Campus. The Indiana Neuro-Diagnostic Institute will be the flagship of the State of Indiana's network of state-operated mental health facilities and a cornerstone for addressing drug addiction in Indiana. The institute will cost approximately \$120 million and will be financed and operated by the State of Indiana. The facility will have 159 beds for inpatient care and anticipates treating 1,500 patients per year. The construction and opening of this facility will allow the Network to work collaboratively with the State of Indiana on mental health issues.

NETWORK ORGANIZATION

Organizational Chart



- ¹ Non-profit corporation
- ² Limited liability company
- ³ For-profit corporation
- ⁴ Closed December 2016

The Network's legal entities, which are consolidated into its financial statements, include the following:

- ***Community Health Network, Inc.***, a nonprofit corporation which operates: (i) two acute care hospital facilities: Community Hospital North, on the northeast side of Indianapolis, and Community Hospital East, on the east side of Indianapolis; and (ii) a cardiac care and management specialty hospital providing Network-wide cardiology services: Community Heart and Vascular Hospital. *CHNw is an Obligated Group Member* (as hereinafter defined).
- ***Community Hospital South, Inc.***, a nonprofit corporation which operates Community Hospital South, an acute care hospital facility on the south side of Indianapolis. *CHS is an Obligated Group Member*.
- ***Community Howard Regional Health, Inc.***, a nonprofit corporation which provides acute health care services to residents of Howard County, Indiana, and surrounding communities. *CHRH is an Obligated Group Member*.
- ***Community Hospital of Anderson and Madison County, Incorporated***, a nonprofit corporation which provides acute care services to residents of Anderson, Indiana, and surrounding communities. *CHA is a Credit Group Affiliate* (as hereinafter defined).
- ***Community Physicians of Indiana, Inc. (d/b/a Community Physician Network)***, a nonprofit corporation which provides primary care and specialty physician services.
- ***Community Health Network Foundation, Inc. ("Foundation")***, a nonprofit corporation established to raise and expend funds for the benefit of the Network and other related organizations.
- ***Visionary Enterprises, Inc. ("VEI")***, a for-profit corporation whose operations consist primarily of ambulatory surgery center development and management, physician practice management and real estate ownership and management. *VEI is a Credit Group Affiliate*.
- ***Community Home Health Services, Inc. ("CHHS")***, a nonprofit corporation whose operations consist primarily of providing home health care and hospice services to patients in nine central Indiana counties.
- ***Howard Regional Specialty Care, LLC (d/b/a Community Howard Specialty Hospital) ("CHSH")***, a joint venture between CHRH and Kindred Healthcare, Inc., which services patients in north central Indiana.
- ***Indianapolis Osteopathic Hospital, Inc. (d/b/a Community Westview Hospital)***, a nonprofit corporation which had provided acute health care services to residents on the west side of Indianapolis, but which was closed in December 2016. The Network's focus on the west side of Indianapolis has now moved to ambulatory services through physician practices and an ambulatory medical pavilion.

The Network's legal entities, which are not consolidated into its financial statements, include the following:

- ***Community Health Network Rehabilitation Hospital, LLC***, a rehabilitation hospital joint venture with Kindred Healthcare, Inc., providing comprehensive inpatient and outpatient rehabilitation services on the North Campus.
- ***Community Health Network Rehabilitation Hospital South, LLC ("CHNRHS")***, a rehabilitation hospital joint venture with Kindred Healthcare, Inc., providing comprehensive inpatient and outpatient rehabilitation services at a new facility near the South Campus scheduled to open in August 2018.

NETWORK INPATIENT FACILITIES

The Network owns and operates the following acute care facilities:

Hospital Name	Location	Number of Operated Beds	Credit Group
Community Hospital East	East side of Indianapolis	163	Yes
Community Hospital North	Northeast side of Indianapolis	505	Yes
Community Hospital South	South side of Indianapolis	158	Yes
Community Hospital Anderson	Anderson, IN (45 miles northeast of Indianapolis)	140	Yes
Community Heart and Vascular Hospital	Community Hospital North campus	56	Yes
Community Howard Regional Health	Kokomo, IN (45 miles northwest of Indianapolis)	88	Yes
Community Howard Specialty Care	Kokomo, IN (45 miles northwest of Indianapolis)	20	No
Total		<u>1,130</u>	

Source: Network records (December 31, 2017)

- Community Hospital East*** is an acute care hospital located on the 27-acre East Campus. As the original hospital in the Network, CHE had served as the anchor hospital for the Network from 1956 until the CHN expansion in 1985. CHE continues to serve as the principal provider of health care services to the east side of Indianapolis. CHE's service complement includes medical/surgical services, neurosciences, orthopedics, cancer care and an emergency department to the residents of the east side of Indianapolis. CHE has been designated as a Primary Stroke Center and an MD Anderson Cancer Center Network affiliate and has developed specialized centers of excellence with the Advanced Wound Center and Center for Interventional Radiology. In addition to CHE, the East Campus also includes a medical office building, a parking garage, a cancer center and the Community Surgery Center – East. In late 2018, CHE will open a new patient tower. Also, in late 2018, the State of Indiana will open the Neuro Diagnostic Institute state mental health facility on the East Campus.
- Community Hospital North*** is an acute care hospital located on the 118-acre North Campus. CHN was originally developed as a satellite, general acute care hospital; however, with the growth of the surrounding market area, the development of CHVH on the North Campus, and the expansion and renovation of CHN's facilities (including a new patient tower, surgery facilities and a parking garage). CHN serves as the tertiary referral site for the Network. CHN is a designated Primary Stroke Center and an MD Anderson Cancer Center Network affiliate and offers expanded program services and unique centers of excellence through a full range of inpatient, outpatient and community-based services. The North Campus is located near the intersection of I-69 and I-465, two key transportation arteries serving the Indianapolis metropolitan area. In addition to CHN and CHVH, this 118-acre campus includes six medical office buildings, a MedCheck ambulatory care center, an outpatient imaging center, the Community Surgery Center – North, a cancer center and CHNRH.
- Community Hospital South*** is an acute care hospital located on the 40-acre South Campus. CHS is a designated Primary Stroke Center and an MD Anderson Cancer Network affiliate and offers primary and secondary services including medical/surgical services, women's and children's services, cardiac services (including catheterizations), neurosciences and an emergency department. In addition to CHS, the South Campus also includes two medical office buildings, the Community Surgery Center – South and the Community South Cancer Center.

- ***Community Hospital of Anderson and Madison County, Incorporated***, is a community hospital located on the 21-acre Anderson Campus, approximately 45 miles northeast of Indianapolis. CHA primarily serves the residents of Madison County. This hospital is an MD Anderson Cancer Network affiliate and offers primary and secondary services including medical/surgical services, women's and children's services, cardiac services (including catheterizations), neurosciences and an emergency department. In addition, the Anderson Campus also includes four medical office buildings, which include the Community Center for Digestive Care.
- ***Community Heart and Vascular Hospital*** was the nation's first all-digital heart hospital and is a three-time Thomson Reuters Top 100 Cardiovascular Hospital. Located on the North Campus, CHVH provides a comprehensive array of services ranging from open heart surgery to non-invasive diagnostic testing to cardiac rehabilitation – all with a cardiologist on site 24/7. On January 1, 2009, CHVH, CHNw and more than 36 cardiovascular physicians created the region's first fully-integrated network for heart and vascular care. On October 1, 2014, CHVH (formerly Indiana Heart Hospital, LLC, an Indiana limited liability company) was merged into CHNw and now operates under CHE's license.
- ***Community Howard Regional Health, Inc.***, is a community hospital located on an 18-acre campus in Kokomo, Indiana, approximately 45 miles north of Indianapolis. CHRH primarily serves the residents of Howard County and surrounding communities. CHRH is an MD Anderson Cancer Network affiliate and offers primary services including inpatient and outpatient services, behavioral health, cancer care, emergency services, orthopedic services including a center for excellence, women's services, cardiology and the Community Surgery Center – Howard.
- ***Howard Regional Specialty Care, LLC*** (also known as ***Community Howard Specialty Hospital***) ("CHSH"), is a specialty rehabilitation hospital located in Kokomo, Indiana. It is a joint venture between CHRH and Kindred Healthcare, Inc., and serves patients in north central Indiana.

OTHER NETWORK FACILITIES

Ambulatory Care Facilities

In addition to its seven inpatient hospital facilities, the Network owns interests in and operates numerous ambulatory care facilities, surgery centers, rehabilitation and sports medicine facilities, occupational health centers, and nursing homes. Other facilities of the Network include:

- ***Community Surgery Centers*** – In partnership with area physicians, VEI has developed six outpatient surgery centers in the metropolitan Indianapolis area and surrounding communities, including centers on the campuses of Community Hospitals East, South, North and Howard and freestanding surgery centers located in northwest Indianapolis and Noblesville, Indiana. These centers provide outpatient surgery in specialties such as dermatology, ENT, gynecology, general surgery, neurosurgery, ophthalmology, orthopedics, urology, vascular surgery, podiatry and plastic surgery. These six centers have a combined medical staff complement of more than 961 physicians, a total of 37 operating suites and 10 special procedure rooms, and performed more than 59,000 outpatient cases in 2016.
- ***Other Surgery Centers*** – In addition to the development of the Community Surgery Centers, VEI operates an additional outpatient surgery center in Greenfield, Indiana. The center provides outpatient surgery in specialties such as dermatology, ENT, gynecology, general surgery, neurosurgery, ophthalmology, orthopedics, urology, vascular surgery, podiatry and plastic surgery.
- ***Ambulatory Health Pavilions*** – There are 16 Network health pavilions across the Indianapolis metropolitan area. The service complement of these ambulatory pavilions generally include primary and specialty care physician offices, MedChecks, imaging, physical therapy and rehabilitation services, behavioral care and lab services.

- ***Indianapolis Endoscopy Center*** – Located on the east side of Indianapolis, the Indianapolis Endoscopy Center (“IEC”) is a joint venture between area physicians and the Network focused on gastrointestinal disease. It is a licensed endoscopy center with four procedure rooms and performed approximately 11,435 procedures in 2016. Founded in 1994, the IEC has a medical staff comprised of board certified physicians and was the first ambulatory surgery center specializing in gastrointestinal endoscopy in the State of Indiana to achieve accreditation by the Accreditation Association for Ambulatory Health Care.
- ***Community Endoscopy Center*** – Located in Anderson, Indiana, on the Anderson Campus, the Community Endoscopy Center (“CEC”) is a joint venture between area physicians and the Network focused on gastrointestinal disease. It is a licensed endoscopy center with two procedure rooms and performed approximately 3,803 procedures in 2016.
- ***MedChecks*** – Immediate care centers, MedChecks, in seven locations around the Indianapolis metropolitan area provide urgent care, occupational health, general medical and specialty care. There is an additional pediatric-focused immediate care center, Kids Express, located in Fishers, Indiana, which is staffed by board-certified pediatricians and open seven days a week. All immediate care centers offer walk-in care as well as the ability to schedule appointments on-line.
- ***Community Clinics at Walgreens*** – As of June 2017, the Network assumed operational responsibility to provide clinical services at 12 in-store Walgreens clinic locations across the Indianapolis area. The locations are fully integrated Network primary-care locations, staffed by Network advanced practice providers and linked to the Network’s electronic medical records. Services provided include treatment of minor injuries and illnesses as well as management of chronic conditions. All locations offer walk-in care as well as the ability to schedule appointments on-line.
- ***Employer Health*** – In the employer environment, ensuring the health and well-being of employees and their family members is a vital investment. Community Employer Health (“CEH”) brings together health promotion, occupational health, MedCheck urgent care centers and onsite primary care services that support population health improvement. As schools are a part of the fabric of any community, CEH provides a variety of services that are specially tailored to school districts, including an overall partnership program that incorporates multiple Network services such as sports medicine, community benefit, behavioral health and employer health clinics. The Network’s services are designed to deliver a holistic approach to inspire individuals, families and companies to take responsibility for their total safety, health and wellness.

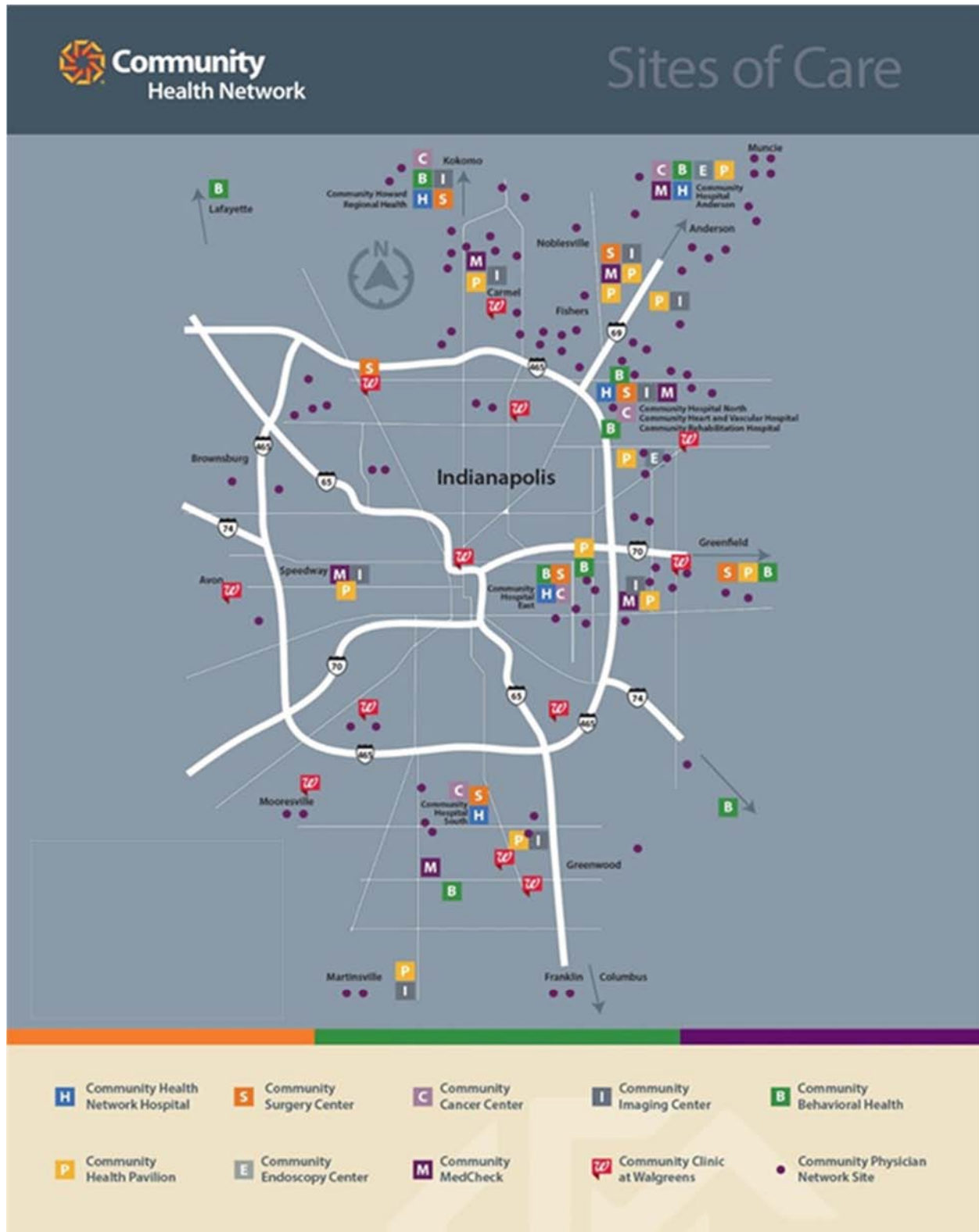
Other Network Operations

Other Network operations include the following:

- ***Primaria Health, LLC*** – Primaria is a joint venture among the Network, Village Practice Management Company, LLC, and Anthem to operate a management services organization. Primaria was formed to organize physicians in the Indiana market (approximately 38 counties extending to the east and west state lines of Indiana as well as north to Muncie, Indiana, and south to Bloomington, Indiana). Primaria’s objective is to provide more clinically effective, cost efficient and improved health care services to its patients. Services provided include patient stratification and care management.
- ***Community Health Network Rehabilitation Hospital, LLC*** – CHNRH, opened in mid-2013, is a joint venture with Kindred Healthcare, Inc., and is located on the North Campus. CHNRH provides inpatient acute, sub-acute and post-acute neurobehavioral rehabilitation as well as outpatient and day programs and services for adults with a broad range of diagnoses. Twenty additional rehabilitation and physical therapy centers exist across the Indianapolis and Anderson areas, providing outpatient rehabilitation services including physical and occupational therapy and speech and language therapy.

- ***Community Home Health Services, Inc.*** – CHHS provided nearly 110,000 visits in 2016 for home care, hospice, home infusion and home medical equipment to the greater Indianapolis area and surrounding counties. In 2016, the Network expanded its home health services on the south side of Indianapolis through the Alpha acquisition.
- ***Long Term Care Facilities*** – Community LTC, Inc., is a not-for-profit division of CHA that operates four nursing homes and two assisted living facilities in Madison County, Indiana.
- ***Graduate Medical Education*** – The Network is accredited by the Accreditation Council for Graduate Medical Education (“ACGME”) as an institutional sponsor of graduate medical education and sponsors all graduate medical education approved programs under the Network umbrella. Two programs in family medicine are supported: one is based out of the east region and has been a continuously accredited residency training program for over 40 years. The program is approved for ten learners per year, for a total of 30 residents. The osteopathic family medicine program moved to the south region in late 2017, and is currently approved by the American Osteopathic Association (“AOA”), moving to the ACGME. It has been continuously accredited for over 20 years, and is approved for four learners per year, for a total of 12 residents. The psychiatry residency program has completed its first year of training, and has successfully matched with four new residents for July 2017. It is approved for four learners per year, for each of the four years of training. The Network also sponsors an AOA program in proctology, currently with one learner. In addition, the Network sponsors an American Podiatric Medical Association-approved program in podiatry, with two learners per year of training, for a total of six residents. In addition, the Network sponsors a hospitalist fellowship program based at the South Campus, with two hospitalists per year for one year of training. The Network has educational affiliations with Indiana University School of Medicine, the newly accredited Marian University College of Osteopathic Medicine, and other medical schools across the country.

The following map displays the Network's facilities across the Service Area:



CREDIT GROUP

In the Amended and Restated Master Trust Indenture among CHNw, CHS, CHRH and The Bank of New York Mellon Trust Company, N.A., as trustee, dated as of November 27, 2012 (the “Master Indenture”), each member of the obligated group under the Master Indenture (individually, an “Obligated Group Member” and, collectively, the “Obligated Group”) jointly and severally covenants to pay or cause to be paid the principal of and interest on all obligations which have been or may in the future be issued by any Obligated Group Member under the Master Indenture (such obligations, “Obligations”), and to be subject to the covenants of the Obligated Group Members under the Master Indenture. See “SOURCES OF PAYMENT AND SECURITY FOR SERIES 2018A BONDS – Master Indenture” in this Offering Memorandum.

Under the Master Indenture, CHNw may designate any person controlled by any Obligated Group Member to be a credit group affiliate under the Master Indenture (individually, a “Credit Group Affiliate” and, collectively, together with the Obligated Group Members, the “Credit Group”). Each Obligated Group Member designated by CHNw to establish and maintain control over any Credit Group Affiliate covenants in the Master Indenture that it will cause each of its Credit Group Affiliates to pay, lend or otherwise transfer to CHNw such amounts as are necessary to enable the Obligated Group Members to comply with the provisions of the Master Indenture, including the payment of the principal of and interest on the Obligations and the performance of the covenants under the Master Indenture. ***However, no Credit Group Affiliate is obligated under the Master Indenture to pay any principal of or interest on any Obligations or is subject to any covenants under the Master Indenture.***

Currently, the only Obligated Group Members are:

- Community Health Network, Inc.
- Community Hospital South, Inc.
- Community Howard Regional Health, Inc.

Currently, the only Credit Group Affiliates are:

- Visionary Enterprises, Inc.
- Community Hospital of Anderson and Madison County, Incorporated

For the year ended December 31, 2016, the Credit Group represented 87% of the Network’s total operating revenue and 139% of the Network’s total assets (not all intercompany accounts and transactions, which are eliminated for the Network, being eliminated for the Credit Group).

GOVERNANCE

Board of Directors

CHNw, acting through its Board of Directors (the “CHNw Board”), promotes the health of the residents of central Indiana and surrounding communities by promoting, supporting and furthering the charitable purposes of its affiliates and subsidiaries and to consider, coordinate and facilitate the alignment of initiatives within the Network.

CHNw serves as the parent of the Network and exercises common supervision and control over the Network by integrating, coordinating and managing the delivery of capital, resources and services throughout the Network. Most entities of the Network have an independent board of directors that is comprised of the members of the CHNw Board and have delegated certain powers to the CHNw Board, including strategic planning, capital planning, budgeting, auditing and compliance, and compensation. The only entities with a governing board that is not comprised of the members of the CHNw Board are CHA, CPN, VEI, the Foundation and CHRH.

The CHNw directors are elected at its annual meeting, with no less than 25% of the elected directors being physicians. In addition, the CHNw President/CEO serves as an ex-officio voting member of the CHNw Board.

The officers of the CHNw Board consist of a Chairman, Vice Chairman, President/CEO, Secretary, Treasurer and such other assistant officers as designated and elected. Each officer is elected annually by the CHNw Board and serves an initial three-year term with unlimited one year renewable terms. The standing committees of the CHNw Board are Executive, Compensation, Audit, Compliance and Finance, Governance, Quality of Care and Physician Leadership Cabinet.

The present members of the CHNw Board and their principal occupations are provided in the following table:

**Community Health Network, Inc.
Board of Directors**

<u>Name/Office</u>	<u>Principal Occupation</u>
Russell R. Swan, Jr., Chairman ⁽¹⁾⁽²⁾	Vice President—Commercial Relationship Manager, First Internet Bank
Bruce F. King, Vice Chairman ⁽¹⁾	President and CEO, Helmer Scientific, Inc.
Bryan A. Mills ⁽²⁾	President and CEO, Community Health Network, Inc.
Gary Aletto ⁽²⁾	COO, Bright Sheet Metal Company, Inc.
Jason E. Becker	CEO, RICS Software, Inc.
Kathryn G. Betley	Community Development
Hany Haddad, M.D.	Physician, Community Physician Network
Arthur J. Leak	Registrar, Anderson University
Annette M. Moore, M.D.	Physician, Community Physician Network
Michael A. Peterson ⁽²⁾	President, FORUM Private Client Group, LLC
Steven R. Plump	CEO, Chondrial Therapeutics LLC
Yvonne H. Shaheen, Secretary ⁽¹⁾⁽²⁾	Retired CEO, Long Electric Company Inc.
Kristin Sherman, Treasurer ⁽¹⁾⁽²⁾	CFO, VMS BioMarketing
Charles S. Vore, M.D.	President, Community Anesthesia Associates, P.C.
Brian K. Williams ⁽²⁾	Program Director, Lilly Endowment, Inc.

(1) Member of the Executive Committee

(2) Member of the Audit, Compliance and Finance Committee

Certain Existing Relationships

Certain directors of CHNw and other members of the Network are associated with firms with which the Network maintains business relationships, some of which are described below. Bruce F. King, a director of CHNw, is president and CEO of Helmer Scientific, Inc., which provides laboratory equipment and services to certain members of the Network. Each of Stephen J. Hackman, a director of VEI, and Myra C. Selby, a director of the Foundation, is a partner in the law firm of Ice Miller LLP, which is primary outside legal counsel to the Network as

well as bond counsel for the Series 2018A Bonds. Charles S. Vore, M.D., a director of CHNw, is President of Community Anesthesia Associates, P.C., which provides services to certain members of the Network. Additionally, Dr. Vore is the medical director for the North Campus surgery center and the chair of the East and North Campuses anesthesia departments. Certain of the directors of CHNw and other members of the Network are employed by, or have family members who are employed by, CHNw or other members of the Network.

NETWORK EXECUTIVES

BRYAN MILLS

President and Chief Executive Officer, Community Health Network, Inc.

Age: 57

Mr. Mills was appointed President and Chief Executive Officer of CHNw on May 1, 2009. He previously served as CEO of Visionary Enterprises, Inc., a for-profit affiliate within the Network, from 1992 to 2009. He began his career with the Network in 1985 as controller for Community Hospital North. His career with VEI started shortly thereafter as vice president of VEI as well as founder and chief executive officer of Indianapolis Medical Management, a physician practice management subsidiary of VEI. Mr. Mills is very active in the local community serving on several Boards. He holds a bachelor of science in accounting from Ball State University.

JASON FAHRLANDER

Chief Operating Officer, Community Health Network, Inc.

Age: 45

Mr. Fahrlander was appointed Chief Operating Officer of CHNw on August 1, 2017. He previously served as President, Acute Care Services, of CHNw from March 2015 to July 2017, after serving as the North Region President since September 2013. He holds a masters of health administration degree from the Washington University School of Medicine and a master in administration degree from Southwest Baptist University. He graduated from Missouri State University with a bachelor of science degree in gerontology and psychology. He is a fellow in the American College of Healthcare Executives.

KYLE FISHER

Chief Retail and Innovation Officer, Community Health Network, Inc.

Chief Executive Officer, Visionary Enterprises, Inc.

Age: 56

Mr. Fisher was appointed Chief Retail and Innovation Officer on August 1, 2017. He previously served as Chief Strategy Officer of CHNw from March 2015 to July 2017 and has served as Chief Executive Officer of VEI since May 2009. He joined VEI in 2008 as its Chief Operating Officer. Mr. Fisher has been involved with VEI for many years through his service as a board member and chairman of the investment committee. Additionally, he has served as a member of the CHNw Audit Committee. Prior to joining VEI, Mr. Fisher was executive vice president at Goelzer Investment Management, and has held senior-level leadership positions in the banking industry. He received his bachelor's degree in economics from Denison University and a master of business administration degree from Wake Forest University.

JOSEPH KESSLER

Chief Financial Officer, Community Health Network, Inc.

Age: 57

Mr. Kessler joined CHNw as Chief Financial Officer in August 2014. He brings more than 30 years of healthcare leadership in finance management, partnership strategies and innovative business solutions. Prior to joining the Network, he served as Executive Vice President and Chief Financial Officer of Kaleida Health from 2008 through 2014. From 1991 to 2007, he was with TriHealth serving in many roles including Vice President of Finance. He also served as a manager at Ernst & Young from 1983 to 1991. He holds a bachelor's degree in business administration (accounting) from Ohio State University and is a CPA and a member of the Healthcare Financial Management Association.

RONALD THIEME, PHD**Chief Experience Officer, Community Health Network, Inc.****Age: 56**

Mr. Thieme was appointed Chief Experience Officer of CHNw on August 1, 2017. Mr. Thieme joined CHNw as Chief Knowledge and Information Officer in February 2014 and served in that position through July 2017. He has over 25 years of success in creating teams, leading organizations and providing business results. Prior to joining the Network, he has served in many positions with other organizations including chief executive officer, president, chief information officer and co-founder, with extensive experience in creating and implementing strategy, building organizations, implementing and overseeing technology programs and administering budgets. He is a successful entrepreneur who created a value proposition, built a company and rallied support from employees, funding agencies and clients. He has considerable experience working within and consulting to business of all sizes, and is actively involved in healthcare and life sciences leadership and governance.

RAMARAO YELETI, M.D., FACC, FSCAI**Chief Physician Executive, Community Health Network, Inc.****Age: 50**

Dr. Yeleti was appointed Chief Physician Executive of CHNw on August 1, 2017. He previously served as the President of Community Physician Network since 2012, in addition to being a cardiologist with Community Health Network. He has been in practice as a cardiologist since 1998. Dr. Yeleti has held a variety of leadership roles during his career including President of Indiana Heart Associates, P.C., and President of Community Heart and Vascular Hospital. Dr. Yeleti has a bachelor's of science degree from the University of Akron and a medical degree from Northeastern Ohio Universities College of Medicine. He served his internship and residency in internal medicine at the Mayo Graduate School of Medicine and served his fellowships in cardiovascular disease and interventional cardiology at Indiana University Medical Center and the Indiana Heart Institute. Dr. Yeleti is board certified in internal medicine, cardiovascular disease and interventional and nuclear cardiology.

NETWORK STRATEGIC DIRECTION**Strategic Plan**

The Network's commitment to the patient experience is a reflection of the vision, mission and values of the organization. It is this focus that drives the goals and strategic imperatives that differentiates the Network in the market place. Combined with the Network's commitment to delivering the highest quality of care, the Network is positioned to be the provider of choice - delivering exceptional experiences, outcomes and value.

In the spring of 2015, CHNw implemented a process that continuously challenges the strategy to adjust to constantly changing market conditions, which will ultimately drive sustainability for the long term. The process evaluates key scenarios by considering a broad array of potential market forces. The resulting Network strategic plan is focused on six key priorities identified specifically for their importance as a primary differentiator in the market and to respond to market forces, including:

- Patient Experience
- Caregiver Experience
- Value-Based Care
- Reducing Clinical Variation
- Product Line of Choice
- Financial Sustainability

Imbedded across all priorities is the integration of retail concepts as a strategy. The goal of meeting consumer expectations through patient-facing applications is leading the Network into new innovative ways to

deliver care through telemedicine, retail clinics and enhanced home care services. In August of 2017, the Networked invested in a retail and innovation group to drive this focus for the Network.

Improved integration of long term capital planning with strategic planning serves as the roadmap for the organization now and into the future and provides the framework for clarifying the alignment and prioritization of strategies down to all employees. Employee engagement is central to the Network's success in meeting its vision and executing on the strategies identified in the long term plan.

Forward looking demand planning is underway and represents a critical component to the overall organizational strategy for population management and product line development. A key differentiator for the Network has been and will continue to be physician engagement. Alignment of the Network's employed primary and specialty care providers has been completed and the Network is now focused on meeting demand. The Network's multispecialty and primary care network represents one of the largest physician networks in the market. The organizational strategy will be a continuation of the physician growth initiatives to meet market and population requirements.

The Network is focused on executing the following initiatives to achieve various strategies:

- Increasing the number of individual lives served by 9.4% through the end of 2017, compared to 2016
- Increasing the number of attributed lives managed by its management services organization to 170,000 lives
- Exceeding employee engagement goals by 3% relative to target; currently achieving top quartile performance among healthcare providers
- Exceeding physician engagement goals by 23% relative to target; currently achieving top decile performance
- Exceeding quality score for reducing harm by 10% relative to target
- Exceeding provider rating by 4% relative to target; currently achieving top decline performance among large physician group practices

Additionally, the Network is also focused on strengthening its core business, including:

- Opening a new health pavilion in the Anderson region in January 2017
- Opening a new replacement cancer center on the North Campus in April 2017
- Redefining women's care through the opening of the Women's Center on the North Campus in November 2017
- Revitalizing the East Campus through construction of a new patient tower to be opened in late 2018 and collaboration with the State of Indiana for the state's construction of a new mental health facility on the East Campus to be opened in late 2018
- Consolidating many physician practices, to gain efficiencies and enhance patient experience
- Upgrading equipment in several areas, including linear accelerators, catheterization laboratories and electrophysiology laboratories

- Reorganizing the Network’s leadership structure to focus on the Network’s core business: providing “*Exceptional Care, Simply Delivered,*” by clarifying the priorities and streamlining executive decision-making

The Network plans for, evaluates and pursues potential affiliation candidates as a part of its overall strategic planning and development process. Discussions with respect to affiliations are held on a frequent, and usually confidential, basis with other parties.

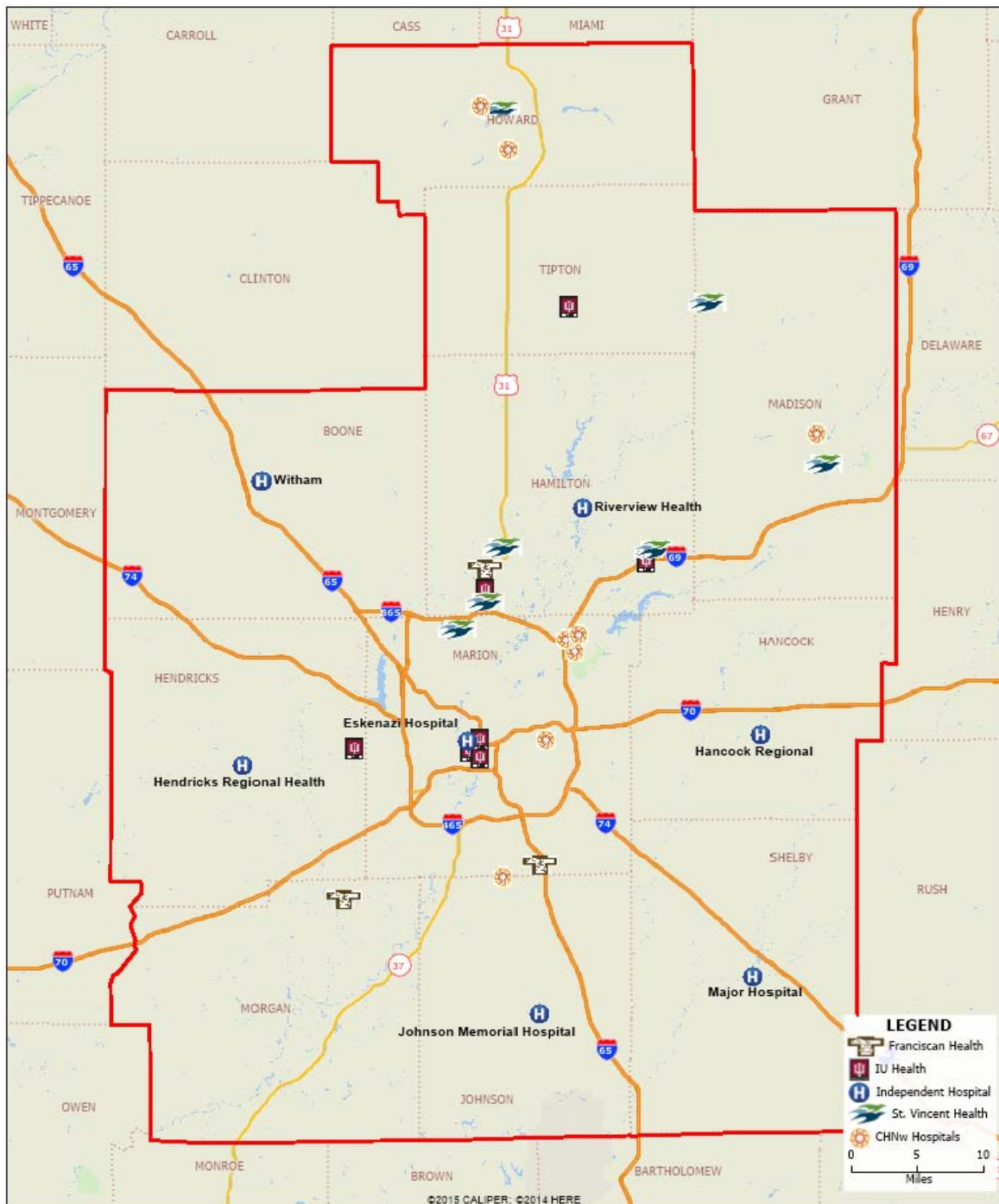
SERVICE AREA

Description

The Network’s service area covers eleven counties including Boone, Hamilton, Hancock, Hendricks, Howard, Johnson, Madison, Marion, Morgan, Shelby and Tipton (the “Service Area”). The population of the Service Area includes more than 30% of the population of the State of Indiana. Currently the Service Area represents, and over the last four years the Service Area has represented, approximately 92% of the Network’s annual inpatient discharges.

Central Indiana Map

The following map identifies the location of each major inpatient provider of health care services in the 11-county Service Area.



Demographic Characteristics

The Network's service area covers portions of two Metropolitan Statistical Areas ("MSA") in central Indiana. The Indianapolis-Carmel-Anderson MSA includes eleven counties of which nine are included in the Network's Service Area. The Kokomo MSA, with its largest city being Kokomo, Indiana, has a single county service area (Howard County, Indiana). In addition, Tipton County, Indiana, which is directly contiguous to both MSAs, is included in the Network's eleven county service area.

Certain population, projected population and projected population growth information for the Service Area, the Indianapolis-Carmel-Anderson MSA, the State of Indiana and the United States of America is set forth below. The population growth of the Service Area is projected to outpace the population growth of Indianapolis-Carmel-Anderson MSA, the State of Indiana and the United States of America.

Population			
Location	2016 Population	Projected 2021 Population	Compound Annual Growth Rate 2016-2021
Service Area	2,050,754	2,160,676	1.05%
Indianapolis-Carmel-Anderson MSA	852,380	886,489	0.79
Indiana	6,698,147	6,891,128	0.57
United States	323,580,626	337,326,118	0.84

Source: ESRI Demographics (2016).

The percentage of the population older than 64 years in the Service Area, the Indianapolis-Carmel-Anderson MSA, the State of Indiana and the United States of America is set forth below. The Service Area has a slightly younger population than the State of Indiana and the United States of America, with a lower percentage of the population older than 64.

Senior Population	
Location	Population Older Than 65 Years
Service Area	13.1%
Indianapolis-Carmel-Anderson MSA	12.3
Indiana	14.9
United States	15.0

Source: ESRI Demographics (2016).

Socioeconomic Characteristics

Median Household Income. Certain median household income (“MHHI”), projected MHHI and projected MHHI growth information for the Service Area, the Indianapolis-Carmel-Anderson MSA, the State of Indiana and the United States of America is set forth below. The MHHI of the Service Area exceeds the MHHI of the Indianapolis-Carmel-Anderson MSA and the State of Indiana and approaches the MHHI of the United States of America.

Median Household Income			
Location	2016 Median Household Income	Projected 2021 Median Household Income	Compound Annual Growth Rate 2016-2021
Service Area	\$53,819	\$61,637	2.75%
Indianapolis-Carmel-Anderson MSA	43,296	50,289	3.04
Indiana	50,189	56,210	2.29
United States	54,149	59,476	1.89

Source: ESRI Demographics (2016).

Employment and Economy. The economy of the Service Area is diverse and less dependent on the manufacturing and automotive sectors than many other areas of the State of Indiana. On a combined basis, Indiana institutions and employers represent one of the largest concentrations of biopharmaceutical/life sciences industry in the country with major employers including Eli Lilly, Dow AgroSciences and Roche Diagnostics.

The Service Area is home to many of the largest employers in the State of Indiana. Pharmaceutical and health care institutions comprise half of the largest employers in the Service Area.

Largest Employers		
Rank	Company	Indiana FTEs
1	Indiana University Health	28,691
2	State of Indiana	27,318
3	Kroger	18,259
4	St. Vincent Health	15,285
5	Community Health Network	11,248
6	Eli Lilly and Company	10,840
7	FedEx	9,050
8	City of Indianapolis/Marion County	7,231
9	Ivy Tech Community College	5,412
10	Health & Hospital Corporation of Marion County	4,927

Source: Indianapolis Business Journal (2016)

Certain employment and unemployment information for the Service Area, the Indianapolis-Carmel-Anderson MSA, the State of Indiana and the United States of America is set forth below. The unemployment rate in the Service Area is below the unemployment rate in the State of Indiana and the United States of America.

Employment and Unemployment			
Area	Employed	Unemployed	Unemployment Rate
Service Area	1,037,976	36,650	3.4%
Indianapolis-Carmel-Anderson MSA	1,016,000	35,700	3.4
Indiana	3,215,400	126,400	3.8
United States	154,324,000	6,759,000	4.2

Source: United States Department of Labor, Bureau of Labor Statistics (September 2017).

Competitive Environment

The primary healthcare systems serving the Service Area are:

- Community Health Network, Inc.
- Indiana University Health
- St. Vincent Health (a member of Ascension Health, the largest United States Catholic health system)
- Franciscan Health (formerly Franciscan Alliance)

The table below shows the Service Area discharges (excluding normal newborns, including behavioral health discharges) of these healthcare systems for calendar year 2016.

2016 Discharges	
CHNw	49,990
IU Health	42,730
St. Vincent Health	43,186
Franciscan	20,069
Others	<u>42,673</u>
Grand Total	198,648

Source: Indiana Hospital Association.

SERVICES

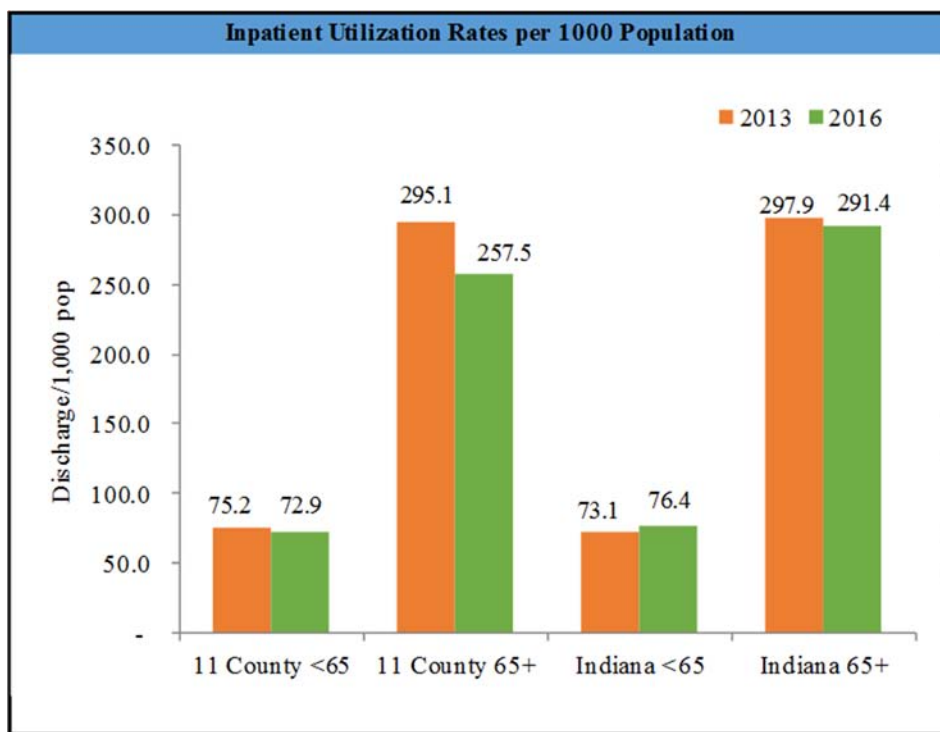
Services

Services provided by the Network include: primary, secondary and tertiary acute care services, non-acute care services on an inpatient, outpatient and emergency basis, primary and specialty physician services, health care diagnostic and treatment services, sleep disorders care, behavioral health care, drug addiction, rehabilitation care, post-acute care and home care services. The Network is known for certain clinical service lines, including orthopedic, cardiovascular and cardiothoracic. The services are provided by the Network's acute care and specialty hospitals (7), ambulatory medical pavilions (16), immediate care centers (8), approximately 600 primary care and specialty employed physicians and approximately 400 nurse practitioners, physician assistants and certified registered nurse anesthetists, freestanding surgery centers (7), outpatient imaging centers (13), ambulatory endoscopy centers (2), nursing homes (4) and assisted living facilities (2).

Inpatient Utilization Rates

Inpatient utilization rates per 1,000 population (“Utilization Rates”) declined by 5% in the Service Area from 2013 to 2016. This trend is not unique to the Indianapolis area. Overall utilization in the State of Indiana was 112.4 discharges per 1,000 population in 2013 and declined 3.6% in 2016 to 108.4 discharges per 1,000. As the overall health care system in the country shifts to a population health or value based model, inpatient utilization is expected to continue to decline as patients receive higher quality, lower cost care in a more timely fashion that will more likely occur in an outpatient, ambulatory setting.

Other factors influencing decreased inpatient use rates include shifts to lower cost outpatient settings either because of earlier intervention or changing clinical standards. It also appears that payors and providers are also driving down inpatient utilization in an effort to manage the cost of healthcare. Recent experience indicates that more patients are shifting to observation status instead of being admitted. Payors are also creating narrow networks or tiered provider networks that are expected to impact utilization of those providers not in the network or whose additional cost doesn’t provide additional value to the consumer. The Patient Protection and Affordable Care Act, which established a value-based purchasing model that no longer pays hospitals for readmissions within 30 days of discharge, likely impacted the inpatient decline in utilization. Despite the uncertainty around the Affordable Care Act and its potential replacement, the cost of health care cannot continue to rise and utilization will continue to be impacted.



Source: Claritas, Indiana Hospital Association. Excludes normal newborns.

Market Share

According to data from the Indiana Hospital Association (IHA), the Network's 2016 market share within the 11-county service area was 25.2%. Growth over the past five years for St. Vincent Health, Franciscan Health and the Network included the addition of new entities as well as same site growth. St. Vincent Health added St. Vincent Fishers (2013) to its portfolio, Franciscan Health added Franciscan Carmel (2012) to its portfolio and the Network added Westview (2011), CHRH (2012) and CHSH (2012) to its portfolio.

The addition of Westview, CHRH and CHSH, coupled with same site growth, propelled the Network to a 3.8% increase in volume and an absolute increase of 1.7% in market share over 2012. The Network increased its geographic footprint since 2011 by expanding its reach to the north and west of its existing Service Area with the addition of Westview, CHRH and CHSH. Clinical affiliations in cardiovascular services with Hendricks Regional Health have increased the Network's reach further west of its existing footprint.

The table below shows the Service Area market share (based on discharges (excluding normal newborns)) of the primary health systems serving the Service Area for calendar years 2013 through 2016 and for the first six months of 2017.

Market Share					
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u> <u>(first six months)⁽¹⁾</u>
CHNw	24.7%	24.6%	25.3%	25.2%	25.4%
IU Health	24.9	24.1	22.8	21.5	21.2
St. Vincent Health	21.9	22.1	21.8	21.7	21.2
Franciscan	9.3	9.4	9.9	10.1	10.2
Others	<u>19.1</u>	<u>19.8</u>	<u>20.3</u>	<u>21.5</u>	<u>22.0</u>
Grand Total ⁽²⁾	100.0%	100.0%	100.0%	100.0%	100.0%

⁽¹⁾ The market share for the first six months of 2017 is not necessarily indicative of the market share that may be expected for calendar year 2017.

⁽²⁾ Amounts may not total due to rounding.

Source: Indiana Hospital Association.

The growth in market share in the "Others" category is driven primarily by an increase in discharges for Valle Vista Health System, a specialty hospital providing mental health and addictions treatment. The opioid epidemic has been well documented throughout the country and Indiana is no exception.

Managed Care Environment

The Indiana managed care market continues progressing favorably for facility and professional providers for a number of reasons. First, Indiana, like many states, has benefited from the expansion of health care coverage under the Patient Protection and Affordable Care Act, as patients have increased access to health care and historical reliance on network financial assistance and self-pay has largely been minimized. Secondly, payer and facility consolidation has not occurred at the same rate relative to other markets, thereby allowing Indiana to maintain or grow volumes, slow market rate compression and maintain fee for services payment structures relative to the market. Employers continue to support self-funded healthcare arrangements, with access oriented networks allowing most providers accessibility to serve patient needs in the central Indiana market. The payor mix has shifted slightly towards Medicare, as the population of baby boomers is hitting retirement.

HISTORICAL INPATIENT UTILIZATION

Certain historical inpatient utilization information of the Network for the fiscal years ended December 31, 2014, 2015 and 2016, and the ten-month periods ended October 31, 2016 and 2017, is presented in the following table.

	<u>Fiscal Year ended December 31</u>			<u>Ten Months ended October 31</u>	
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2016</u>	<u>2017⁽¹⁾</u>
Operated Beds	1,035	1,049	1,069	1,069	1,130
Admissions ⁽²⁾					
Medical/Surgical	38,719	39,244	39,349	32,610	33,429
Obstetrics	8,199	8,367	8,028	6,693	6,535
Psychiatric	4,714	4,624	4,921	3,992	4,897
NICU	804	848	796	649	714
Rehabilitation	627	493	457	401	379
Total Admissions	53,063	53,576	53,551	44,345	45,954
Adjusted Admissions	125,042	128,421	130,567	108,492	112,946
Patient Days ⁽²⁾					
Medical/Surgical	155,585	154,908	157,142	130,176	135,192
Obstetrics	22,253	23,585	21,844	18,131	17,762
Psychiatric	26,862	27,578	30,093	24,820	29,256
NICU	11,692	12,700	11,654	9,260	9,721
Rehabilitation	6,670	5,590	5,604	4,839	4,397
Total Patient Days	223,062	224,361	226,337	187,226	196,328
Adjusted Patient Days	503,622	516,533	529,155	439,564	466,745
Average Length of Stay (Days)	4.20	4.19	4.23	4.22	4.27
Occupancy Percentage	59.0	58.6	58.0	57.4	57.1
Inpatient Surgeries	12,444	12,662	12,245	10,121	10,224
Deliveries	7,784	7,899	7,606	6,349	6,254

⁽¹⁾ The inpatient utilization for the ten months ended October 31, 2017, is not necessarily indicative of the inpatient utilization that may be expected for the year ending December 31, 2017.

⁽²⁾ Excludes nursery.

Source: Network records.

Overall, admissions and patient days increased during the period from January 1, 2014, to October 31, 2017 (annualized). The growth was due primarily to the Network's gain in market share.

HISTORICAL OUTPATIENT UTILIZATION

Certain historical outpatient utilization information of the Network for the fiscal years ended December 31, 2014, 2015 and 2016, and for the ten-month periods ended October 31, 2016 and 2017, is presented in the following table:

	<u>Fiscal Year ended December 31</u>			<u>Ten Months ended October 31</u>	
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2016</u>	<u>2017⁽¹⁾</u>
Emergency Department Visits	257,463	273,941	284,381	238,514	230,879
Outpatient Surgeries	82,462	84,274	87,277	71,445	72,140

⁽¹⁾ The outpatient utilization for the ten months ended October 31, 2017, is not necessarily indicative of the outpatient utilization that may be expected for the year ending December 31, 2017.

Source: Network records.

The Network's outpatient cases by service line for the fiscal year ended December 31, 2016, and the ten-month periods ended October 31, 2016 and 2017, are presented in the following table:

<u>Service Line⁽¹⁾</u>	<u>Fiscal Year ended December 31, 2016</u>	<u>Ten Months ended October 31</u>	
		<u>2016</u>	<u>2017⁽²⁾</u>
Behavioral	6,414	6,377	7,674
Cardiovascular	55,404	45,851	49,962
Community Care	94,778	84,802	88,775
Gastrointestinal	47,366	45,158	46,908
General Medicine	15,473	13,159	13,104
Hematology-Oncology	62,828	53,668	59,277
Imaging Clinical Support Service	8,813	7,313	7,383
Laboratory Clinical Support Service	1,680	1,452	1,201
Musculoskeletal	59,739	48,964	58,083
Neuroscience	56,966	46,841	52,691
Respiratory	32,194	26,813	25,799
Rehabilitation Clinical Support Service ⁽³⁾	17,320	16,781	1,385
Surgery	58,976	49,054	50,683
Women and Newborns	34,167	28,386	29,500
Unassigned/All Others	44,719	21,767	21,825
Affiliates	<u>254,248</u>	<u>184,713</u>	<u>187,409</u>
Total	<u>851,085</u>	<u>681,099</u>	<u>701,659</u>

⁽¹⁾ All outpatient cases of CHRH, CHA and Westview are included under "Affiliates"; no outpatient cases of CHRH, CHA or Westview are included under any other service line.

⁽²⁾ The outpatient cases for the ten months ended October 31, 2017, are not necessarily indicative of the outpatient cases that may be expected for the year ending December 31, 2017.

⁽³⁾ Many of the Rehabilitation Clinical Support Service cases were reclassified to Musculoskeletal and Neuroscience in 2017.

Source: Network records.

PAYOR MIX

The payor mix is a significant factor in determining net patient services revenues. The payor mix presented below is expressed as a percentage of gross charges and is based on fiscal year 2016 actual data.

	Medicare	Medicaid	Self-pay	Commercial	Total ⁽¹⁾
CHE	43.2%	24.4%	3.5%	28.9%	100.0%
CHN	36.1%	19.4%	2.5%	42.0%	100.0%
CHS	43.8%	16.7%	3.1%	36.4%	100.0%
CHVH	60.4%	8.5%	1.0%	30.1%	100.0%
CHA	50.9%	17.4%	1.7%	30.0%	100.0%
CHRH	50.6%	17.2%	3.0%	29.2%	100.0%
Westview ⁽²⁾	27.6%	17.6%	3.8%	51.0%	100.0%
Network-Total⁽³⁾	44.1%	19.4%	2.8%	33.8%	100.0%

⁽¹⁾ Amounts may not total due to rounding.

⁽²⁾ Westview discontinued operations December 2016.

⁽³⁾ Weighted average.

Source: Network records.

CASE MIX INDEX

The case mix index (“CMI”) measures the relative intensity for inpatient cases. A higher CMI reflects a more complicated case and usually results in higher charges, a longer length of stay and higher cost. The overall CMI is a weighted average of all services at a hospital. This may include non-medical services such as mental health or labor and delivery services. These services have a very low CMI and drive the overall CMI lower as these services are expanded. The overall CMIs for fiscal years 2014 to 2016, excluding newborns, are shown in the following table.

	Fiscal Year Ended Dec. 31		
Case Mix Index	2014	2015	2016
CHE	1.43	1.47	1.48
CHN	1.46	1.48	1.52
CHS	1.45	1.46	1.49
CHVH	2.92	2.86	2.90
CHA	1.57	1.56	1.61
CHRH	1.46	1.43	1.43
Westview ⁽¹⁾	1.31	1.72	2.15
Network-Total⁽²⁾	1.50	1.50	1.54

⁽¹⁾ The increase in the CMI for Westview was due to an orthopedic strategy implemented at the campus in mid-July 2015. Westview discontinued operations in December 2016.

⁽²⁾ Weighted average.

Source: Network records.

NETWORK PHYSICIANS

As of December 31, 2017, the Network employed 320 primary care physicians and 285 specialty physicians. For the year ended December 31, 2017, the Network's employed physicians accounted for approximately 80% of the Network's total discharges.

In addition, as of December 31, 2017, the Network employed 439 nurse practitioners, physician assistants and certified registered nurse anesthetists.

Community Physicians Network was formed on January 1, 2012, and serves as a key component of the Network's integrated delivery system. Most of the Network's employed physicians are integrated into CPN. CPN's physicians practice in approximately 200 locations throughout central Indiana and surrounding communities.

MEDICAL STAFF

As of January 15, 2018, the Network's medical staff was comprised of approximately 1,940 physicians on the active medical staff in solo and group practices and includes, but is not limited to, the following specialties:

Specialty	Total Providers	Employed Providers	Employed Providers Average Age
Addiction Medicine (Internal Medicine)	1	0	N/A
Advanced Heart Failure & Transplant Cardiology	3	3	42
Allergy & Immunology	12	0	N/A
Anesthesiology	87	8	48
Bariatric Medicine	1	0	N/A
Breast Surgery	6	6	54
Cardiology	2	1	68
Cardiology - Electrophysiology	5	5	41
Cardiology - Interventional	12	12	52
Cardiothoracic Surgery	11	5	52
Cardiovascular Disease	31	25	51
Clinical Neurophysiology	1	0	N/A
Clinical Neuropsychology	1	0	N/A
Colon and Rectal Surgery	12	4	44
Critical Care Medicine	11	6	51
Dentistry	3	0	N/A
Dentistry - Endodontics	1	0	N/A
Dermatology	35	0	N/A
Dermatopathology	2	0	N/A
Emergency Medicine	61	2	51
Endocrinology	11	11	50
Facial Plastic Surgery	1	0	N/A
Family Medicine	306	239	45
Foot & Ankle Surgery	5	0	N/A
Gastroenterology	40	14	51
General Surgery	39	19	56
Geriatrics	5	2	42
Gynecologic Oncology	6	2	60
Gynecology	1	0	N/A
Hand Surgery	3	2	39
Head & Neck Surgery	1	1	68
Hematology	11	2	49
Hospice and Palliative Medicine	5	3	44
Hospitalist	5	5	38
Infectious Diseases	17	8	47
Infertility	2	1	53
Internal Medicine	149	97	45
Maternal Fetal Medicine	5	1	35

Specialty	Total Providers	Employed Providers	Employed Providers Average Age
Neonatology	7	2	47
Nephrology	31	1	48
Neuro Ophthalmology	1	0	N/A
Neurology	56	0	N/A
Neurosurgery	33	6	51
Nuclear Medicine	1	0	N/A
Obstetrics and Gynecology	83	52	48
Occupational Medicine	9	7	58
Oncology – Medical	19	2	49
Oncology – Radiation	13	7	46
Ophthalmic Plastic & Reconstructive Surgery	1	0	N/A
Ophthalmology	27	1	58
Oral and Maxillofacial Surgery	11	0	N/A
Orthopaedics	74	22	53
Osteopathic Medicine	1	0	N/A
Otolaryngology	47	8	47
Pain Management	21	1	34
Pathology	39	0	N/A
Pediatric Cardiology	12	0	N/A
Pediatric Critical Care	5	0	N/A
Pediatric Dentistry	2	0	N/A
Pediatric Dermatology	1	0	N/A
Pediatric Endocrinology	1	0	N/A
Pediatric Gastroenterology	1	1	50
Pediatric Neurology	1	0	N/A
Pediatric Ophthalmology	2	0	N/A
Pediatric Orthopaedics	2	1	46
Pediatric Pulmonology	2	0	N/A
Pediatric Surgery	14	1	69
Pediatric Urology	1	0	N/A
Pediatrics	117	57	45
Phlebology	1	0	N/A
Physical Medicine and Rehabilitation	18	6	41
Plastic Surgery	14	3	52
Podiatric Surgery	29	1	61
Podiatry	32	9	34
Proctology	3	3	46
Psychiatry	51	27	46
Psychiatry - Addiction Medicine	1	1	44
Psychiatry - Child and Adolescent	4	3	60
Pulmonary Disease	31	16	52
Radiology	39	0	N/A
Radiology – Diagnostic	65	1	69
Radiology – Interventional	6	0	N/A
Radiology – Neuroradiology	8	0	N/A
Reproductive Endocrinology	1	0	N/A
Reproductive Endocrinology/Infertility	1	0	N/A
Rheumatology	15	6	45
Sleep Medicine	5	1	68
Spine Surgery	4	2	36
Sports Medicine	10	3	41
Thoracic Surgery	2	0	N/A
Urogynecology	4	0	N/A
Urology	42	0	N/A
Vascular Surgery	9	6	45
Total	1,940	741	

Source: Network records.

HISTORICAL FINANCIAL INFORMATION

The following summary financial data should be read in conjunction with the consolidated financial statements and the related notes thereto of Community Health Network, Inc. and Affiliates. The audited consolidated financial statements at December 31, 2016 and 2015, are included in Appendix B of this Offering Memorandum.

The following summary financial data at October 31, 2017 and 2016, and for the ten months then ended, have been provided by Network management and have not been audited. Results for the ten months ended October 31, 2017, are not necessarily indicative of the results that may be expected for the year ending December 31, 2017.

Community Health Network, Inc. and Affiliates
Summary Financial Information
Consolidated Balance Sheets

(\$ in millions)	As of December 31,			As of October 31,	
	2014	2015	2016	2016	2017
Assets					
Current assets					
Cash and cash equivalents	\$ 230.7	\$ 260.3	\$ 259.3	\$ 290.8	\$ 227.4
Patient accounts receivable, net	221.9	273.7	263.2	262.6	296.2
Other current assets	120.8	134.5	199.8	112.2	169.7
Total current assets	573.4	668.5	722.3	665.6	693.3
Assets limited as to use					
Board-designated funds	599.2	592.5	656.7	643.8	775.8
Funds held by trustee, net of current portion	65.5	100.6	44.7	111.1	33.6
Reinsurance trust assets	13.6	13.8	16.7	16.7	16.2
Property, plant and equipment, net	809.0	822.5	852.8	855.0	907.7
Capitalized software costs, net	63.7	77.5	67.7	70.2	59.5
Other assets	39.5	39.7	51.3	56.5	52.3
Total assets	\$2,163.9	\$2,315.1	\$2,412.2	\$2,418.9	\$2,538.4
Liabilities and Net Assets					
Current liabilities					
Current portion of long-term debt	\$ 22.4	\$ 21.5	\$ 21.9	\$ 21.8	\$ 22.4
Other current liabilities	246.9	340.1	303.0	334.4	273.5
Total current liabilities	269.3	361.6	324.9	356.2	295.9
Accrued pension	235.0	3.4	2.1	3.4	2.6
Long-term debt, net of current portion	605.8	782.5	771.6	773.2	750.1
Other liabilities	13.3	17.6	9.7	14.0	7.1
Total liabilities	1,123.4	1,165.1	1,108.3	1,146.8	1,055.7
Net assets					
Unrestricted net assets	1,010.9	1,117.9	1,267.2	1,237.2	1,446.7
Temporarily restricted net assets	8.1	6.8	8.7	6.8	8.0
Permanently restricted net assets	4.5	5.1	6.9	5.1	7.6
Total net assets before non-controlling interest	1,023.5	1,129.8	1,282.8	1,249.1	1,462.3
Non-controlling interest	17.0	20.2	21.1	23.0	20.4
Total net assets	1,040.5	1,150.0	1,303.9	1,272.1	1,482.7
Total liabilities and net assets	\$2,163.9	\$2,315.1	\$2,412.2	\$2,418.9	\$2,538.4

Community Health Network, Inc. and Affiliates
Summary Financial Information
Consolidated Statements of Operations and Changes in Net Assets

(\$ in millions)	Year Ended December 31,			Ten Months Ended October 31,	
	2014	2015	2016	2016	2017
Change in Unrestricted Net Assets					
Total unrestricted revenues and gains	\$1,942.1	\$2,076.5	\$2,169.4	\$1,769.8	\$1,890.2
Operating expenses					
Salaries, benefits and pension	1,010.8	1,056.4	1,129.6	924.7	1,032.7
Defined benefit pension settlement charge	-	-	220.8	-	-
Supplies and other expenses	666.5	734.8	788.1	632.6	652.7
Depreciation and amortization	82.1	84.7	86.8	84.1	76.4
Westview impairment and closing charge	-	-	26.0	-	-
Accelerated amortization of system	-	-	12.2	-	-
Interest and financing costs	20.8	24.8	29.1	24.6	22.6
Total operating expenses	1,780.2	1,900.7	2,292.6	1,666.0	1,784.4
Income (loss) from operations	161.9	175.8	(123.2)	103.8	105.8
Total investment income (losses)	18.3	(34.8)	48.3	38.9	94.8
Other, net	(0.4)	(1.0)	0.5	(1.2)	-
Excess of revenues over expenses (expenses over revenues) before income taxes	179.8	140.0	(74.4)	141.5	200.6
Provision for income taxes	7.2	4.8	7.8	6.9	6.4
Excess of revenues over expenses (expenses over revenues)	172.6	135.2	(82.2)	134.6	194.2
Less: Excess of expenses over revenues for discontinued operations	(0.4)	-	-	-	-
Less: Loss on divestiture of discontinued operations	(11.3)	-	-	-	-
Loss from discontinued operations	(11.7)	-	-	-	-
Less: Excess of expenses over revenues attributable to noncontrolling interest	(17.4)	(20.1)	(20.5)	(15.3)	(15.1)
Excess of revenues over expenses attributable to the Network	\$ 143.5	\$ 115.1	\$ (102.7)	\$ 119.3	\$ 179.1
Increase (decrease) to unrecognized pension due to actuarial gains and amortizations	(144.5)	(8.3)	34.1	-	-
Increase to recognized pension losses	-	-	220.9	-	-
Change in non-controlling interest and other changes, net	(0.8)	3.4	(2.0)	2.8	(0.4)
Increase (decrease) in total unrestricted net assets	(1.8)	110.2	150.3	122.1	178.7
Increase (decrease) in temporarily restricted net assets	0.9	(1.3)	1.9	-	(0.7)
Increase in permanently restricted net assets	-	0.6	1.7	-	0.8
Increase (decrease) in total net assets	(0.9)	109.5	153.9	122.1	178.8
Total net assets, beginning of year	1,041.4	1,040.5	1,150.0	1,150.0	1,303.9
Total net assets, end of year	\$1,040.5	\$1,150.0	\$1,303.9	\$1,272.1	\$1,482.7

MANAGEMENT DISCUSSION OF HISTORICAL FINANCIAL PERFORMANCE

Ten Months Ended October 31, 2017

The Network's operating margin for the ten months ended October 31, 2017, was 5.6% or \$105.8 million as compared to a budgeted operating margin of 5.4% or \$100.5 million and a prior year operating margin of 5.9% or \$103.8 million.

Overall, the Network's gross revenue increased \$66.4 million as compared to budget, primarily driven by higher inpatient revenue (\$22.0 million) and higher outpatient revenue (\$59.0 million). The increase in inpatient revenue was driven by a 3.3% increase in inpatient admissions as well as a 2.0% increase in the acuity of the patients. The increase in outpatient revenue was driven by a 3.8% increase in adjusted admissions and a 1.0% increase in outpatient surgeries.

Revenue deductions plus bad debts as a percentage of total gross revenue were 67.3% as compared to a budget of 67.6%. The better than expected results was primarily driven by a less than expected shift to Medicare for the ten months ended October 31, 2017, as compared to budget. Year to date, the Network benefitted \$30.5 million from the favorable payor mix shift. The favorable shift was the result of the Medicare population not utilizing services as quickly as anticipated. In comparison to prior years, the Network continues to experience a higher trend of governmental payor mix. Offsetting the favorable decline in revenue deductions was an \$8.5 million increase in bad debt expense primarily driven by the increase in volumes and revenue.

The Network's operating expenses were \$37.5 million higher than budget. The primary drivers of the increased expenses were salaries and wages (\$15.8 million) and supplies expense (\$22.6 million). The increase in salaries and wages expense was primarily driven by higher than budgeted hiring of clinicians as well as an increase in 2017 incentive program expense as the Network is on target to meet and/or exceed several of its 2017 goals. The increase in supplies expense was primarily driven by patient volumes. Specifically, implantable devices and drug expense increased over budget with a component of the drug expense increase being driven by increased oncology volumes.

Volumes. Below is a summary of key volumes for the ten months ended October 31, 2017, as compared to budget and prior ten-month period:

	Ten Months ended October 31, 2017	Budget	Ten Months ended October 31, 2016	% of Budget	% to Actual
Admissions	45,954	44,501	44,345	3.3%	3.6%
Adjusted Patient Days	466,745	452,916	439,564	3.1%	6.2%
Adjusted Admissions	112,946	108,772	108,492	3.8%	4.1%
Emergency Department Visits	230,879	234,845	238,514	(1.7%)	(3.2%)
Outpatient Surgeries	72,140	71,456	71,445	1.0%	1.0%
Deliveries	6,254	6,393	6,349	(2.2%)	(1.5%)
Inpatient Surgeries	10,224	10,445	10,121	(2.1%)	1.0%

Source: Network records.

Admissions were up at all hospitals except for the Anderson and Howard hospitals. The Anderson hospital experienced a decline of 0.9% while the Howard hospital admissions were down 5.5%. Emergency department visits were up at all hospitals except for the East, South and Anderson hospitals. It is believed the decreases at these three facilities were due to patients seeking care at alternative access points for non-life threatening services in these markets. Alternative access points include MedChecks, the Network's clinics at Walgreens and urgent care facilities, as well as the Jane Pauley federally qualified health clinics. All hospital based outpatient surgeries increased as compared to budget as well as outpatient surgeries at the East and Indianapolis Endoscopy surgery centers. The decline in outpatient surgeries at the Network's other surgery centers was primarily driven by physician activity related to departures, unplanned medical leaves, and the like. The Network continued to

experience a decline in births, except for the North Campus where births increased 3.4% over budget. The decrease in births at the other campuses is primarily driven by open physician positions. Inpatient surgeries declined as compared to budget at all campuses except for the East and Howard hospitals. The decline in surgeries is due to a shift of several procedures now being performed as outpatient surgery versus inpatient surgery, such as catheterization and electrophysiology laboratory cases as well as some spine cases.

Case Mix Index. The overall CMIs, excluding newborns, for the ten months ended October 31, 2016 and 2017, are shown in the following table:

CMI	Ten Months ended October 31, 2017	Ten Months ended October 31, 2016
CHE	1.51	1.45
CHN	1.49	1.48
CHS	1.47	1.45
CHVH	3.01	2.83
CHA	1.55	1.54
CHRH	1.46	1.45
Total	1.53	1.50

Source: Network records.

Payor Mix and Revenue Deductions. The payor mix is a significant factor in determining net patient services revenues. The summary baseline payor mix (% gross charges) in the table below is based on actual data for the ten months ended October 31, 2017:

Payor Mix	Medicare	Medicaid	Self-Pay	Commercial	Total
CHE	43.60%	24.82%	2.96%	28.62%	100.0%
CHN	37.28%	19.38%	2.33%	41.01%	100.0%
CHS	45.02%	17.34%	2.79%	34.85%	100.0%
CHVH	60.55%	8.92%	1.29%	29.24%	100.0%
CHA	52.98%	17.88%	1.91%	27.23%	100.0%
CHRH	51.52%	17.74%	2.42%	28.32%	100.0%
Total- Ten Months ended October 31, 2017	45.42%	19.67%	2.49%	32.42%	100.0%
Total- Ten Months ended October 31, 2016	44.59%	19.19%	2.78%	33.44%	100.0%

Source: Network records.

Overall, the Network experienced an increase in governmental payor mix for the ten months ended October 31, 2017, as compared to prior year, with most of the shift coming from Anthem and other commercial. The Network believes the increase was due to commercial customers postponing care until later in the year, when high deductibles are met as well as an increase in “baby boomers” receiving care. Additionally, the Network experienced an increase in HIP 2.0 payor mix. HIP 2.0 is included in the Medicaid payor mix numbers above.

The Network’s revenue deductions plus bad debts as a percentage of total patient revenue were 67.3% as compared to a budget of 67.6% and a prior year of 67.2%. Uncompensated care (charity plus bad debts) as a percentage of total patient revenue was 2.3% as compared to a budget of 2.1% and a prior year of 2.2%.

Operating Expenses. The Network’s employee costs were 15.5% higher than budget, primarily driven by some unbudgeted market adjustments for certain employees, the hiring of unbudgeted clinicians and increased 2017

incentive accruals related to the Network performance as benchmarked on midyear indicators. The Network's FTEs are 2.0% lower than budget as of October 31, 2017, primarily driven by a decrease in hospital FTEs due to productivity gains combined with open mental health positions due to lack of available clinicians, social works and other staff.

The Network continues to experience higher than budgeted supplies expense, especially related to drugs and implants. Overall, the Network's supplies expense was 7.8% higher than budget. Supplies expense per CMI adjusted admissions was 1.7% higher than budget. The increase was driven by both increased volumes in areas such as catheterization and electrophysiology laboratory cases, as well as oncology and orthopedics cases and increased drug prices.

Despite the higher salaries and wages and supplies expense for the ten months ended October 31, 2017, the Network managed all other expenses, which resulted in operating expenses per CMI adjusted admission, to be 3.6% lower than budget.

Total Margin and Balance Sheet. The Network's total margin for the ten months ended October 31, 2017, was 9.5% as compared to a budget of 5.8% and a prior year of 6.7%. The Network's total margin was favorably impacted by gains recorded on the Network's board-designated funds. The Network recognized net unrealized gains of \$80.0 million and interest income and realized gains of \$14.8 million for the ten months ended October 31, 2017. The Network marks to market its investments on a monthly basis.

The net days in accounts receivable was 49 days for the Network at October 31, 2017, as compared to 47 days at October 31, 2016. The Network's days cash on hand was 179 days at October 31, 2017, as compared to 180 days at October 31, 2016. During September 2017, the Network paid down the \$20.0 million outstanding balance on the line of credit. Additionally, in November 2017, the Network received approximately \$15.0 million related to the sale of certain accounts receivables with recourse to an independent bank as part of a commercial loan program for self-pay patients.

Year Ended December 31, 2016

Overview. The Network's operating margin adjusted for non-recurring items for the year ended December 31, 2016, was 6.3% as compared to a planned operating margin of 7.0% and a prior year operating margin of 8.5%. The nonrecurring items included:

Defined Benefit Retirement Plan Settlement Charge	\$221.9 million
Write-Off of Electronic Medical System at Howard	12.2 million
Impaired Assets and Closing Charge for West Campus	<u>26.0 million</u>
Total	\$260.1 million

Source: Network records.

The defined benefit retirement plan settlement charge reflects the termination of the plan in June 2015 with asset distribution completed in December 2016. The plan assets were distributed either via lump sum payments to participants or the purchase of annuities on behalf of plan participants. The Network has no further obligations related to the plan.

Effective February 1, 2017, the Network implemented its EPIC electronic medical record system in its Kokomo region. As a result, during 2016, accelerated depreciation of \$12.2 million was recognized on the write-off of the existing electronic medical record.

Effective December 16, 2016, the Network closed its Westview hospital and adjacent medical office building. As a result, an impairment charge of \$21.3 million was recognized on the buildings and equipment. The Healthplex facility remains open and in operation. In addition to the impairment charge, the Network also recognized \$4.7 million of charges related to closing the hospital and medical office building. In December, 2017, the Network entered into an agreement to sell the entire Westview campus and expects to complete the sale in 2018.

During 2016, the Network achieved various objectives and made significant investments in long-term strategies including:

- The termination of the defined benefit retirement plan in December 2016.
- The refinancing and extension of debt maturity dates related to the Series 2000A, Series 2000B, Series 2005A, Series 2005B and Series 2009A Bonds to direct placement debt. As a result of the refunding, the Network has no letters of credit outstanding. The refunding did result in an approximate \$1.0 million write-off of old deferred financing costs.
- The Network terminated the two interest rate swaps associated with the Series 2005A and Series 2005B Bonds. The termination and settlement resulted in a cash payment by the Network of approximately \$8.5 million.
- The sale of the Network's for-profit Wellspring pharmacies to Walgreens in December 2016, which resulted in a \$2.4 million gain on the sale.
- The acquisition of Alpha Home Physical Therapy, Inc., on the south side of Indianapolis in September 2016.
- The Network entered into its first shared services agreement to implement and maintain its EPIC Connect electronic medical records at a health system in Indiana. The installation will be completed in late 2017.
- During 2016, to remain competitive in the market, the Network invested in merit adjustments for various Network employees. The Network anticipates the investment to reduce turnover and increase overall employee engagement, ultimately improving patient satisfaction.

Volumes. While inpatient volumes declined as compared to budget, overall gross inpatient revenue was up by 0.4%, driven by the increase in acuity, as indicated under "CASE MIX INDEX." Gross outpatient revenue increased 2.6% over budget and was driven by the increase in outpatient volume including emergency department visits, outpatient surgeries and outpatient visits.

A decline in deliveries was experienced across all markets in the Network. The Network experienced physician capacity changes during 2016 as a result of physicians retiring from practice as well as no longer performing deliveries to focus on gynecology patients only.

Below is a summary of keys volumes for 2016:

	2016	Budget	2015	% of Budget	% to Actual
Admissions	53,578	54,121	53,576	(1.0%)	0.0%
Adjusted Patient Days	529,155	527,555	516,533	0.3%	2.4%
Adjusted Admissions	130,567	129,246	128,421	1.0%	1.7%
Emergency Department Visits	284,381	280,341	273,941	1.4%	3.8%
Outpatient Surgeries	87,277	86,854	84,274	0.5%	3.6%
Deliveries	7,606	7,968	7,899	(4.5%)	(3.7%)
Inpatient Surgeries	12,245	12,487	12,662	(1.9%)	(3.3%)

Source: Network records.

Payor Mix and Revenue Deductions. The payor mix is a significant factor in determining net patient services revenues. For a summary of the payor mix for fiscal year 2016, see "PAYOR MIX."

During 2016, the Network experienced an unbudgeted negative shift in payor mix from Commercial to Governmental. This negative shift in payor mix reduced the Network's 2016 operating margin by approximately

\$36.0 million from budget. The negative trend towards Governmental payor mix began mid-year 2016 and continued through the beginning of 2017. The Network believes the increase in Governmental payor mix is due to the following:

- More baby boomers are now eligible for Medicare and are obtaining services. This is a trend the Network expects to continue for several years;
- The enrollment and the impact on the Network from the State of Indiana's Healthy Indiana Plan ("HIP 2.0") was larger than anticipated. Thus more people have coverage due to the program and are obtaining services.

Revenue deductions as a percentage of gross revenue were 64.9% for the year ended December 31, 2016, as compared to a budget of 63.7%. The increase is a reflection of higher Governmental payor mix offset by unbudgeted 2015 and 2016 disproportionate share dollars of approximately \$21.0 million.

Uncompensated care (*i.e.* charity and bad debts) as a percentage of gross revenue declined from a budgeted amount of 3.2% to 2.0%. The Network believes that a portion of that shift is related to more individuals being covered by insurance products such as HIP 2.0 and/or Medicaid.

Expenses. Excluding the nonrecurring items outlined above, the Network's operating expenses increased \$24.1 million or 1.2% over budget and 5.7% over prior year. Operating expense per CMI adjusted admission, adjusted for the nonrecurring items, was \$10,141 versus a budget of \$10,389 and a prior year of \$9,867. Operating expense per CMI adjusted patient day, adjusted for non-recurring items, was \$2,511 versus a budget of \$2,538 and a prior year of \$2,453. The improvement over budget was largely driven by higher acuity patients combined with higher than budgeted outpatient volumes and adjusted patient days.

While labor costs increased for the unbudgeted market adjustments during the year, the Network did manage its full time equivalent ("FTE") levels, which ended the year at 3.3% under budget at 11,719 FTEs. FTEs per CMI adjusted admission were 21.3 as compared to a budget of 22.9 and a prior year of 21.2.

During 2016, the Network continued to be challenged with higher than anticipated medical supplies, especially drug costs. Overall, supplies as a percentage of net patient service revenue increased from a budgeted increase of 16% to an actual increase of 18%. A portion of the drug cost increase is directly related to volume increases in the Network's cancer centers as well as the general increase in new cancer drugs. Additionally, the Network experienced unbudgeted price increases for drugs to treat diabetes. The Network implemented various cost reduction initiatives in 2017 to address the rising costs.

Other. The Network's net margin for the year before non-recurring items was 7.2% as compared to 5.5% in the prior year and a budgeted total margin of 6.5%. The primary driver for the increase over budget was a strong investment performance on the Network's board-designated funds. Net realized and unrealized gains were \$50.4 million for the year ended December 31, 2016.

Year Ended December 31, 2015

Revenues. The Network's operating margin for the year ended December 31, 2015, was 8.5% or \$175.8 million as compared to a budgeted operating margin of 6.0% or \$118.6 million and a prior year operating margin of 8.3% or \$161.9 million. The 2015 operating performance is a reflection of the Network's increase in volumes for many services combined with an increase in acuity of services and a reduction in uncompensated care and self-pay payor mix due to many individuals having insurance coverage under either the exchange programs and/or HIP 2.0.

Overall, the Network's gross patient revenue increased 11% as compared to prior year and 4% as compared to budget. The increase in gross patient revenue was driven by both inpatient and outpatient revenues. Inpatient revenue grew 9% as compared to prior year while outpatient revenue grew 12% compared to prior year. The increase in gross revenues was driven by an increase in volumes combined with a 6.0% annual rate increase.

The Network experienced the following fluctuations in utilization during 2015 as compared to budget and prior year:

	Budget	Prior Year
Inpatient Admissions	0.5%	1.0%
Adjusted Admissions	2.3%	2.0%
Emergency Room Visits	7.0%	6.4%
Outpatient Surgeries	4.4%	2.2%
Births	3.1%	1.5%
Inpatient Surgeries	(3.2%)	1.8%

Source: Network records.

The Network's revenue deductions including bad debts as a percentage of gross patient revenues were 66% as compared to a prior year of 64% and a budget of 66%. The Network's uncompensated care as a percentage of gross patient revenues was 3% as compared to a prior year of 4% and a budget of 5%. The decrease in uncompensated care was due to many patients obtaining insurance coverage through exchange programs and/or HIP 2.0, which resulted in a decrease in self-pay payor mix.

Reflected in the Network's financial statements are favorable settlements from the State of Indiana's Disproportionate Share ("DSH") program. Specifically, the Network's recognized \$19.9 million and \$29.5 million from the DSH program for the years ended December 31, 2015 and 2014, respectively.

Beginning in June 2012, the State of Indiana offered voluntary participation in the State of Indiana's Hospital Assessment Fee ("HAF") program. The State of Indiana implemented this program to utilize supplemental reimbursement programs for the purpose of providing reimbursement to providers to offset a portion of the cost of providing care to Medicaid and indigent patients. This program is designed with input from Centers for Medicare and Medicaid Services and is funded with a combination of state and federal resources, including fees or taxes levied on the providers.

The Network recognizes revenues and related fees associated with the HAF program in the period in which amounts are estimable and collection of payment is reasonably assured. Reimbursement under the program is reflected within net patient service revenue and the fees paid for participation in the HAF program are recorded in supplies and other expenses within the consolidated statements of operations and changes in net assets. The fees and reimbursements are settled monthly. Revenue recognized related to the HAF program was \$71.9 million and \$85.6 million for the years ended December 31, 2015 and 2014, respectively. Expenses for fees related to the HAF program was \$41.0 million and \$48.7 million for the years ended December 31, 2015 and 2014, respectively.

During 2015, the Network also qualified for additional meaningful use dollars under the America Recovery and Reinvestment Act of 2009. The Network recognized \$3.9 million and \$7.8 million of electronic health records incentive payments/meaningful use dollars for the years ended December 31, 2015 and 2014, respectively.

Expenses. Total operating expenses were 7% higher than prior year and 2% higher than budget. Overall, total operating expense per adjusted admission was consistent with budget.

- Salaries, benefits and pension costs increased 5% as compared to prior year and decreased 1% as compared to budget. The increase as compared to prior year was primarily driven by employee and provider costs associated with the Network's continued investment in physician practices. The decrease as compared to budget was a reflection of initiatives put into place related to clinical efficiency and productivity improvements.
- Salaries, benefits and pension costs as a percentage of net patient revenue was 54% as compared to a budget of 58% and a prior year of 55%.
- Total FTEs were 11,168 as compared to a budget of 11,735 and a prior year of 10,875. The decrease as compared to budget was driven by both clinical and non-clinical areas. The increase in FTEs from

prior year was driven by non-clinical areas with corporate FTEs experiencing the largest increase. Overall, the clinical areas decreased FTEs by 8% as compared to prior year.

- Medical supplies costs increased 11% from prior year and 11% as compared to budget. The increase was primarily driven by increased utilization combined with significant increases in drug costs over both prior year and budget, due to unanticipated drug cost price increases. Drug costs at the Indianapolis hospitals increased over 25% as compared to budget and prior year.

Other. The Network's total margin for the year ended December 31, 2015, was 6% as compared to 7% in the prior year and 8% in the budget. The primary driver of the decrease in total margin was the Network's recognition of \$55 million of unrealized losses for the year ended December 31, 2015, due to market performance on the Network's board-designated funds.

The Network experienced a decline in its cash to long-term debt and an increase in its capitalization ratio due to the issuance of \$200 million of taxable bonds in June 2015. The impact was anticipated. The funds were utilized to pay down the \$150 million bridge line of credit for the defined benefit retirement plan pension contribution as well as to fund various capital projects in the Network. During 2015, the Network began work on its \$175 million East Campus revitalization project as well as its \$72 million North Campus center and connector project. Additionally, the Network broke ground on a new medical pavilion in the Anderson region.

The net days in accounts receivable for the hospitals were 51 days as of December 31, 2015, compared to 44 days as of December 31, 2014. The increase in days was primarily driven by the implementation of the tenth version of the International Statistical Classification of Diseases and Related Health Problems ("ICD-10") on October 1, 2015. The days started to increase prior to October 1, 2015, due to the ICD-10 training that began for the coders in July 2015.

Year Ended December 31, 2014

Revenues. The Network's operating margin for the year ended December 31, 2014, was 8.3% or \$161.9 million as compared to a planned operating margin of 4.3% or \$78.9 million and a prior year operating margin of 3.1% or \$54.2 million.

Overall, the Network's gross patient revenue increased 10.8% as compared to prior year and 3.0% as compared to forecast. The increase in gross patient revenue was driven by inpatient and outpatient revenue as well as physician revenue. The increase in gross revenues was driven by a 6.0% annual rate increase combined with increases in utilization. The Network experienced the following fluctuations in utilization during 2014 as compared to prior year:

- 0.7% decrease in inpatient admissions
- 7.1% increase in adjusted admissions
- 3.0% increase in adjusted patient days
- 2.7% decrease in average length of stay
- 4.2% increase in case mix index
- 5.9% increase in emergency room visits
- 22.8% increase in employed physicians wRVUs
- 4.1% increase in imaging scans
- 3.0% decrease in outpatient surgeries
- 0.3% increase in inpatient surgeries
- 6.4% increase in births

The Network's revenue deductions including bad debts as a percentage of gross patient revenues were 64.6% as compared to a prior year of 63.9% and a forecast of 65.7%. The Network's uncompensated care as a percentage of gross patient revenues was 4.4% as compared to a prior year of 5.7% and a forecast of 5.7%. The improvement in uncompensated care is a reflection of the revisions made to the Network's charity care policy effective January 1, 2014. Changes were made to the policy to more properly reflect the care the Network provides

to align with the areas the Network provides services. Additionally, during 2014, many patients became eligible for coverage with other payers including the exchange programs which resulted in a decrease in self-pay payor mix as well as a decrease in uncompensated care.

Reflected in the Network's financial statements are accrued favorable settlements from the State of Indiana's DSH program. Specifically, the Network's recognized \$12.8 million and \$18.0 million from the DSH program for the years ended December 31, 2014 and 2013, respectively.

Beginning in June 2012, the State of Indiana offered voluntary participation in the State of Indiana's Hospital Assessment Fee ("HAF") program. The State of Indiana implemented this program to utilize supplemental reimbursement programs for the purpose of providing reimbursement to providers to offset a portion of the cost of providing care to Medicaid and indigent patients. This program is designed with input from Centers for Medicare and Medicaid Services and is funded with a combination of state and federal resources, including fees or taxes levied on the providers.

The Network recognizes revenues and related fees associated with the HAF program in the period in which amounts are estimable and collection of payment is reasonably assured. Reimbursement under the program is reflected within net patient service revenue and the fees paid for participation in the HAF program are recorded in supplies and other expenses within the consolidated statement of operations and changes in net assets. The fees and reimbursements are settled monthly.

The HAF program runs on an annual cycle from July 1 to June 30 and is effective until June 30, 2017, with a retroactive effective date of July 1, 2013. As a result of the retroactive date of July 1, 2013, the Network accrued both the estimated reimbursement and expense for the period July 1, 2013 through December 31, 2013 in estimated third-party payor settlements on the December 31, 2013 consolidated balance sheet. The consolidated balance sheet at December 31, 2013 includes \$46.0 million and \$35.2 million in estimated third-party payor settlements receivable and payable, respectively, related to the HAF program.

The net benefit of the HAF program reflected in the consolidated statements of operations for the years ended December 31, 2014 and 2013 is \$36.9 million and \$31.9 million, respectively.

During 2014, the Network also qualified for additional meaningful use dollars under the America Recovery and Reinvestment Act of 2009. The Network recognized \$7.8 million and \$13.3 million of electronic health records incentive payments/meaningful use dollars for the years ended December 31, 2014 and 2013, respectively.

Expenses. Total operating expenses were 4.1% higher than prior year and 1.4% higher than budget. This fluctuation in operating expenses is despite a 10.1% increase in total operating revenue as compared to prior year and a 5.8% increase in total operating revenue as compared to budget.

- Salaries, benefits and pension costs increased 1.1% as compared to prior year and increased 2.3% as compared to budget. A portion of the increase was due to an unanticipated increase in defined benefit pension expense of \$3.1 million recognized in December 2014 due to the census data clean-up project that was completed in 2014. The remainder of the increase was due to the increased services provided due to the increased utilization.
- FTEs declined 1.4% as compared to budget (10,995 versus 11,148). Approximately 3.8% of the decrease was associated with the acute care hospitals and related clinical staff which was offset by a 1.8% increase in non-clinical staff with corporate and the physician network recognizing the most significant increases. The physician network increase was driven by the transfer of Westview and CHRH physician and related office staff during 2014 in addition to growth in the primary care and specialty care physicians base.
- Service expense increased 5.4% as compared to prior year and increased 2.0% as compared to budget. The increase was driven by increased utilization throughout the Network.

Other. The Network's total margin for 2014 was 8.3% or \$143.5 million as compared to a prior period total margin of 5.1% or \$89.1 million. The increase in total margin was primarily due to the strong operating performance the Network experienced during 2014 primarily driven by acute care services. Additionally, the Network recognized net realized and unrealized gains on investments of \$18.3 million on its board-designated funds for the year ended December 31, 2014. The Network marks to market its investments on a monthly basis. Offsetting the increase in total margin was the recognition of discontinued operations for the hotel operations and the racquetball club of \$11.7 million.

The net days in accounts receivable for the hospitals were 41.2 days as of December 31, 2014, compared to 44.6 days as of December 31, 2013.

During 2014, the Network's underfunded status of its defined benefit plan pension liability increased from \$112.7 million to \$231.9 million. A significant portion of the increase in the underfunded liability was due to the decrease in discount rates effective December 31, 2014. Additionally, effective December 31, 2014, the Network changed its mortality table to the Society of Actuaries RP-2014 mortality table, which increased its benefit obligation by \$36.8 million. Also, the Network's actuary performed calculations of accrued benefits for participants as the data was migrated into a single electronic database. As a result of performing the calculations, the benefit obligation increased \$39.6 million. Traditionally, the changes in estimates would have been recognized as participants retired. The Network, as plan sponsor, elected to recognize the changes all in one year.

During the fourth quarter of 2014, the Network offered terminated vested participants with balances of \$50,000 or less to elect a lump sum payout of their balances. As of December 31, 2014, the Network's defined benefit retirement plan paid out \$25.4 million to the participants who elected the payout.

CENTRALIZED CASH MANAGEMENT AND INVESTMENT PROGRAM

The Network utilizes a centralized cash management and investment program for all entities. The program is coordinated and managed through the Network's centralized treasury operations with specific funds managed by professional investment firms with oversight from the Network's Audit and Finance Committee. Professional money managers are utilized to invest these monies and the Network employs the assistance of an investment advisor in the selection of money managers. The Network conducts a quarterly review of each investment manager's performance. The Network's long term investments, such as the board designated funds, are allocated among a variety of funds as permitted by the Network's investment policy.

LONG-TERM DEBT

The Network has outstanding debt from a number of bond issues and other debt obligations. The table below outlines the existing outstanding debt and the outstanding principal balances as of October 31, 2017, including premiums and discounts as well as deferred financing costs, net.

Outstanding Debt	Network Entity	Fixed / Variable	Long Term Balance (\$ in millions)	Scheduled Maturity
Series 2012A Bonds	CHNw	Fixed	\$370.4	2042
Series 2012B Bonds	CHNw	Variable	65.4	2039
Series 2015A Bonds	CHNw	Fixed	200.3	2045
Series 2016A Bonds	CHNw	Variable	84.0	2045
Series 2016 B Bonds	CHNw	Variable	22.8	2028
Equipment Lease Financing	CHNw	Fixed	23.4	2020
Term Loan	CHNw	Variable	4.8	2022
Other debt obligations	Various	Fixed	1.4	Various
Total			\$772.5	
Maximum annual debt service ⁽¹⁾			\$53.1	

⁽¹⁾ Assumes variable rate obligations bear interest at a percentage of the 10-year average LIBOR plus a spread.
Source: Network records.

The Series 2012A Bonds bear interest at fixed rates, ranging from 2.5% to 5.0%, and have a final maturity of May 1, 2042.

The Series 2012B Bonds are held by a bank for an initial term expiring November 28, 2022, and bear interest at a variable rate equal to 70% of one-month LIBOR plus a spread. See “BONDHOLDERS’ RISKS—Variable Rate Bonds” in this Offering Memorandum.

The Series 2015A Bonds bear interest at fixed rates, ranging from 4.237% to 5.433%, and have a final maturity of May 1, 2045.

The Series 2016A Bonds are held by a bank for an initial term expiring September 1, 2026, and bear interest at a variable rate equal to 68% of one-month LIBOR plus a spread. See “BONDHOLDERS’ RISKS—Variable Rate Bonds” in this Offering Memorandum.

The Series 2016B Bonds are held by a bank for an initial term expiring May 1, 2028, and bear interest at a variable rate equal to 70% of one-month LIBOR plus a spread. See “BONDHOLDERS’ RISKS—Variable Rate Bonds” in this Offering Memorandum.

The Equipment Lease Financing bears interest at a fixed rate of 1.3338% and has a final maturity of November 18, 2020.

The Term Loan bears interest at a variable rate equal to one-month LIBOR plus a spread and has a final maturity of January 1, 2022. See “BONDHOLDERS’ RISKS—Variable Rate Bonds” in this Offering Memorandum.

The Network has available a \$50.0 million line of credit that bears interest at one-month LIBOR plus a spread and matures on November 27, 2019. At December 31, 2017, there were no amounts outstanding under the line of credit.

HISTORICAL AND PRO-FORMA DEBT SERVICE COVERAGE

The following table presents a historical and pro forma calculation of debt service coverage of the Network for the fiscal years ended December 31, 2015 and 2016. The pro forma calculations as of December 31, 2015 and 2016, are presented as if the Series 2018A Bonds had been outstanding as of that date.

(\$ in millions)	Year Ended December 31,	
Debt Service Coverage	2015	2016
Excess of revenues over expenses	\$115.1	\$(102.7)
Less: Unrealized gain (loss) on investments	(54.7)	52.7
Plus: Defined benefit pension settlement charge	-	220.8
Plus: Accelerated amortization of system	-	12.2
Plus: Westview impairment and closing charge	-	26.0
Plus: Interest and financing costs	24.8	29.1
Plus: Depreciation and amortization	<u>84.7</u>	<u>86.8</u>
Income Available	\$279.3	\$219.5
Maximum Annual Debt Service ^{(1) (2)}	\$53.9	\$53.1
Debt Service Coverage Ratio ^{(1) (2)}	5.2x	4.1x
Pro-Forma Maximum Annual Debt Service ^{(1) (2)}	\$65.7	\$64.9
Pro-Forma Debt Service Coverage Ratio ^{(1) (2)}	4.2x	3.4x

⁽¹⁾ Assumes variable rate demand obligations bear interest at the 10-year average SIFMA and variable rate bank-purchased obligations bear interest at a percentage of the 10-year average LIBOR plus a spread.

⁽²⁾ Assumes the debt service required to be paid in any fiscal year on any Balloon Indebtedness (as defined in the Master Indenture) equals the debt service which would be payable in such fiscal year if the principal of such Balloon Indebtedness were amortized from the date of calculation over a period of 30 years (or, if the term thereof exceeds 30 years, over a period equal to such term) on a level annual debt service basis, in accordance with the Master Indenture.

Source: Network records.

CAPITALIZATION

The following table presents the historical and pro forma capitalization of the Network as of December 31, 2015 and 2016, and October 31, 2017. The pro forma calculations as of December 31, 2015 and 2016, and October 31, 2017, are presented as if the Series 2018A Bonds had been outstanding as of that date.

(\$ in millions)	As of December 31,		As of October 31, 2017
Debt to Capitalization	2015	2016	
Long-term debt, including current portion	\$804.0	\$793.5	\$772.5
Net assets	\$1,150.0	\$1,303.9	\$1,482.7
Debt to Capitalization Ratio – actual	41.1%	37.8%	34.3%
Debt to Capitalization Ratio – pro forma	46.7%	43.3%	39.7%

Source: Network records

LIQUIDITY

The Network has established investment policies for the investment of working capital, board-designated funds, insurance reserves and pension funds. The cash and investment position of the Network as of December 31, 2015 and 2016, and October 31, 2017, is presented on an actual and pro forma basis in the following table. The pro forma calculations as of December 31, 2015 and 2016, and October 31, 2017, are presented as if the cash and cash equivalents as of that date included the proceeds of the Series 2018A Bonds.

(\$ in millions)	As of December 31,		As of
Liquidity	2015	2016	October 31, 2017 ⁽¹⁾
Cash and cash equivalents	\$260.3	\$259.3	\$227.4
Board-designated funds	<u>592.5</u>	<u>656.7</u>	<u>775.8</u>
Total cash and investments	\$852.8	\$916.0	1,003.2
Total operating expenses	\$1,900.7	\$2,292.6	\$2,141.2
Less: Depreciation and amortization	84.7	86.8	91.7
Less: Defined benefit pension settlement charge	-	220.8	-
Less: Accelerated amortization of system	-	12.2	-
Less: Westview impairment and closing charge	<u>-</u>	<u>26.0</u>	<u>-</u>
Total operating expenses, net	\$1,816.0	\$1,946.8	\$2,049.5
Days cash on hand – actual	171.4	171.7	178.7
Days cash on hand – pro forma	211.7	209.3	214.3

(1) The operating expenses for the ten months ended October 31, 2017, are annualized and are not necessarily indicative of the operating expenses that may be expected for the year ending December 31, 2017.

Source: Network records.

Total cash and investments increased from \$916.0 million at December 31, 2016, to \$1,003.2 million at October 31, 2017. The increase in total cash and investments was due to the improvement in investment market performance combined with the impact of increased utilization which increased cash collections during the first three quarters of 2017. Total days cash on hand increased from 172 days at December 31, 2016, to 179 days at October 31, 2017.

COMPLIANCE PROGRAM

The Network Responsibility and Compliance Program (“NRCP”) is the Network’s corporate compliance program. The goal of the NRCP is to ensure that the Network conducts its activities in an ethical and legal manner while maintaining and building its integrity and, thus, the trust and respect of all of its customers and the communities it serves. With the implementation of the HIPAA Privacy Rule, federal requirements for the privacy of individuals’ health information were established and were incorporated into the NRCP.

All Network employees are required to comply with the NRCP. All volunteers and members of the Network’s medical staff may access NRCP resources. All vendors and subcontractors of the Network are expected to honor and respect the position of the Network as set forth in its NRCP.

The Network also requires its Board members, officers and executive leaders to disclose annually any potential conflicts of interest. The Network monitors these matters to ensure compliance with applicable policies.

In 2015, the Network, in settlement of a billing dispute with the federal government, entered into a five-year corporate integrity agreement (the “CIA”) with the Office of Inspector General (the “OIG”) of the United States Department of Health and Human Services to promote compliance with the statutes, regulations and written directives of Medicare, Medicaid and all other Federal health care programs. Key requirements under the CIA include maintaining the existing compliance program with required certifications provisions, minimum hours of training and education, hiring a Chief Compliance Officer, and annual independent review of claims submitted by two of the Network’s provider-based entities selected by the OIG.

ACCREDITATION AND LICENSURES

Each of CHE, CHN, CHS, CHA and CHRH is accredited by the Joint Commission and is licensed by the Indiana State Board of Health. The accreditation expirations dates are as follows:

<u>Hospital Entity</u>	<u>Expiration Date</u>
CHE	August 1, 2018
CHN	October 8, 2019
CHS	May 9, 2018
CHA	August 27, 2018
CHRH	August 13, 2019

Source: Network records

EMPLOYEE RELATIONS

The Network employs approximately 15,400 employees. None of these employees belong to a union and management considers employee relations to be good. The Network places a significant focus on the quality of its workforce. The human resource department conducts regular surveys to measure employee satisfaction and to identify and address employee needs.

RETIREMENT PLANS

The Network sponsored a defined benefit retirement plan covering substantially all Network employees. However, this plan was terminated effective June 30, 2015, with the primary distribution of pension plan assets in the fourth quarter of 2016. The Network was recently notified by the Pension Benefit Guaranty Corporation (the “PBGC”) that it has selected the plan termination for audit in accordance with ERISA’s requirement that the PBGC audit a sample of plan terminations each year.

In addition, the Network sponsors a defined benefit retirement plan covering Network employees hired prior to January 1, 1984.

For more information about the Network’s employee benefit plans, see footnote 8 to the consolidated financial statements of the Network for the year ended December 31, 2016, in Appendix B to this Offering Memorandum.

MEDICAL MALPRACTICE COVERAGE

The Network maintains insurance for its medical malpractice and other corporate needs through CHN Assurance Company, Ltd., a Cayman Island insurance company owned by CHNw. The insurance portfolio is part of an overall formalized risk management program that has as its primary purpose the protection of corporate assets in order to maintain the viability of the Network. Coverage levels are reviewed regularly and adjusted to reflect current conditions.

Each hospital within the Network is qualified as a health care provider under the Indiana Medical Malpractice Act (IC 34-18) (the “Medical Malpractice Act”). The law provides for a mandatory State Patient’s Compensation Fund (the “Fund”) to which a qualified health care provider contributes a surcharge. The amount of the surcharge is established by the Department of Insurance based on an actuarial program. The amount for each hospital must be sufficient to cover but may not exceed the actuarial risk posed to the Fund by the hospital. For any act of malpractice, the Medical Malpractice Act provides for a maximum recovery as follows: (1) \$1,250,000 for an act of malpractice that occurs before July 1, 2017; (2) \$1,650,000 for an act of malpractice that occurs after June 30, 2017, and before July 1, 2019; and (3) \$1,800,000 for an act of malpractice that occurs after June 30, 2019. A qualified health care provider is not liable for an amount in excess of the following: (a) \$250,000 for an act of malpractice that occurs before July 1, 2017; (b) \$400,000 for an act of malpractice that occurs after June 30, 2017, and before July 1, 2019; and (c) \$500,000 for an act of malpractice that occurs after June 30, 2019; the excess is paid by the Fund. In addition, a qualified health care provider is not liable for an amount in excess of the following: (x) \$7,500,000 in annual aggregate for acts of malpractice that occur before July 1, 2017; (y) \$12,000,000 in annual aggregate for acts of malpractice that occur after June 30, 2017, and before July 1, 2019; and (z) \$15,000,000 in annual aggregate for acts of malpractice that occur after June 30, 2019; the excess is paid by the Fund. The effect of this law is to require each hospital within the Network to carry insurance for patient professional liability risks as follows: (i) \$250,000 per occurrence and \$7,500,000 in the annual aggregate for an act of malpractice that occurs before July 1, 2017; (ii) \$400,000 per occurrence and \$12,000,000 in the annual aggregate for an act of malpractice that occurs after June 30, 2017, and before July 1, 2019; and (iii) \$500,000 per occurrence and \$15,000,000 in the annual aggregate for an act of malpractice that occurs after June 30, 2019.

Various aspects of the Medical Malpractice Act, including the limitations on recovery, have in the past been upheld by the Indiana Supreme Court.

The Network maintains other insurance coverage, including property insurance coverage, as is customary in amounts and with carriers which are consistent with the requirements of the Master Indenture and industry practices.

LITIGATION

The nature of the Network’s business generates a certain amount of litigation against it arising in the ordinary course of business; however, the Network believes that the ultimate result of these legal proceedings and claims will not have a materially adverse effect upon its financial condition or results of operations, and, in the opinion of Network management, there are no proceedings pending or threatened to which it is or may be a party or to which its property is or may be subject which, if adversely determined, would have a materially adverse effect upon its financial condition or results of operations.

APPENDIX B
FINANCIAL STATEMENTS¹

¹ The consolidated financial statements of Community Health Network, Inc. (“CHNw”) and Affiliates included in this Offering Memorandum represent the accounts and transactions of CHNw, Community Hospital South, Inc. (“CHS”), Community Howard Regional Health, Inc. (“CHRH”), and certain of their affiliates. However, ***CHNw, CHS and CHRH are currently the only Obligated Group Members (as defined in Appendix D hereto) and none of their affiliates (other than CHNw, CHS and CHRH) will be obligated to make any payments upon the Series 2018A Note (as defined in Appendix D hereto) or any other Obligations (as defined in Appendix D hereto) or to comply with any covenants of the Master Indenture (as defined in Appendix D hereto).***

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Community Health Network, Inc.

**Consolidated Financial Statements
December 31, 2016 and 2015**

Community Health Network, Inc.

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December 31, 2016 and 2015

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Report of Independent Auditors

To the Board of Directors of Community Health Network, Inc.

We have audited the accompanying consolidated financial statements of Community Health Network, Inc. and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the related consolidated statements of operations and changes in net assets and of cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the 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 our 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, we consider internal control relevant to the Company'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 Company'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 Community Health Network, Inc. and its subsidiaries as of December 31, 2016 and 2015, and the results of their operations and changes in net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

Indianapolis, IN
April 20, 2017

Community Health Network, Inc.
Consolidated Balance Sheets (in 000's)
As of December 31, 2016 and 2015

	2016	2015
Assets		
Current assets		
Cash and cash equivalents	\$ 259,298	\$ 260,270
Patient accounts receivable, less allowance for doubtful accounts of \$469,818 and \$551,919 in 2016 and 2015	263,248	273,688
Estimated third-party payor settlements receivable	34,445	7,797
Current portion of assets limited as to use—held by trustee	78,163	36,729
Inventories	29,681	28,133
Other accounts receivable	39,569	46,093
Other current assets	17,912	15,755
Total current assets	722,316	668,465
Assets limited as to use		
Funds held by trustee, net of current portion	44,677	100,637
Board-designated funds	656,674	592,527
Reinsurance trust assets	16,657	13,831
Property, plant and equipment, net	852,811	822,473
Investments in unconsolidated affiliates	34,486	31,648
Capitalized software, net	67,662	77,533
Other assets	16,960	7,960
Total assets	<u>\$ 2,412,243</u>	<u>\$ 2,315,074</u>
Liabilities and net assets		
Current liabilities		
Current portion of long-term debt	\$ 21,924	\$ 21,483
Accounts payable	118,940	91,771
Accrued salaries and wages	107,854	82,619
Estimated third-party payor settlements payable	10,296	13,432
Self-insured liabilities	27,170	29,327
Accrued pension	-	92,800
Other current liabilities	38,716	30,160
Total current liabilities	324,900	361,592
Long-term debt, net of current portion	771,568	782,482
Accrued pension	2,062	3,438
Other liabilities	9,814	17,546
Total liabilities	<u>1,108,344</u>	<u>1,165,058</u>
Net assets		
Unrestricted net assets		
Network unrestricted net assets	1,267,232	1,117,923
Noncontrolling interest	21,104	20,201
Total unrestricted net assets	1,288,336	1,138,124
Temporarily restricted net assets	8,711	6,769
Permanently restricted net assets	6,852	5,123
Total net assets	<u>1,303,899</u>	<u>1,150,016</u>
Total liabilities and net assets	<u>\$ 2,412,243</u>	<u>\$ 2,315,074</u>

The accompanying notes are an integral part of these financial statements.

Community Health Network, Inc.
Consolidated Statements of Operations and Changes in Net Assets (in 000's)
Years ended December 31, 2016 and 2015

	2016	2015
Revenues and gains		
Net patient service revenue	\$ 2,180,249	\$ 2,103,897
Provisions for bad debts	107,243	137,873
Net patient service revenue less provision for bad debts	2,073,006	1,966,024
Service fee revenue	18,567	25,661
Other revenue	55,065	67,514
Earnings from unconsolidated affiliates	22,727	17,312
Total unrestricted revenues and gains	2,169,365	2,076,511
Operating expenses		
Salaries, benefits and pension	1,129,557	1,056,369
Defined Benefit pension settlement charge	220,839	-
Supplies and other expenses	788,080	734,814
Depreciation and amortization	86,762	84,672
Westview impairment and closing charge	26,020	-
Accelerated Amortization of System	12,185	-
Interest and financing costs	29,108	24,827
Total operating expenses	2,292,551	1,900,682
(Loss) income from operations	(123,186)	175,829
Total investment income (loss)	48,332	(34,815)
Other, net	456	(1,010)
Excess of (expenses over revenues) revenues over expenses before income taxes	(74,398)	140,004
Provision for income taxes	7,813	4,765
Excess of (expenses over revenues) revenues over expenses	(82,211)	135,239
Excess of expenses over revenues attributable to noncontrolling interest	(20,490)	(20,119)
Excess of (expenses over revenues) revenues over expenses attributable to the Network	\$ (102,701)	\$ 115,120

The accompanying notes are an integral part of these financial statements.

Community Health Network, Inc.
Consolidated Statements of Operations and Changes in Net Assets (in 000's)
Years ended December 31, 2016 and 2015

	2016	2015
Change in unrestricted net assets		
Excess of (expenses over revenues) revenues over expenses attributable to the Network	\$ (102,701)	\$ 115,120
Increase (decrease) to unrecognized pension due to actuarial gains and amortizations	34,143	(8,329)
Increase to recognized pension losses	220,839	-
Change in noncontrolling interest	903	3,193
Other changes, net	(2,972)	222
Increase in total unrestricted net assets	<u>150,212</u>	<u>110,206</u>
Change in temporarily restricted net assets		
Increase (decrease) in temporarily restricted net assets	<u>1,942</u>	<u>(1,298)</u>
Change in permanently restricted net assets		
Increase in permanently restricted net assets	<u>1,729</u>	<u>645</u>
Increase in total net assets	153,883	109,553
Total net assets, beginning of year	<u>1,150,016</u>	<u>1,040,463</u>
Total net assets, end of year	<u>\$ 1,303,899</u>	<u>\$ 1,150,016</u>

The accompanying notes are an integral part of these financial statements.

Community Health Network, Inc.
Consolidated Statements of Cash Flows (in 000's)
Years ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities		
Increase in net assets	\$ 153,883	\$ 109,553
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	86,395	84,672
Accelerated Amortization of System	12,185	-
Westview impairment and closing charge	26,020	-
Provision for bad debts	107,243	138,423
Deferred tax benefit provision	621	(294)
Loss on extinguishment of debt	1,094	-
Earnings from unconsolidated affiliates	(22,727)	(17,312)
Unrealized and realized gains on investments	(31,821)	53,347
Distributions received from unconsolidated affiliates	19,917	15,509
Change in accrued pension	(94,176)	(137,210)
Defined Benefit pension settlement charge	220,839	-
Other	367	-
Changes in operating assets and liabilities		
Patient accounts receivable	(96,803)	(190,216)
Other assets	(7,992)	(4,150)
Accounts payable	7,687	7,960
Estimated third-party payor settlements	(29,785)	(9,330)
Other liabilities	(202,584)	3,597
Net cash provided by operating activities	<u>150,363</u>	<u>54,549</u>
Cash flows from investing activities		
Purchases of property, plant and equipment	(111,496)	(87,190)
Purchases of capitalized software	(12,630)	(22,690)
Proceeds from sale of property, plant and equipment	324	4,664
Proceeds from Wellspring Pharmacy sale	4,600	-
Purchases of investments	(289,406)	(413,667)
Sales of investments	271,606	318,664
Investments in unconsolidated affiliates	(28)	(314)
Distribution received from Unconsolidated Affiliates	-	88
Net cash used in investing activities	<u>(137,030)</u>	<u>(200,445)</u>
Cash flows from financing activities		
Proceeds from issuance of debt	112,600	200,827
Repayments of debt	(124,079)	(25,057)
Changes in restricted contributions and investment income	(2,826)	(276)
Cash flows provided by (used in) financing activities	<u>(14,305)</u>	<u>175,494</u>
Net increase in cash and cash equivalents	(972)	29,598
Cash and cash equivalents, beginning of year	<u>260,270</u>	<u>230,672</u>
Cash and cash equivalents, end of year	<u>\$ 259,298</u>	<u>\$ 260,270</u>
Supplemental disclosures of cash flow information		
Cash paid during the year for		
Interest	\$ 30,490	\$ 25,096
Income taxes	9,275	7,670
Non cash disclosures of cash flow information		
Acquisition of property, plant and equipment included in accounts payable at December 31	\$ 19,482	\$ 6,743

The accompanying notes are an integral part of these financial statements.

Community Health Network, Inc.

Notes to Consolidated Financial Statements (in 000's)

December 31, 2016 and 2015

1. Organization and Summary of Significant Accounting Policies

Organization

Community Health Network, Inc. ("CHNw"), an Indiana non-profit corporation, and its non-profit and for-profit affiliates (collectively the "Network") comprise a full-service integrated health delivery system in central Indiana. The Network consists of acute care and/or specialty hospitals, immediate care centers, primary care and specialty employed physicians, ambulatory care centers, freestanding surgery centers, outpatient imaging centers, endoscopy centers, and long term care facilities.

Effective September 30, 2016, the Network acquired Alpha Home Physical Therapy ("Alpha"), a home health company located on the South side of Indianapolis. Alpha's business merged into the Network's existing home health business.

Effective August 1, 2015, the Network made a capital contribution in return for a 50% ownership in Primaria Health, LLC., ("Primaria"). Primaria is a management service organization that provides certain health population management services for physician practices. The Network accounts for its investment in the joint venture on the equity method of accounting.

Basis of Presentation and Consolidation

The accompanying consolidated financial statements were prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP" or "GAAP") and include the assets, liabilities, revenues and expenses of all wholly owned subsidiaries, and when applicable, entities that are not wholly owned for which the Network has a controlling interest.

The consolidated financial statements include the following wholly owned entities:

- Community Hospital South, Inc. ("CHS"), a non-profit corporation which operates an acute care hospital facility on the south side of Indianapolis; CHNw and CHS are collectively referred to as ("CHI").
- Community Hospitals of Anderson and Madison County, Inc. ("CHA"), a non-profit corporation which provides acute health care services to residents of Anderson, Indiana and surrounding communities;
- Indianapolis Osteopathic Hospital, Inc. d/b/a Westview Hospital ("Westview"), a non-profit corporation which provides acute health care services to residents on the west side of Indianapolis. Health Institute of Indiana, Inc. ("Healthplex") is a non-profit wholly owned fitness center of Westview. Effective December 16, 2016, the Network closed Community Westview Hospital and adjoining medical office building. The Healthplex facility remains open and was put up for sale March 2017.
- Community Howard Regional Health, Inc., ("Howard") a non-profit corporation which provides acute health care services to residents in Howard County, Indiana and surrounding areas;
- Community Physicians of Indiana, Inc. ("CPI") d/b/a Community Physicians Network, a non-profit corporation which employs the Network's primary care and specialty physicians;
- Community Health Network Foundation, Inc., a non-profit corporation established to raise and expend funds for the benefit of CHNw and other related organizations;
- Visionary Enterprises, Inc. ("VEI"), a taxable, for-profit subsidiary corporation which consists primarily of ambulatory surgery center development in Indiana and Michigan, and management and other consulting services. In 2016, VEI sold the Wellspring Pharmacy business;

Community Health Network, Inc.
Notes to Consolidated Financial Statements (in 000's)
December 31, 2016 and 2015

- Community Home Health Services, Inc. ("CHHS"), a non-profit corporation whose operations consist primarily of providing home health care and hospice services to patients in central Indiana counties. CHHS transferred its business associated with Community at Home, LLC, to VEI in March 2015 and then subsequently dissolved Community at Home, LLC on August 27, 2015;
- Indiana ProHealth Network, LLC ("ProHealth"), a provider association consisting of physicians and hospital members in central Indiana and the primary vehicle by which the Network contracts for risk with payors; ProHealth is a pass-through taxable entity that is consolidated into VEI for income tax purposes;
- CHN Assurance Company, Ltd. ("Captive") is a company incorporated under the law of the Cayman Islands and a wholly owned subsidiary of CHNw. The Captive reinsures policies for the Network including: primary hospital professional liability, doctor's professional liability and general liability. The Captive's professional liability policy is on a claims-made basis and includes prior acts coverage for various entities owned by the Network, while the general liability policy is on an occurrence basis. On an annual basis, the Captive's ceding insurer requires the Captive to maintain an outstanding letter of credit to address any potential exposure between premiums paid and expected losses. Due to favorable claims experience and adequate funding, the fronting company does not require a letter of credit for the policy years beginning March 1, 2016 and 2017, respectively;
- Community LTC, Inc. ("LTC"), a wholly owned not-for-profit subsidiary of CHA that operates nursing homes and assisted living facilities in Madison County, Indiana; and
- North Campus Surgery Center, LLC ("NCSC"), a wholly owned for profit subsidiary of VEI and CHNw on the campus of Community Hospital North. NCSC provides outpatient surgeries.

The Network also consolidates its interest in the following entities, which are not wholly owned:

- South Campus Surgery Center, LLC ("SCSC")
- East Campus Surgery Center, LLC ("ECSC")
- Hamilton Surgery Center, LLC ("Noblesville")
- Howard Community Surgery Center, LLC ("Howard Surgery")
- Northwest Surgery Center, LLC ("Northwest")
- Howard Regional Specialty Care, LLC ("Howard Rehab")
- Michigan Surgery Investment, LLC ("MSI")

Intercompany accounts and transactions have been eliminated.

Community Health Network, Inc.
Notes to Consolidated Financial Statements (in 000's)
December 31, 2016 and 2015

Use of Estimates in the Preparation of Financial Statements

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Future events and their effects cannot be predicted with certainty; accordingly the accounting estimates require the exercise of judgment. The accounting estimates used in the preparation of the consolidated financial statements will change as new events occur, as more experience is acquired, as additional information is obtained and as our operating environment changes. The Network evaluates and updates its assumptions and estimates on an ongoing basis and may employ outside experts to assist in its evaluation, as considered necessary. Actual results could differ from those estimates.

Reclassifications

Certain immaterial reclassifications have been made to the 2015 financial statements to conform to the 2016 presentation.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts due from banks and funds invested temporarily in money market accounts that are purchased with original maturities of three months or less, and commercial paper.

Allowance for Doubtful Accounts and Contractual Adjustments

The Network's patient accounts receivable are reduced by an allowance for doubtful accounts and contractual adjustments. In evaluating the collectability of accounts receivable, the Network analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for contractual adjustments and provision for bad debts. For receivables associated with services provided to patients who have third party coverage, the Network analyzes contractually due amounts and provides an allowance for contractual adjustments. Generally, for receivables associated with self-pay patients, including patient deductibles and co-insurance, the Network records a provision for bad debts in the period of service on the basis of its past experience, which indicates many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is adjusted through the allowance for doubtful accounts. Certain accounts that are sent to collection companies remain as accounts receivable on the balance sheet. These accounts are not written off unless returned from the collection company, however they are fully reserved within the allowance for doubtful accounts.

Estimated Third-party Payor Settlements Receivable and Payable

The Network's hospitals are required to submit cost reports at least annually to various state and federal agencies administering the respective reimbursement programs. In many instances, interim cash payments to the Network are only an estimate of the amount due for services provided. Any overpayment or underpayment to the Network arising from the completion of a cost report is recorded as a liability or asset, respectively.

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As a result of the Network's participation in the Medicare and Medicaid programs, the Network faces and is currently subject to various governmental and internal reviews, audits and investigations to verify the Network's compliance with these programs and applicable laws and regulations. The Network is routinely subject to audits under various government programs, such as the CMS Recovery Audit Contractor program, in which third party firms engaged by CMS conduct extensive reviews of claims data and medical and other records to identify potential improper payments to healthcare providers under the Medicare program. In addition, the Network, like other healthcare providers, is subject to ongoing investigations by the U.S. Department of Health and Human Services Office of Inspector General, the Department of Justice and state attorneys general into the billing of services provided to Medicare and Medicaid patients. Private pay sources such as third party insurance and managed care entities also often reserve the right to conduct audits. The Network's costs to respond to and defend any such reviews, audits and investigations are significant and are likely to increase in the current enforcement environment. These audits and investigations may require the Network to refund or retroactively adjust amounts that have been paid under the relevant government program or by other payors. Further, an adverse review, audit or investigation also could result in other adverse consequences, particularly if the underlying conduct is found to be pervasive or systemic. These consequences include (1) state or federal agencies imposing fines, penalties and other sanctions on the Network; (2) loss of the Network's right to participate in the Medicare or Medicaid programs or one or more third party payor networks; (3) indemnity claims asserted by customers and others for which the Network provides services; and (4) damage to the Network's reputation, which could adversely affect the Network's ability to attract patients, residents and employees. Any accruals for such matters are recorded to estimated third-party payor settlements payable or as a reduction to estimated third-party payor settlements receivable when a loss is probable and the amount is reasonably determinable.

The State of Indiana's Hospital Assessment Fee and Medicaid Disproportionate Share payments, further described in Note 2, are recorded to estimated third-party payor settlements receivable and payable.

Inventories

Inventories consist primarily of medical and surgical supplies and pharmaceuticals. All inventories are valued at the lower-of-cost or market. Cost is determined by the Network using a weighted average cost method, which approximates cost under the first-in, first-out method.

Assets Limited as to Use

Assets limited as to use consist of cash and cash equivalents, commercial paper, U.S. Government obligations, corporate bonds, mutual funds, marketable equity securities and hedge fund of funds and are stated at fair value. The investments are classified as trading securities and marked to market each month. The trading securities classification is based on the Network's investment strategy and investment philosophies which permit investment managers to execute purchases and sales of investments without prior approval of Network management. All unrestricted unrealized gains and losses are included in excess of revenues over expenses.

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Reinsurance trust assets are maintained by the Captive. All realized and unrealized gains or losses are recorded in income. Realized gains and losses on sales of investments are determined using the specific identification cost method and are included in excess of revenues over expenses in the period in which the sale occurs.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost or, if donated, at the fair value at date of donation. Assets under capital lease obligations are recorded at the present value of the aggregate future minimum lease payments at the beginning of the lease term. The Network uses the straight-line method of computing depreciation over the shorter of the estimated useful lives of the respective assets or the life of the lease term, excluding any lease renewals, unless the lease renewals are reasonably assured.

Costs of maintenance and repairs are charged to expense when incurred; costs of renewals and betterments are capitalized. Upon sale or retirement of property, plant and equipment, the cost and related accumulated depreciation are eliminated from the respective accounts, and the resulting gain or loss is included in the consolidated statements of operations and changes in net assets.

Long-lived assets are evaluated for possible impairment whenever circumstances indicate that the carrying amount of the asset, or related group of assets, may not be recoverable from future estimated cash flows. Fair value estimates are derived from independent appraisals, established market values of comparable assets or internal calculations of future estimated cash flows.

Change in Estimates for Long-lived Assets

The Network periodically performs assessments of the estimated useful lives of its long-lived assets. In evaluating the useful lives, the Network considers how long the long-lived assets will remain functionally efficient and effective, given changes in the physical and economic environments, the levels of technology and competitive factors. If the assessment indicates that the long-lived assets will be used for a period differing from that than previously anticipated, the Network will revise the estimated useful lives resulting in a change in estimate. Changes in estimates are accounted for on a prospective basis by depreciating the assets current carrying values over their revised remaining useful lives.

Investments in Unconsolidated Affiliates

Investments in affiliates not controlled by the Network are reported under the equity method of accounting. Under the equity method, the investments are initially recorded at cost, increased or decreased by the investor's share of the profits or losses of the investee and reduced by cash distributions received. Distributions received from investees that represent a return on investment are classified as operating cash flows on the consolidated statement of cash flows. Those distributions that represent a return of investment are classified as investing cash flows.

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Deferred Financing Costs

Costs associated with the issuance of long-term debt are capitalized and presented on the balance sheet as a direct deduction from the carrying amount of the debt. The debt issuance costs related to line-of-credit arrangements is presented as a component of other noncurrent assets. Deferred financing cost are amortized to interest expense utilizing the effective interest method over the life of the related debt. Amortization of deferred financing costs is recorded as part of interest expense and totaled \$200 and \$202 for the years ended December 31, 2016 and 2015, respectively. The increase in amortization expense during 2016 relates to a write-off of deferred financing costs associated with Series 2000A, 2000B, 2005A, 2005B and 2009A debt that was replaced with Series 2016A and 2016B debt in September 2016. The total loss on extinguishment of debt was \$1,094.

Discounts and premiums associated with long-term debt are reported as a direct deduction from, or addition to, the face amount of the long-term debt. The discounts/premiums are accreted/amortized using the effective interest method over the life of the related debt. The related income or expense is included in interest expense in the consolidated statements of operations and changes in net assets.

Capitalized Software

The costs of obtaining or developing internal-use software, including external direct costs for materials and services and directly related payroll costs are capitalized. Amortization begins when the internal-use software is ready for its intended use. The software costs are amortized over the estimated useful lives of the software. The estimated useful lives range from 5-10 years. Costs incurred during the preliminary project stage and post-implementation stage as well as maintenance and training costs are expensed as incurred. Amortization expense related to capitalized software was approximately \$22,558 and \$8,840 for the years ended December 31, 2016 and 2015, respectively. The increase in amortization expense during 2016 relates to accelerated amortization of the Cerner system assets at Howard. The Cerner system was replaced by the Network's EPIC system on February 1, 2017. During 2016, the total accelerated amortization recognized was \$12,185.

Self-Insured Risk

A substantial portion of the Network's professional and general liability risks, are insured through a self-insured retention program written by the Network's consolidated wholly owned offshore captive insurance subsidiary, the Captive, as previously described.

Reserves for professional and general liability risks, including self-insured liabilities, were \$15,138 and \$14,553 at December 31, 2016 and 2015, respectively. These amounts are recorded and included in the self-insured liabilities on the consolidated balance sheets.

Provisions for the self-insured risks are based upon actuarially-determined estimates. Loss and loss expense reserves represent the estimated ultimate net cost of all reported and unreported losses incurred through the respective consolidated balance sheet dates. The reserves for unpaid losses and loss expenses are estimated using individual case-basis valuations and actuarial analyses. Those estimates are subject to the effects of trends in loss severity and frequency.

The estimates are continually reviewed and adjustments are recorded as experience develops or new information becomes known. The changes to the estimated reserve amounts are included in current operating results for the years ended December 31, 2016 and 2015.

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The Network is self-insured for employee medical benefit risks through ProHealth. Reserves for medical claims liabilities and estimated self-insured claims were \$5,226 and \$7,946, net of claims liabilities payable to the Network providers, at December 31, 2016 and 2015, respectively. These amounts are recorded and included in self-insured liabilities on the consolidated balance sheets for the Network. Self-insured claims reserves are determined using individual case-basis data and are continually reviewed and adjusted as new experienced information becomes known. The changes in estimated reserve amounts are included in current operating results.

Although considerable variability is inherent in reserve estimates, management believes the reserves for losses and loss expenses are adequate; however, there can be no assurance that the ultimate liability will not exceed management's estimates.

Derivative Instruments

The Network records derivative instruments on the consolidated balance sheet as either an asset or a liability as measured at its fair value. Changes in a derivative's fair value are recorded each period either in excess of (expenses over revenues) revenues over expenses or unrestricted net assets, depending on what type of hedge the derivative is designated as and whether or not the hedged transaction is effective or not. Changes in the fair value of derivative instruments recorded to unrestricted net assets are reclassified into earnings in the period affected by the underlying hedged item. Any portion of the fair value of a derivative instrument deemed ineffective is recognized in current earnings.

The Network terminated its two outstanding interest rate swaps in September 2016 thus the Network has no swaps outstanding as of December 31, 2016. The Network had two interest rate swaps outstanding at December 31, 2015. See Note 7 for further discussion of the two swap transactions.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Network 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 Network in perpetuity.

Net Patient Service Revenue

The Network recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, the Network recognizes revenue on the basis of its standard rates for services provided or on the basis of discounted rates if in accordance with policy. On the basis of historical experience, a portion of the Network's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Network records a provision for bad debts related to uninsured patients in the period the services are provided.

Patient service revenue, net of contractual allowances and discounts recognized in the period from these major payor sources, is as follows for the years ended December 31, 2016 and 2015, respectively:

	Third Party Payors	Self- Pay	Total All Payors
2016			
Patient service revenue (net of contractual allowances and discounts)	<u>\$ 2,100,098</u>	<u>\$ 80,151</u>	<u>\$ 2,180,249</u>

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2015	Third Party Payors	Self- Pay	Total All Payors
Patient service revenue (net of contractual allowances and discounts)	\$ 1,985,324	\$ 118,573	\$ 2,103,897

Charity Care

The Network maintains records to identify and monitor the level of charity care it provides. The Network provides 100% charity care to patients whose income level is equal to or below 200% of the Federal Poverty Level. Patients with income levels ranging from 200% - 300% of the current year's Federal Poverty Level will qualify for partial assistance determined by a sliding scale. The Network uses cost as the measurement basis for charity care disclosure purposes with the cost being identified as the direct and indirect costs of providing the charity care.

Charity care at cost was \$6,426 and \$10,566 for the years ended December 31, 2016 and 2015, respectively. Charity care cost was estimated on the application of the associated cost-to-charge ratios. The decrease in charity care is the result of more patients being covered under health exchange programs mandated by the Affordable Health Care Act and the Healthy Indiana Plan 2.0.

Donor-restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported as either temporarily or permanently restricted contributions 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 to unrestricted net assets and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the accompanying consolidated financial statements.

Pledge receivables as of December 31, 2016 and 2015 are not material.

Taxes and Tax Status

Deferred tax liabilities and assets are classified as noncurrent in our consolidated balance sheet at December 31, 2016 and 2015.

CHNw, CHS, CHA, CHHS, CPI, Westview and Howard are exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code (the "Code"). The Foundation and the Howard Foundation are exempt from federal income taxes under Section 501a(c) (3) of the Code. VEI is a for-profit taxable entity and is subject to federal and state income taxes. ProHealth, NCSC, SCSC, ECSC, Noblesville, Howard Surgery, Northwest and MSI, which are wholly owned subsidiaries of VEI, are generally not subject to federal or state income taxes as income earned flows through to its members.

Fair Value of Financial Instruments/Measurements

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable, and other current liabilities approximate fair value because of the relatively short maturities of these financial instruments. The fair value of long-term debt is determined using discounted future cash flows, with a discount rate equal to interest rates for similar types of borrowing arrangements.

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The Network measures fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Network uses also a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The Network uses a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1- Observable inputs such as quoted prices in active markets;
- Level 2- Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3- Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques. The three valuation techniques are as follows:

- Market approach- Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- Cost approach- Amount that would be required to replace the service capacity of an asset (i.e. replacement cost); and
- Income approach- Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing models and lattice models.)

Subsequent Events

The Network evaluated subsequent events through April 20, 2017, the date the Network consolidated financial statements were issued.

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (the "FASB") issued authoritative guidance which changes the requirements for recognizing revenue when entities enter into contracts with customers. Under the new provisions, an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects what it expects in exchange for the goods or services. It also requires more detailed disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The guidance is effective for annual and interim periods beginning on or after December 15, 2018. The Network is currently evaluating the impact of the new standard on its results of operations, financial position and cash flows.

In August 2014, the FASB issued ASU 2014-15, Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern. ASU 2014-15 provides guidance on management's responsibility in evaluating whether there is substantial doubt about a company's ability to continue as a going concern and to provide related footnote disclosures. The Company adopted the provisions as ASU 2014-15 in 2016. The adoption of ASU 2014-15 did not have a material impact on the Company's financial position, results of operations and changes in net assets or cash flows.

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In May 2015, the FASB issued ASU 2015-07, Fair value measurement of Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent). This guidance requires entities to present investments that use NAV as a practical expedient for valuation purposes separately from other investments categorized in the fair value hierarchy described in Note 1. The standard is effective for fiscal years beginning after December 15, 2016. The Company is currently evaluating the impact of the standard on its notes to consolidated financial statements.

In February 2016, the FASB issued amended authoritative guidance on accounting for leases. The new provisions require that a lessee of operating leases recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. The lease liability will be equal to the present value of lease payments, with the right-of-use asset based upon the lease liability. The classification criteria for distinguishing between finance (or capital) leases and operating leases are substantially similar to the previous lease guidance, but with no explicit bright lines. As such, operating leases will result in straight-line rent expense similar to current practice. For short term leases (term of 12 months or less), a lessee is permitted to make an accounting election not to recognize lease assets and lease liabilities, which would generally result in lease expense being recognized on a straight-line basis over the lease term. The guidance is effective for annual and interim periods beginning after December 15, 2019, and will require application of the new guidance at the beginning of the earliest comparable period presented. Early adoption is permitted. The new standard must be adopted using a modified retrospective transition. While the Network expects to record significant leased assets and corresponding lease liabilities based on its existing population of individual leases, the Network continues to evaluate the impact on its results of operations, financial position and cash flows.

In August 2016, the FASB issued ASU 2016-14, Presentation of Financial Statements for Not-for-Profit Entities. This standard marks the completion of the first phase of a larger project aimed at improving not-for-profit financial reporting. Under the new guidance, the existing three categories of net assets will be replaced with a simplified model that combines temporarily restricted and permanently restricted net assets into a single category called "net assets with donor restrictions" and renames unrestricted net assets as "net assets without donor restrictions." There will be new reporting requirements for expenses and additional disclosures to describe an organization's liquidity. The standard is effective for fiscal years beginning after December 15, 2017. The Network is currently assessing the impact this standard will have on their 2018 consolidated financial statements.

2. Net Patient Service Revenue and Concentrations of Credit Risk

The Network has agreements with third-party payors that provide for payments to the Network at amounts different from its established rates. Payment arrangements with major third-party payors include:

- Medicare—Inpatient acute care services, outpatient services and home health 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. The Network is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Network and audits thereof by the Medicare fiscal intermediary. The Network's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Network. The Network's Medicare cost reports have been audited by the Medicare fiscal intermediary through December 31, 2013. Laws and regulations governing the Medicare program are complex and subject to interpretation. As a result, there is at least a possibility that recorded estimates

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could change by a material amount in the near term. Adjustments to revenue related to prior period cost reports increased net patient service revenue by approximately \$1,468 and \$0 for the years ended December 31, 2016 and 2015, respectively. Medicare patients account for approximately 42.1% and 41.2% of gross patient charges for years ended December 31, 2016 and 2015, respectively.

- Medicaid—Inpatient services rendered to Medicaid program beneficiaries are reimbursed based on prospectively determined rates per discharge and outpatient services are reimbursed based on a fee for service basis, based on predetermined fee schedules. Medicaid patients account for approximately 18.5% and 16.4% of gross patient charges for years ended December 31, 2016 and 2015, respectively. The increase is driven by higher participation in the State of Indiana Healthy Indiana Plan 2.0.
- The Network has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Network under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined per diem rates.

Provisions have been made in the consolidated financial statements for estimated contractual adjustments, representing the difference between the established charges for services and estimated total payments to be received from third-party payors. Estimated adjustments are accrued in the period the related services are rendered and adjusted in future periods as adjustments are determined.

The Network has qualified as a Medicaid Disproportionate Share (“DSH”) provider under Indiana Law (IC 12-15-16(1-3)) and, as such, is eligible to receive DSH payments for the most recently determined state fiscal year. The amount of these additional DSH funds is dependent on regulatory approval by agencies of the federal and state governments, and is determined by the level, extent and cost of uncompensated care as well as other factors. For the years ended December 31, 2016 and 2015, DSH payments have been made by the State of Indiana and amounts received were recorded as revenue based on data acceptable to the State of Indiana less any amounts management believes may be subject to adjustment. DSH payments are recorded by the Network after eligibility is determined by the State of Indiana and the payments are determined to be earned. If payments are received prior to eligibility being determined, the payments are recorded as current deferred revenue and recorded in current other liabilities until eligibility is determined. There is no deferred revenue related to DSH at December 31, 2016 or 2015. DSH amounts of \$32,031 and \$19,873 were recorded as revenue for the years ended December 31, 2016 and 2015, respectively.

Beginning June 2012, the State of Indiana offered voluntary participation in the State of Indiana's Hospital Assessment Fee (“HAF”) program. The State of Indiana implemented this program to utilize supplemental reimbursement programs for the purpose of providing reimbursement to providers to offset a portion of the cost of providing care to Medicaid and indigent patients. This program is designed with input from Centers for Medicare and Medicaid Services and is funded with a combination of state and federal resources, including fees or taxes levied on the providers.

The Network recognizes revenues and related fees associated with the HAF program in the period in which amounts are estimable and collection of payment is reasonably assured. Reimbursement under the program is reflected within net patient service revenue and the fees paid for participation in the HAF program are recorded in supplies and other expenses within the consolidated

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statements of operations and changes in net assets. The fees and reimbursements are settled monthly. Revenue recognized related to the HAF program was \$69,047 and \$71,953 for the years ended December 31, 2016 and 2015, respectively. Expense for fees related to the HAF program was \$40,627 and \$41,044 for the years ended December 31, 2016 and 2015, respectively.

The HAF program runs on an annual cycle from July 1 to June 30 and is effective until June 30, 2017. The consolidated balance sheet at December 31, 2016 includes less than one month of HAF activity, or \$3,470 and \$4,202 in estimated third-party payor settlements receivable and payable, respectively, related to the HAF program.

As discussed in Note 1, as a result of our participation in the Medicare and Medicaid programs, the Network is subject to various reviews, audits and investigations. In 2015, the Network entered into a five year corporate integrity agreement (the "CIA") with the Office of Inspector General of the United States Department of Health and Human Services to promote compliance with the statutes, regulations and written directives of Medicare, Medicaid and all other Federal health care programs. Key requirements under the CIA include maintaining the existing compliance program with required attestations provisions, minimum hours of training and education and external review of claims submitted by two of the Network's provider based locations, among others.

Net patient service revenue, as reflected in the accompanying consolidated statements of operations and changes in net assets, consist of the following for the years ended December 31, 2016 and 2015:

	2016	2015
Gross patient service revenue	\$ 6,205,768	\$ 5,734,585
Deductions from gross patient service revenue		
Medicare/Medicaid contractual adjustments	2,822,650	2,339,601
Other contractual adjustments	1,184,114	1,254,213
Charity discounts for patient care	<u>18,755</u>	<u>36,874</u>
Net patient service revenue	2,180,249	2,103,897
Provision for bad debts	<u>107,243</u>	<u>137,873</u>
Net patient service revenue less provision for bad debts	<u>\$ 2,073,006</u>	<u>\$ 1,966,024</u>

The decrease in the provision for bad debts from 2015 to 2016 is primarily attributable to the decrease in receivables from patients. The Network grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. A significant portion of the Network's revenue is concentrated by payor mix. The concentration of gross receivables by payor class for both patients and third-party payors at December 31, 2016 and 2015 is as follows:

	2016	2015
Medicare	33 %	30 %
Medicaid	13 %	14 %
Managed care and commercial insurance	44 %	42 %
Patients	<u>10 %</u>	<u>14 %</u>
	<u>100 %</u>	<u>100 %</u>

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Adjustments to the allowance for doubtful accounts are made after the Network has analyzed historical cash collections and considered the impact of any known material events. Uncollectible accounts are written-off against the allowance for doubtful accounts after exhausting collection efforts. Any subsequent recoveries are recorded against the provision for bad debts.

3. Assets Limited as to Use

The fair values of the assets limited as to use are provided by the Network's investment manager and are determined as follows:

- a) The investments designated as Level 1 inputs represent primarily cash and cash equivalents, commercial paper, equity securities and investable mutual fund shares that are traded on major stock exchanges. Thus, the fair value is determined based on quoted prices in an active market.
- b) The investments designated as Level 2 inputs represent fixed income securities generally determined on the basis of valuations provided by a pricing service which will typically utilize industry accepted valuation models and observable market inputs to determine valuation; some valuations or model inputs provided/used by the pricing service may be, or be based upon, broker quotes.
- c) The investments designated as Level 3 inputs represent hedge funds. The fair values of the hedge funds are obtained from individual hedge fund managers and custodians. The hedge fund of fund manager employs best practices controls and due diligence to insure the valuations are reflective of fair value. Additionally, the individual hedge funds are audited annually and an audit report is issued.

Funds Held by Trustee

The following is a summary of assets limited as to use, which are held by trustees, at December 31, 2016 and 2015:

	2016	2015
Cash and cash equivalents	\$ 122,840	\$ 73,372
U.S. Treasury obligations	-	63,994
	<u>122,840</u>	<u>137,366</u>
Less amount classified as current assets to meet current obligations	<u>78,163</u>	<u>36,729</u>
Noncurrent asset	<u>\$ 44,677</u>	<u>\$ 100,637</u>

2016	Fair Value Measurements at Reporting Date			
Description	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 122,840	\$ 122,840	\$ -	\$ -
U.S. Treasury Obligations	-	-	-	-
Total	<u>\$ 122,840</u>	<u>\$ 122,840</u>	<u>\$ -</u>	<u>\$ -</u>

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2015 Description	Fair Value Measurements at Reporting Date			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 73,372	\$ 73,372	\$ -	\$ -
U.S. Treasury Obligations	63,994	-	63,994	-
Total	<u>\$ 137,366</u>	<u>\$ 73,372</u>	<u>\$ 63,994</u>	<u>\$ -</u>

There were no material transfers between Level 1 and Level 2 during 2016 or 2015.

The Hospital Revenue Bond Agreements (Note 6) require that the initial bond proceeds be held by a bank trustee until such funds are expended for eligible assets. Certain other funds are also held by the bank trustee as additional security for the bondholders and the periodic deposits of principal and interest requirements. These amounts, including interest earned from temporary investments, are segregated in accounts maintained by a bank trustee. Use of the funds is restricted to debt service requirements. The funds reflected in current assets relate to construction costs anticipated to be incurred during 2017. The increase in the current assets represents funds that will be used to fund the Network's East Campus revitalization construction during 2017.

Investment income for 2016 and 2015 related to funds held by trustee consists of the following:

	2016	2015
Interest and dividend income	\$ 484	\$ 198
Net realized gain on sales of investment securities	35	117
Total investment income	<u>\$ 519</u>	<u>\$ 315</u>

Board-Designated Funds

The following is a summary of assets limited as to use, which are board-designated funds, at December 31, 2016 and 2015:

	2016 Cost	2016 Market	2015 Cost	2015 Market
Cash and cash equivalents	\$ 9,161	\$ 9,161	\$ 4,895	\$ 4,895
Equity securities	773	761	2,886	3,013
Corporate bonds	3,044	2,871	870	870
Mutual funds	533,849	576,884	542,641	523,363
Hedge fund of funds/REITS/Other	57,112	66,997	50,760	60,386
	<u>\$ 603,939</u>	<u>\$ 656,674</u>	<u>\$ 602,052</u>	<u>\$ 592,527</u>

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2016 Description	Fair Value Measurement at Reporting Date			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 9,161	\$ 9,161	\$ -	\$ -
Equity securities	761	736	25	-
Corporate bonds	2,871	-	2,871	-
Mutual funds	576,884	576,884	-	-
Hedge fund of funds/REITS/Other	66,997	-	-	66,997
Total	\$ 656,674	\$ 586,781	\$ 2,896	\$ 66,997

2015 Description	Fair Value Measurement at Reporting Date			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 4,895	\$ 4,895	\$ -	\$ -
Equity securities	3,013	2,984	29	-
Corporate bonds	870	-	870	-
Mutual funds	523,363	523,363	-	-
Hedge fund of funds/REITS/Other	60,386	-	-	60,386
Total	\$ 592,527	\$ 531,242	\$ 899	\$ 60,386

	Rollforward of Level 3 Investments
Balance as of January 1, 2015	\$ 58,097
Purchases	2,355
Investment loss-realized/unrealized	(66)
Balance as of December 31, 2015	\$ 60,386
Balance as of January 1, 2016	\$ 60,386
Purchases	5,200
Investment gain-realized/unrealized	304
Balance as of December 31, 2016	\$ 65,890

There were no material transfers between Level 1 and Level 2 during 2016 or 2015.

As a practical expedient, the Network is permitted under US GAAP to estimate the fair value of investments in investment companies that have a calculated value of their capital account or net asset value ("NAV") at the measurement date using the reported NAV without further adjustment unless the entity expects to sell the investment at a value other than NAV or if the NAV is not calculated in accordance with US GAAP. The Network's investments in mutual funds and hedge fund of funds are fair valued based on the most current NAV.

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The following table presents liquidity information for the financial instruments carried at net asset value at December 31, 2016 and 2015:

Investment Type	Redemption Frequency	Notice Period
Mutual funds	Daily	N/A
Hedge fund of funds	Quarterly	70 days

Investment income for 2016 and 2015 related to Board-designated funds consists of the following:

	2016	2015
Interest and dividend income	\$ 16,524	\$ 18,412
Unrealized gain (loss)	52,733	(54,692)
Net realized (loss) gain on sales of investment securities	<u>(20,925)</u>	<u>1,531</u>
Total investment income (loss)	<u>\$ 48,332</u>	<u>\$ (34,749)</u>

Reinsurance Trust Assets

The assets in the trust are maintained in a domestic trust account. These assets are restricted and may not be withdrawn or used without the consent of the trust administrator.

The following is a summary of the assets limited as to use, which are reinsurance trust assets, at December 31, 2016 and 2015:

	2016 Cost	2016 Market	2015 Cost	2015 Market
Cash and cash equivalents held in trust	\$ 1,930	\$ 1,930	\$ 1,192	\$ 1,192
Corporate bonds	15,096	14,494	12,921	12,440
Equities	<u>231</u>	<u>233</u>	<u>231</u>	<u>199</u>
	<u>\$ 17,257</u>	<u>\$ 16,657</u>	<u>\$ 14,344</u>	<u>\$ 13,831</u>

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2016 Description	Fair Value Measurement at Reporting Date			
	2016	Level 1	Level 2	Level 3
Cash and cash equivalents held in trust	\$ 1,930	\$ 1,930	\$ -	\$ -
Corporate bonds	14,494	-	14,494	-
Equities	233	233	-	-
Total	\$ 16,657	\$ 2,163	\$ 14,494	\$ -

2015 Description	Fair Value Measurement at Reporting Date			
	2015	Level 1	Level 2	Level 3
Cash and cash equivalents held in trust	\$ 1,192	\$ 1,192	\$ -	\$ -
Corporate bonds	12,440	-	12,440	-
Equities	199	199	-	-
Total	\$ 13,831	\$ 1,391	\$ 12,440	\$ -

There were no material transfers between Level 1 and Level 2 during 2016 or 2015.

The fair values of the reinsurance trust assets are provided by the Captive's investment manager and are determined as follows:

- The fair value of fixed income securities including corporate debt are generally determined on the basis of valuations provided by a pricing service which will typically utilize industry accepted valuation models and observable market inputs to determine valuation; some valuations or model inputs provided/used by the pricing service may be, or be based upon, broker quotes.
- The fair value of investments in money market funds (included in cash and cash equivalents within the tables above) is determined based on the net asset value per share provided by the administrators of the funds.

Investment income for 2016 and 2015 related to reinsurance trust assets consists of the following:

	2016	2015
Interest income	\$ 448	\$ 403
Net realized/unrealized (losses) on investment securities	(102)	(587)
Total investment income (loss)	\$ 346	\$ (184)

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4. Property, Plant and Equipment

Property, plant and equipment and accumulated depreciation consist of the following at December 31, 2016 and 2015:

	Estimated Useful Lives	2016	2015
Land and land improvements	0–20 years	\$ 39,898	\$ 39,713
Buildings and improvements	2–90 years	1,036,887	1,030,966
Equipment and other	3–20 years	725,434	675,507
Construction in progress		79,398	26,372
		<u>1,881,617</u>	<u>1,772,558</u>
Less: Accumulated depreciation		<u>1,028,806</u>	<u>950,085</u>
		<u>\$ 852,811</u>	<u>\$ 822,473</u>

Depreciation expense was \$76,389 and \$75,829 for the years ended 2016 and 2015, respectively.

Property, plant and equipment include \$2,500 and \$1,531 of capitalized interest at December 31, 2016 and 2015, respectively.

The Network recognized impairment charges of \$21,326 in 2016 on the long-lived assets associated with the Westview Campus because the fair value of those assets or groups of assets indicated that the carrying amount was not recoverable. The fair value estimates were derived from appraisals, established market values of comparable assets, or internal estimates of future net cash flows.

5. Investments in Unconsolidated Affiliates

The Network has equity investments in various surgery centers, Mid America Clinical Laboratory (“MACL”) and other entities. The following is a summary of the Network’s investments in unconsolidated affiliates for the years ended December 31, 2016 and 2015:

	Surgery Centers	MACL	Other	Total
Balance, December 31, 2014	\$ 10,518	\$ 7,885	\$ 11,216	29,619
Capital contributions	312	-	2	314
Distributions	(7,910)	(2,261)	(5,426)	(15,597)
Equity in net income	8,075	3,173	6,064	17,312
Balance, December 31, 2015	<u>10,995</u>	<u>8,797</u>	<u>11,856</u>	<u>31,648</u>
Capital contributions	28			28
Distributions	(9,007)	(3,976)	(6,934)	(19,917)
Equity in net income	9,889	3,087	9,751	22,727
Balance, December 31, 2016	<u>\$ 11,905</u>	<u>\$ 7,908</u>	<u>\$ 14,673</u>	<u>\$ 34,486</u>

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Summarized and aggregated financial statement information for the surgery centers, MACL and the other unconsolidated affiliates is as follows:

	Surgery Centers	MACL	Other	Total
Total assets	\$ 20,344	\$ 44,631	\$ 59,313	\$ 124,288
Total liabilities	5,181	8,668	16,922	30,771
Net assets	15,163	35,963	42,391	93,517
Revenues	61,833	118,183	107,893	287,909
Operating income	21,384	14,037	27,732	63,153
Net income	21,384	14,032	27,720	63,136
Network's equity in net income of unconsolidated affiliates	9,889	3,087	9,751	22,727

6. Debt

Short-term Borrowings

Short-term borrowings represent outstanding borrowings under bank lines of credit. At December 31, 2016 and 2015 there were no amounts outstanding. The maximum borrowings are \$50,000 for CHI and \$2,000 for CHA. The bank lines of credit are due on demand. CHI's short-term debt is collateralized under the same terms as the Master Indentures described below. Interest is at a floating rate.

Long-term Debt

Long-term debt at December 31, 2016 and 2015 is summarized as follows:

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	Obligated Entity	2016	2015
Indiana Finance Authority, Variable Rate Hospital Revenue Bonds, Series 2016A Due May 1, 2017 to 2045	CHNw	\$ 86,600 <u>86,600</u>	\$ - <u>-</u>
Indiana Finance Authority, Variable Rate Hospital Revenue Bonds, Series 2016B Due May 1, 2017 to 2028	CHNw	26,000 <u>26,000</u>	- <u>-</u>
Indiana Finance Authority, Fixed Rate Hospital Revenue Bonds, Taxable Series 2015A 4.24% Due May 1, 2025 5.43% Due May 1, 2045 Unamortized Discount	CHNw	100,000 101,728 (839) <u>200,889</u>	100,000 101,728 (901) <u>200,827</u>
Indiana Finance Authority, Fixed Rate Hospital Revenue Bonds, Series 2012A Due May 1, 2013 to May 1, 2028 4.00% term bonds due May 1, 2025 5.00% term bonds due May 1, 2042 Unamortized premium	CHNw	91,570 88,930 174,455 24,320 <u>379,275</u>	96,760 88,930 174,455 25,258 <u>385,403</u>
Indiana Finance Authority, Variable Rate Hospital Revenue Bonds Series 2012B, Due November 27, 2012 to November 27, 2039	CHNw	67,540 <u>67,540</u>	69,305 <u>69,305</u>
Indiana Finance Authority, Adjustable Rate Hospital Revenue Bonds, Series 2009A Due July 1, 2009 to July 1, 2039 Unamortized discount	CHNw	- - <u>-</u>	35,605 (116) <u>35,489</u>
Indiana Finance Authority, Adjustable Rate Hospital Revenue Bonds, Series 2005A and 2005B; due January 1, 2007 to January 2, 2035	Howard	-	42,455
Indiana Health Facility Financing Authority, Adjustable Rate Hospital Revenue Bonds, Series 2000A and 2000B due July 1, 2002 to July 1, 2028	CHNw	-	29,100
PNC Bank; Term Loan interest payable monthly Due January 1, 2022	CHNw	6,000	7,143
BMO Harris Bank; Term Loan; Due November 18, 2020	CHNw	29,379	36,296
Other long-term debt		2,864 <u>798,547</u>	4,248 <u>810,266</u>
Less: Current portion of long-term debt		21,924	21,483
Deferred financing costs, net		5,055 <u>771,568</u>	6,301 <u>782,482</u>
Long-term debt, net of current portion and deferred financing costs		\$ 771,568	\$ 782,482

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Series 2016A and 2016B

On September 22, 2016, the Indiana Finance Authority ("IFA") issued Hospital Revenue Bonds, Series 2016A and Series 2016B, in the aggregate amount of \$112,600 for the purpose of making a loan to CHNw. The proceeds of this loan from IFA are available to finance, refinance or reimburse the costs of constructing, acquiring, renovating or equipping certain health facility property used by CHNw. The Series 2016A and Series 2016B bonds are subject to redemption prior to their stated maturity at the option of CHNw on a thirty day notice in whole or in part, at a redemption price equal to 100% of the principal amount plus interest at the date of redemption. Interest rates are variable for the Series 2016A and 2016B bonds, with stated rates of 1.1% and 1.3% as of 12/30/2016.

Proceeds from the issuance of the Series 2016A and Series 2016B bonds were used to refinance the following series of bonds: 2000A, 2000B, 2005A, 2005B and 2009A.

Series 2015 A

On June 1, 2015, CHNw issued Taxable Bonds, Series 2015A in the aggregate amount of \$201,728. The proceeds of this loan are available to pre-fund the termination of the Network's defined benefit retirement plan, finance, refinance or reimburse the costs of constructing, acquiring, renovating or equipping certain health facility property used by CHNw. The Series 2015A bonds are subject to redemption prior to their stated maturity at the option of CHNw on a thirty day notice in whole or in part, at a redemption price equal to 100% of the principal amount plus interest at the date of redemption. Interest rates are fixed for the Series 2015A bonds, with stated rates of 4.24% and 5.43%.

Series 2012A and 2012B

On November 27, 2012, the Indiana Finance Authority ("IFA") issued Hospital Revenue Bonds, Series 2012A and Adjustable Rate Hospital Revenue Bonds, Series 2012B, in the aggregate amount of \$450,445 for the purpose of making a loan to CHNw. The proceeds of this loan from IFA are available to finance, refinance or reimburse the costs of constructing, acquiring, renovating or equipping certain health facility property used by CHNw. The Series 2012 A and Series 2012 B bonds are subject to redemption prior to their stated maturity at the option of CHNw on a thirty day notice in whole or in part, at a redemption price equal to 100% of the principal amount plus interest at the date of redemption. Interest rates are fixed for the Series 2012A bonds, with stated rates of 4% and 5%. The Series 2012B bond has a variable rate set at 70% of the 30 day LIBOR, subject to change daily and payable monthly with stated rate of 1.4% as of December 31, 2016.

Proceeds from the issuance of the Series 2012A and Series 2012B bonds were used to refinance the following series of bonds: 1988, 1993, 1992, 1995, 1997A and B, 2005A, B and C, and 2009B.

Series 2009A and 2009B

On June 30, 2009, the IFA issued Adjustable Rate Hospital Revenue Bonds, Series 2009A and 2009B, in the aggregate amount of \$100,000 for the purpose of making a loan to CHI. The proceeds of this loan from IFA are available to finance, refinance or reimburse the costs of constructing, acquiring, renovating or equipping certain health facility property used by CHI. As mentioned above, the Series 2009B was refinanced with proceeds of Series 2012B and the Series 2009A was refinanced with proceeds from the Series 2016A. As a result, the letter of credit is no longer outstanding.

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Series 2005A and 2005B - Howard

On August 1, 2005, the IFA issued Adjustable Rate Hospital Revenue Bonds, Series 2005A and Series 2005B, in the aggregate amount of \$50,000 for the purpose of making a loan to Howard. The proceeds of this loan from IFA are available to finance, refinance or reimburse the costs of constructing, acquiring, renovating or equipping certain health facility property used by Howard. As mentioned above, the Series 2005A and 2005B bonds were refinanced with proceeds from the Series 2016A bonds.

In conjunction with refunding the Series 2005A and 2005B bonds, the Network terminated the interest rate swap agreements related to Howard's Series 2005A and 2005B bonds. See Note 7 for further disclosure related to interest rate swaps.

Series 2000A and 2000B

On November 1, 2000, the IFA issued Adjustable Rate Hospital Revenue Bonds, Series 2000A and 2000B, in the aggregate amount of \$40,000 for the purpose of making a loan to the Network. The proceeds of this loan from the IFA were available to finance, refinance or reimburse the costs of constructing, acquiring, renovating or equipping certain health facility property used by CHNw. As mentioned above, the Series 2000A and 2000B bonds were refinanced with proceeds from the Series 2016B bonds.

Term Loan – CHNw

On December 22, 2014, CHNw entered into a Master Note Obligation, Series 2014-TL to evidence and secure payments between CHNw and PNC Bank. The loan was made to refinance Howard's promissory notes. Principal is due quarterly and interest payments are due monthly. The loan matures January 1, 2022. The loan bears interest at rates determined monthly and payable on the first business day of each calendar month. Interest is computed based on LIBOR plus 85 basis points and was 1.46% as of December 31, 2016. Principal payments are due quarterly.

Term Loan – CHNw

On November 18, 2013, CHNw entered into a Master Note Obligation, Series 2013-TL to evidence and secure payments between CHNw and BMO Harris Bank. The loan was made to secure costs associated with the Network's electronic medical record information system. Principal and interest payments are due monthly. The loan matures November 18, 2020. The interest is fixed at 1.33%, with principal and interest payments due monthly.

In general, the various Network debt agreements restrict the amount of indebtedness that the Network may incur, the sale, lease or other disposition of operating assets, and the acceptable investments of the trust funds. These agreements require a debt service ratio at the end of any fiscal year of at least 1.10. The Network was in compliance with this financial debt covenant at December 31, 2016.

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Scheduled principal repayments on long-term debt are as follows:

2017	\$	21,924
2018		22,410
2019		22,461
2020		22,407
2021		15,443
Thereafter		670,421
		<u>775,066</u>
Plus: Unamortized premium, net		23,481
	\$	<u>798,547</u>

The fair value of the Network's long-term debt instruments (Level 2) approximates \$806,525 and \$818,397 as compared to carrying values of \$798,547 and \$810,266 as of December 31, 2016 and 2015, respectively.

For 2016 and 2015, interest cost incurred and capitalized in connection with the construction of capital assets aggregated \$1,119 and \$196, respectively.

7. Derivative Instruments

In September 2016, the Network terminated Howard's two interest rate swap agreements related to Howard's Series 2005A and 2005B bonds. The terms and fair values (Level 2) of the outstanding swaps are as follows as of December 31, 2015:

As of December 31, 2015

Original Notional	Current Notional	Effective Date	Fixed Rate	Rate	Fair Value	Termination Date
\$ 30,000	\$ 25,470	October 3, 2005	3.550 %	0.25%	\$ (5,450)	January 1, 2035
10,000	8,493	October 3, 2005	3.550 %	0.25%	(1,818)	January 1, 2035
					<u>\$ (7,268)</u>	

The swaps were entered into as a means to manage interest rate risk on Howard's variable rate bond debt. The intention of the swap agreements were to effectively change Howard's variable interest rate on the Series 2005A and 2005B bonds to a fixed rate of 3.55%. The variable rate on the swaps was 70% of the USD-LIBOR BBA and resets monthly. The swaps were ineffective and were designated as hedges.

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The following amounts have been recorded in the Network's consolidated statements of operations and changes in net assets as of December 31, 2016 and 2015:

	2016	2015
Non Operating Income (Expenses)		
Net realized (losses) gains on changes in fair value of interest rate swaps	\$ (1,181)	\$ 59
Income from Operations		
Interest expense, net	\$ (807)	\$ 1,158

8. Employee Benefit Plans

The Network has defined benefit retirement plans covering substantially all employees of CHNw, CHA and CHHS. Effective December 27, 2010, all Network employees, excluding CHA employees, are employed by CHNw and leased to the Network's respective subsidiaries and/or affiliates rather than being employed by individual employers. Effective with the adoption of the single Network employer on December 27, 2010, CHNw became the sponsor of the entire Network's defined benefit and defined contributions plans, except the CHA plan. Employer contributions are made to the Defined Contribution plans based on a percentage of employee compensation.

The Network's funding policy is to contribute the equivalent of the minimum funding required by the Employee Retirement Income Security Act of 1974, as amended. The benefits for these plans are based primarily on years of service and the 60-consecutive-month period of employment producing the highest total income. The measurement date for the Network's plan is December 31 except for the Replacement Plan which is January 1.

Defined Benefit and Other Postretirement Benefit Plans

The Retirement Plan was a defined benefit plan. The assets of the Retirement Plan were distributed out of the plan by December 31, 2016. As a result of terminating the plan and distributing the assets, the Network recognized a plan settlement charge of approximately \$221,000 during 2016.

The provisions of this plan relate to all employees of CHNw, CHA, CHHS and CPI. These employees were eligible to participate in the plan after one year of eligible service as defined by the plan document. Participants are 100% vested after five years of service. Effective May 27, 2006, CHA froze the accrual of benefits and participation in the CHNw Retirement Plan and established its own 403(b) plan. Effective March 8, 2010, the Retirement Plan was amended to limit the maximum benefit that may be accrued by individuals who choose to remain participants in the Retirement Plan after March 7, 2010. Additionally, participants in the Retirement Plan were offered a onetime choice between continued participation in the Retirement Plan, and, if applicable, CHNw's 403(b) plan, or participation in the Network's 401(k) plan as of March 8, 2010. All participants who remained in the Retirement Plan and CHNw 403(b) plan as of March 8, 2010 ceased participation in those plans effective as of December 25, 2011 and began participation in the Network's 401(k) plan effective as of December 26, 2011. On May 2, 2016, CHNw received a favorable determination letter from the IRS acknowledging the termination date of the Retirement Plan of June 30, 2015. CHNw made contributions to the plan of \$54,985 and \$154,329 during 2016 and 2015, respectively.

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The Replacement Plan is a defined benefit plan. The fair value of the plan assets was \$12,549 and \$13,821 at December 31, 2016 and December 31, 2015, respectively. The defined benefit provisions of the Replacement Plan apply to all employees of the Network hired prior to January 1, 1984. The Replacement Plan was originally established on that date to provide such employees those benefits otherwise available under the Federal Insurance Contributions Act during the period January 1, 1981 to December 31, 1983 when the Network withdrew coverage of its employees under the Act. Pursuant to the Social Security Amendment Act of 1983, the Network reentered the Social Security system on January 1, 1984. As a result, funding of the plan was terminated during 1985. If authorized by the Network's Board of Directors, each Replacement Plan participant may elect to contribute to the plan an amount each pay period, subject to the maximum established by the Board of Directors. Such authorization was not granted during 2016 and 2015. During 2016, CHNw made contributions to the Replacement Plan of \$0. During 2015, CHNw made contributions to the Replacement Plan of \$172.

Effect on Operations

The components of net periodic pension expense for defined benefit retirement plans for the year ended December 31 were as follows:

	2016	2015
Service cost	\$ 2,699	\$ 4,956
Interest cost	9,390	29,689
Expected return on plan assets	(22,366)	(30,957)
Amortization of net loss and prior service cost	6,077	6,023
Plan Settlement	220,839	-
Net pension expense	<u>\$ 216,639</u>	<u>\$ 9,711</u>

Obligations and Funded Status

The change in benefit obligations, plan assets and funded status for the Network's defined benefit retirement plans are as follows:

	2016	2015
Change in benefit obligation		
Benefit obligation, beginning of period	\$ 691,036	\$ 719,054
Service cost	2,699	4,956
Interest cost	9,390	29,689
Actuarial (gain)	(9,271)	(36,092)
Expenses paid – actual	(3,042)	(2,644)
Benefits paid – actual	(24,826)	(23,927)
Plan Settlement	(651,375)	-
Benefit obligation, end of period	<u>\$ 14,611</u>	<u>\$ 691,036</u>

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	2016	2015
Change in plan assets		
Fair value of plan assets, beginning of year	\$ 595,644	\$ 487,115
Actual return on plan assets	41,163	(19,402)
Contributions	54,985	154,501
Expenses paid – actual	(3,042)	(2,643)
Benefit paid – actual	(24,826)	(23,927)
Plan Settlement	(651,375)	-
Fair value of plan assets, end of year	<u>\$ 12,549</u>	<u>\$ 595,644</u>

	2016	2015
Reconciliation of funded status		
Accrued pension income, net	\$ 580	\$ 162,234
Prepaid pension liability	<u>(2,642)</u>	<u>(257,626)</u>
(Under) funded status	(2,062)	(95,392)
Unrecognized net actuarial loss	-	257,706
Unrecognized prior service cost	<u>-</u>	<u>(80)</u>
Accrued pension (expense) income, net	<u>\$ (2,062)</u>	<u>\$ 162,234</u>

Accumulated Benefit Obligation

Selected information from the plans with accumulated benefit obligation in excess of plan assets at December 31, were as follows:

	2016	2015
Projected benefit obligation	\$ 14,612	\$ 691,036
Accumulated benefit obligation	14,612	691,036
Fair value of plan assets	12,549	595,644

As a result of the Retirement plan's asset distribution in 2016, the portion of the accrued pension attributed to the Retirement Plan is classified as a current liability on the consolidated balance sheet as of December 31, 2015.

Actuarial Assumptions

Weighted average assumptions used to determine benefit obligations as of December 31:

	2016	2015
Discount rate	4.19 %	1.40 %

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Weighted average assumptions used to determine net periodic benefit cost for the years ended December 31:

	2016	2015
Discount rate	4.47 %	4.21 %
Expected long-term rate of return on plan assets	8.70 %	6.52 %

The expected long term rate of return assumes targeted allocations are maintained and returns fall within standard deviation derived from simulation of ten year range of returns on each plan's assets. The rate is reevaluated based on actual returns in the current period.

Plan Assets

The weighted-average allocation of the defined benefit plans at December 31, 2016 and 2015, by asset category, are as follows:

	Retirement Plan	Replacement Plan		
	2015	2016	2015	2015
	Actual	Target	Actual	Actual
	Allocation	Allocation	Allocation	Allocation
Equity securities ^(a)	10 %	71 %	77 %	60 %
Fixed income securities ^(a)	80 %	6	6	12
Real estate ^(a)	4 %	12	5	6
Other	5 %	11	12	22
Total	100 %	100 %	100 %	100 %

(a) Includes mutual funds

The plans are administered under a single investment policy statement, which outlines objectives and guidelines for supervising investment strategy and evaluating the investment performance for all investment assets of CHNw. The policy seeks to preserve principal, emphasizing long-term growth without undue exposure to risk. Investment performance return targets are based on consumer price, corporate bond and stock indexes as well as volatility standards (beta) and positive risk-adjusted performance (alpha). The plan fiduciaries oversee the investment allocation process, which includes selecting investment managers, setting long-term strategic targets and monitoring asset allocations. Target allocation ranges are guidelines, not limitations, and plan fiduciaries may occasionally approve allocations above or below a target range.

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The following tables present the fair values of the plan assets at December 31, 2016 and 2015. Refer to Note 3 for explanations of fair value designation.

2016		Fair Value Measurements at Reporting Date			
Description	2016	Level 1	Level 2	Level 3	
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	
Mutual funds	11,079	11,079	-	-	
Hedge fund of funds	1,470	-	-	1,470	
Total	<u>\$ 12,549</u>	<u>\$ 11,079</u>	<u>\$ -</u>	<u>\$ 1,470</u>	

2015		Fair Value Measurements at Reporting Date			
Description	2015	Level 1	Level 2	Level 3	
Cash and cash equivalents	\$ 62,758	\$ 62,758	\$ -	\$ -	
Corporate bonds	224,856	-	224,856	-	
Mutual funds	129,603	129,603	-	-	
U.S. Treasury Obligations	176,990	-	176,990	-	
Hedge fund of funds	1,437	-	-	1,437	
Total	<u>\$ 595,644</u>	<u>\$ 192,361</u>	<u>\$ 401,846</u>	<u>\$ 1,437</u>	

	Rollforward of Level 3 Investments
Balance as of January 1, 2015	\$ 39,657
Purchases	-
Sales	(39,141)
Investment gain-realized/unrealized	921
Balance as of December 31, 2015	<u>\$ 1,437</u>
Balance as of January 1, 2016	\$ 1,437
Purchases	-
Sales	-
Investment gain-realized/unrealized	33
Balance as of December 31, 2016	<u>\$ 1,470</u>

There were no material transfers between Level 1 and Level 2 during 2016 or 2015.

Cash Flows

The Network has no plans to contribute any amounts to the Replacement Plan during 2017.

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Estimated Future Benefit Payments

The Replacement Plan benefit payments, which reflect expected future service, are expected to be paid as follows:

2017	\$	1,490
2018		842
2019		868
2020		883
2021		900
2022–2026		4,557

Other

The Network sponsors defined contribution plans covering certain employees. As mentioned above, CHNw became the employer of all employees throughout the Network except for the CHA 403(b) plan. Effective with the adoption of the single employer on December 27, 2010, CHNw became the sponsor all of the Network's defined contributions plans except for the CHA 403(b) plan. Employer contributions are made to these plans based on a percentage of employee compensation. The cost of the Network's defined contribution plans approximated \$27,032 and \$38,143 for 2016 and 2015, respectively.

CHA has a defined contribution 403(b) plan. Employees are eligible to participate immediately upon employment. Participants may contribute up to 100% of compensation, as defined. CHA is permitted to match 100% of participant contributions up to 3% of the participant's compensation. CHA elected to cease matching participant contributions effective May 10, 2009.

The Network has a 401(k) plan. Employees of the Network hired after February 9, 2008 are eligible to participate immediately upon employment. Participants may contribute up to 100% of compensation, as defined. The Network matches 100% of participant contributions up to 6% of the participant's compensation. Each year, the Network may elect to provide a discretionary employer contribution to plan participants.

9. Income Taxes

For 2016 and 2015, federal taxable income originating in the Network's for-profit entities was approximately \$18,500 and \$6,300, respectively. Income tax expense of \$7,813 and \$4,765, respectively, has been provided thereon. The primary difference between income tax expense and taxes computed at the federal statutory rate of 34 percent is state income taxes.

At December 31, 2016, VEI has no unused federal income tax operating loss carry forwards.

10. Operating Leases

The Network leases certain of its facilities and equipment under noncancelable operating lease agreements. The leases contain various renewal options and clauses for escalation based on increases in interest costs, as defined. Rental expense for these leased facilities and equipment aggregated \$40,862 and \$39,465 for 2016 and 2015, respectively.

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Future minimum rental payments for each of the next five years at December 31, 2016 are as follows:

2017	\$	38,829
2018		35,703
2019		31,875
2020		27,084
2021		22,181
Thereafter		76,886
	\$	<u>232,558</u>

11. Functional Expenses

The Network provides health care services to residents within its community and surrounding areas. We allocate our expenses based on both our direct expenditures and on our cost allocations from time incurred by our Network personnel and other factors. Although our methods used to allocate these expenses are appropriate, alternative methods may provide different results. Expenses related to providing these services approximate the following:

	2016	2015
Healthcare services	\$ 1,479,862	\$ 1,390,178
Administrative and general	<u>812,689</u>	<u>510,504</u>
Total expenses	<u>\$ 2,292,551</u>	<u>\$ 1,900,682</u>

12. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Network has been limited by donors to a specific time period or purpose. Temporarily restricted net assets as of December 31, 2016 and 2015 are available for the following purposes:

	2016	2015
Medical education	\$ 1,833	\$ 1,554
Clinical/patient support	5,697	3,241
Capital improvements	<u>1,181</u>	<u>1,974</u>
	<u>\$ 8,711</u>	<u>\$ 6,769</u>

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Permanently restricted net assets have been restricted by donors to be maintained by the Network in perpetuity. Permanently restricted net assets as of December 31, 2016 and 2015 are as follows, with a description of how the investment income is to be used:

	2016	2015
Medical education	\$ 2,229	\$ 2,783
Clinical/patient support	3,941	617
Capital improvements	682	1,723
	<u>\$ 6,852</u>	<u>\$ 5,123</u>

The Network is an income beneficiary of certain irrevocable trusts. The aggregated income from these trusts was \$693 and \$396 for the years ended December 31, 2016 and 2015, respectively.

13. Commitments and Contingencies

Community Hospital of Anderson and Madison County

On August 9, 1996, the Network entered into an affiliation agreement with CHA. The agreement provides that if the Network merges, affiliates, or is acquired by another health care organization, the Network must deposit \$31,900 into a foundation to fund health care programs and initiatives in Madison County, Indiana.

Pending Litigation

Claims for employment matters, and breach of contract have been asserted against the Network by various claimants, and provision for such claims is made in the financial statements when management considers the likelihood of loss from the contingency to be probable and reasonably estimable. The claims are in various stages of processing and some will ultimately be brought to trial. There are known incidents occurring through December 31, 2016 that may result in the assertion of additional claims, and other claims may be asserted arising from services provided to patients in the past. We do not believe that claims and lawsuits individually or in aggregate will have a material adverse effect on the Network's future consolidated financial position, results from operations, or cash flows.

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Management believes that the Network is in compliance with applicable government laws and regulations. Regulatory inquiries are made in the normal course of business and compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time. Violations of these regulations could result in the imposition of significant fines and penalties, as well as having a significant effect on reported income from operations or cash flows.

The Network is in compliance with the Indiana Medical Malpractice Act which limits the amount of recovery to \$1,250 for individual malpractice claims, \$250 of which would be paid by the Network and the balance being paid by the State of Indiana Patient Compensation Fund. Management believes the ultimate disposition of existing medical malpractice and other claims will not have a material effect on the consolidated financial position or results of operations of the Network.

Beginning July 1, 2017, the limits related to the Indiana Medical Malpractice Act have been amended whereby the amount of recovery is \$1,650 for individual malpractice claims of which \$400 would be by the paid the Network and the remainder paid by the State of Indiana Patient

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Compensation Fund. These levels will increase effective July 1, 2019 to \$1,800 and \$500, respectively.

Purchase Commitments

As of December 31, 2016, the Network had purchase commitments for various equipment and services of \$58,582.

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS

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Brief descriptions of the Master Indenture, Series 2018A Supplemental Indenture and the Trust Indenture are included in this Appendix C. The descriptions do not purport to be comprehensive or definitive. All references herein to such documents are qualified in their entirety by reference to that particular document, copies of which are available for review upon request from CHNw.

SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE

Authorization and Issuance of Obligations

The Master Indenture authorizes the issuance of Obligations, including the Series 2018A Note, which are intended to be the joint and several obligations of each Obligated Group Member. CHNw and the other current Members of the Obligated Group have pledged to the Master Trustee their Unrestricted Receivables as security for Obligations outstanding under the Master Indenture, including the Series 2018A Note. The Series 2018A Note is not secured by any pledge or mortgage of, or security interest in, any assets of any Obligated Group Member other than a security interest in the Unrestricted Receivables of each Obligated Group Member.

Authorization of Obligations. Each Obligated Group Member authorizes to be issued from time to time Obligations or series thereof, without limitation as to principal or other amount, except as provided in the Master Indenture or as may be limited by law, and subject to the terms, conditions and limitations established in the Master Indenture and in any Supplement.

Issuance of Obligations. From time to time when authorized by the Master Indenture and subject to the terms, limitations and conditions established in the Master Indenture, the Credit Group Representative may authorize the issuance of one or more Obligations or series thereof by entering into a Supplement. The Obligation(s) may be issued and delivered to the Master Trustee for authentication upon compliance with the provisions of the Master Indenture and of any related Supplement. Obligations may be issued only to evidence or secure Indebtedness, or in connection with or to secure Financial Products Agreements.

Each Supplement authorizing the issuance of an Obligation shall specify and determine the principal amount of such Obligation (which, if such Obligation does not evidence or secure a fixed principal amount of Indebtedness, shall state or describe the manner in which the amount will be determined, which amount shall be set forth in a certificate of the Credit Group Representative filed with the Master Trustee and such amount shall be deemed to be the principal amount of such Obligation for all purposes of the Master Indenture); the purposes for which such Obligation(s) are being issued; the form, title, designation, manner of numbering or denominations, if applicable, of such Obligation(s); the date or dates of maturity or other final expiration of the term of such Obligation(s); the date of issuance or incurrence of such Obligation(s); and any other provisions deemed advisable or necessary by the Credit Group Representative.

Obligations issued under the Master Indenture in respect of Financial Products Agreements will be equally and ratably secured by any lien created under the Master Indenture with all Obligations secured thereunder, except as otherwise expressly provided therein; provided, however, that, unless contrary provision is made with respect to an Obligation in

respect of a Financial Products Agreement in the Supplement pursuant to which such Obligation is issued, any Obligation in respect of a Financial Products Agreement will be deemed to be Outstanding under the Master Indenture solely for the purpose of receiving payment thereunder, and the holder of an Obligation in respect of a Financial Products Agreement will not be entitled to exercise any rights under the Master Indenture other than the right to receive such payment and to enforce such right to receive payment. Unless contrary provision is made with respect to an Obligation in respect of a Financial Products Agreement in the Supplement pursuant to which such Obligation is issued, any Obligation in respect of a Financial Products Agreement will not be considered Outstanding in determining the aggregate principal amount of Obligations outstanding or in determining the percentage of the principal amount of Obligations required under the Master Indenture for various purposes, such as consents, approvals, waivers of defaults, direction of remedies and the appointment or removal of the Master Trustee.

Appointment of Credit Group Representative. Each Obligated Group Member, by becoming an Obligated Group Member, irrevocably appoints the Credit Group Representative as its agent and attorney-in-fact and grants full power to the Credit Group Representative (a) to do and perform all acts as the "Credit Group Representative" under the Master Indenture on behalf of each Obligated Group Member, including without limitation the power to execute and deliver Supplements, to execute and deliver Obligations, to execute and deliver Related Loan Documents and to execute and deliver any other documents or instruments relating to or securing any borrowings, indebtedness, obligation or the like, including, without limitation, notes, bonds, debentures, capital leases, installment sales agreements, Financial Products Agreements, mortgages, deeds of trust, security agreements and financing statements and (b) to take all other actions and execute and deliver all other documents, instruments and the like as may be deemed necessary or desirable by the Credit Group Representative in connection with any financing, refinancing or other transaction involving any Obligation, Supplement, Related Bonds, Financial Products Agreement or the Master Indenture. As Credit Group Representative, CHNw will execute the Series 2018A Note on behalf of the Obligated Group.

Conditions to Issuance of Obligations. With respect to the issuance of Obligations under the Master Indenture, simultaneously with or prior to the execution, authentication and delivery of Obligations pursuant to the Master Indenture:

(a) The Credit Group Representative (or the issuing Member with the approval of the Credit Group Representative) and the Master Trustee shall have entered into a Supplement creating such Obligation and all applicable requirements of the Master Indenture with respect to the incurrence of Indebtedness and conditions to the issuance of such Obligations, if any, set forth in the Supplement or in the Master Indenture shall have been complied with and satisfied, as provided in an Officer's Certificate of the Credit Group Representative, an executed copy of which shall be delivered to the Master Trustee; and

(b) The issuer of such Obligations shall have delivered to the Master Trustee an Opinion of Counsel to the effect that (1) registration of such Obligations under the Securities Act of 1933 and qualification of the Master Indenture or the Supplement under the Trust Indenture Act of 1939 is not required, or, if such registration or qualification is required, that all applicable registration and qualification provisions of said Acts have been complied with, and (2) the Master Indenture and the Obligations are valid, binding and enforceable obligations of the

Members of the Obligated Group in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency and other laws affecting creditors' rights generally and laws relating to fraudulent conveyances, usual equity principles, and such other exceptions as are typical in opinions relating to similar instruments or debt obligations.

Security for Obligations; Parity Obligations Except as Provided. Any one or more series of Obligations issued under the Master Indenture may, so long as any Liens created in connection therewith constitute Permitted Liens, be secured by security (including without limitation letters or lines of credit, insurance or Liens on Property or security interests in depreciation reserve, debt service or interest reserve or debt service or similar funds). Such security need not extend to any other Indebtedness (including any other Obligations or series of Obligations). Consequently, the Supplement pursuant to which any one or more series of Obligations is issued may provide for such supplements or amendments to the provisions of the Master Indenture as are necessary to provide for such security and to permit realization upon such security solely for the benefit of the Obligations entitled thereto.

Obligations may be issued under the Master Indenture to evidence any type of Indebtedness other than Non-Recourse Indebtedness, including without limitation Indebtedness which is subordinated and Indebtedness in a form other than a promissory note. Consequently, the Supplement pursuant to which any Obligation is issued may provide for such supplements or amendments to the provisions of the Master Indenture as are necessary to permit the issuance of such Obligations thereunder and as are not inconsistent with the intent thereof that, except as permitted thereby, all Obligations issued thereunder be equally and ratably secured by any lien created thereunder. In the case of a Financial Products Agreement authenticated as an Obligation under the Master Indenture or secured by an Obligation issued under the Master Indenture, and in the case of other Obligations, to the extent provided therein or in the Supplement pursuant to which such Obligations are issued, such Obligation shall be deemed Outstanding under the Master Indenture solely for the purpose of receiving payment under the Master Indenture and the respective Holders thereof shall not be entitled, as such Holders, to exercise any rights under the Master Indenture, other than such right to payment. Without limiting the generality of the foregoing, any non-scheduled payments, such as termination payments, indemnification payments, gross-up payments, expense and default interest payments and the like in respect of Financial Products Agreements, Commitment Indebtedness and other Indebtedness, may be made subordinate to the payments due on all other Obligations, as and to the extent provided in the form of Obligation representing or securing such Financial Products Agreements, Commitment Indebtedness or other Indebtedness, or the Supplement authorizing such Obligation.

Prepayment, Redemption or Purchase Dates and Prices. Obligations shall be subject to optional and mandatory prepayment, redemption or call for purchase in whole or in part and may be prepaid, redeemed or called for purchase prior to maturity as provided in the Master Indenture or the Supplement pertaining to the series of Obligations to be prepaid, redeemed or called for purchase, but not otherwise.

To the extent not otherwise provided in the Master Indenture or in a Supplement, the Obligated Group shall have the right to prepay, purchase or redeem all or such portion of the Obligations of any particular series as shall be necessary to effect the payment, purchase,

prepayment, redemption, refunding or advance refunding of the series of Related Bonds secured by such Obligations or any portion thereof in the manner provided in the Related Bond Indenture. If called for prepayment, purchase or redemption in such events, the Obligations of such series shall be subject to prepayment, purchase or redemption in such amount, and at such times, in the manner and with the premium necessary to effect the refunding, purchase, advance refunding or redemption of all or the portion of the series of Related Bonds to be refunded, purchased, advance refunded or redeemed.

In lieu of prepaying, redeeming or calling for purchase Obligations pursuant to the above-described provisions, the Master Trustee may, at the request of the Credit Group Representative, use funds otherwise available under the Master Indenture for the redemption, prepayment or call for purchase of such Obligations to purchase such Obligations in the open market at a price not exceeding the redemption price then applicable under the Master Indenture.

Substitution of Obligations. All Obligations issued pursuant to the Master Indenture shall, upon the request of a Credit Group Representative and the satisfaction of all terms and conditions described under this caption, be substituted with replacement notes or similar obligations issued (the "Substitute Obligations") under and pursuant to and secured by a replacement master trust indenture (the "Replacement Master Indenture") executed by the then current Members of the Obligated Group and any other entities which are parties to and obligated with respect to indebtedness issued under such Replacement Master Indenture (collectively, the "New Group") and an independent corporate master trustee (the "New Master Trustee") meeting the eligibility requirements for the Master Trustee as set forth in the Master Indenture, which Substitute Obligations have been duly authenticated by the New Master Trustee, upon receipt of the Master Trustee of the following:

(a) an Opinion of Bond Counsel that the surrender of the Obligations and the acceptance by the New Master Trustee of the Substitute Obligations will not adversely affect the validity of the Related Bonds or any exemption for the purposes of federal income taxation to which interest on any Obligations or any Related Bonds would otherwise be entitled;

(b) an executed counterpart of the Replacement Master Indenture and executed copies of the Substitute Obligations;

(c) an Opinion of Counsel to the Obligated Group addressed to the Master Trustee to the effect that:

(i) the Replacement Master Indenture has been duly authorized, executed and delivered by each member of the New Group, each Substitute Obligation has been duly authorized, executed and delivered by a member of the New Group and each of the Replacement Master Indenture and each Substitute Obligation is a legal, valid and binding obligation of each member of the New Group, subject in each case to customary exceptions for bankruptcy, insolvency and other laws generally affecting enforcement of creditors' rights and application of general principles of equity;

(ii) all requirements and conditions to the issuance of the Substitute Obligations set forth in the Replacement Master Indenture have been complied with and satisfied; and

(iii) registration of the Substitute Obligations under the Securities Act of 1933, as amended, is not required or, if such registration is required, the New Group has complied with all applicable provisions of said Act;

(d) a certificate of the Credit Group Representative is delivered to the Master Trustee stating that the New Group, considered as a pro forma consolidated or combined group for purposes of the Master Indenture, with the elimination of material inter-company balances and transactions, would, after giving effect to such Substitute Obligations and assuming that the New Group constituted the Obligated Group under the Master Indenture and that the Substitute Obligations were issued under the Master Indenture, would meet the conditions described in subsection (a) under the caption "***Limitations on Indebtedness***" below for the incurrence of one dollar of Long-Term Additional Indebtedness;

(e) the Replacement Master Indenture containing (i) the agreement of each member of the New Group (A) to become a member of the New Group and thereby to become subject to compliance with all provisions of the Replacement Master Indenture and (B) unconditionally and irrevocably (subject to the right of such Person to cease its status as a member of the New Group pursuant to the terms and conditions of the Replacement Master Indenture) to jointly and severally make payments upon each Substitute Obligation and any other obligations issued under the Replacement Master Indenture (collectively, with the Substitute Obligations, the "Replacement Master Indenture Obligations") at the times and in the amounts provided in each such Replacement Master Indenture Obligations, and (ii) representations and warranties of the members of the New Group no less restrictive than those set forth in the Master Indenture;

(f) either

(i) the Replacement Master Indenture containing terms, covenants and provisions no less restrictive than those contained in the Master Indenture, except for (A) such differences as in the judgment of the Master Trustee are not to the prejudice of the holders of the Obligations and (B) such other differences as the Master Trustee shall determine are necessary for the benefit of the holders of the Replacement Master Indenture Obligations, issued under the Replacement Master Indenture, and any additional rights, remedies, powers or authority or additions to the covenants of the New Group or assignments and pledges of additional revenues, properties and collateral under the Replacement Master Indenture for the benefit of such holders; or

(ii) written confirmation from each Rating Agency then rating any Outstanding Related Bonds that, upon consummation of the proposed transactions, the ratings on such Related Bonds (without regard to any credit enhancement of the Related Bonds) will not be lower as a result of the entry into the Replacement Master Indenture and the issuance of the Substitute Obligations; provided, however, that if, prior to the consummation of the proposed transactions, any such Outstanding Related Bonds are not then rated by any Rating Agency, such a rating shall be obtained, which rating, as

evidenced by the written confirmation of such rating service, will not be lower as a result of the entry into the Replacement Master Indenture and the issuance of the Substitute Obligations; and

(g) such other opinions and certificates as the Master Trustee may reasonably require, together with such reasonable indemnities as the Master Trustee may request.

Payment Obligations; Credit Group Affiliates

Payment of Required Payments. Each Obligated Group Member jointly and severally covenants in the Master Indenture to pay or cause to be paid promptly all Required Payments at the place, on the dates and in the manner provided in the Master Indenture, or in any Supplement or Obligation, and faithfully to observe and perform all of the conditions, covenants and requirements of the Master Indenture, any Supplement and any Obligation. Each Obligated Group Member acknowledges that the time of such payment and performance is of the essence of the Obligations under the Master Indenture.

The obligation of each Obligated Group Member with respect to Required Payments shall not be abrogated, prejudiced or affected by:

(a) the granting of any extension, waiver or other concession given to any Obligated Group Member by the Master Trustee or any Holder or by any compromise, release, abandonment, variation, relinquishment or renewal of any of the rights of the Master Trustee or any Holder or anything done or omitted or neglected to be done by the Master Trustee or any Holder in exercise of the authority, power and discretion vested in them by the Master Indenture, or by any other dealing or thing which, but for this provision, might operate to abrogate, prejudice or affect such obligation; or

(b) the liability of any other Obligated Group Member under the Master Indenture ceasing for any cause whatsoever, including the release of any other Obligated Group Member pursuant to the provisions of the Master Indenture or any Supplement from membership in the Obligated Group; or

(c) any Obligated Group Member's failing to become liable as, or losing eligibility to become, an Obligated Group Member of the Obligated Group with respect to an Obligation.

Subject to the provisions of the Master Indenture permitting withdrawal from the Obligated Group, the obligation of each Obligated Group Member to make Required Payments is a continuing one and is to remain in effect until all Required Payments have been paid or deemed paid in full in accordance with the Master Indenture. All moneys from time to time received by the Credit Group Representative or the Master Trustee to reduce liability on Obligations, whether from or on account of the Obligated Group Members or otherwise, shall be regarded as payments in gross without any right on the part of any one or more of the Obligated Group Members to claim the benefit of any moneys so received until the whole of the amounts owing on Obligations has been paid or satisfied and so that, in the event of any such Obligated Group Member's filing bankruptcy, the Credit Group Representative or the Master Trustee shall be entitled to prove up the total indebtedness or other liability on Obligations outstanding as to which the liability of such Obligated Group Member has become fixed.

Each Obligation shall be a primary obligation and shall not be treated as ancillary to or collateral with any other obligation and shall be independent of any other security so that the covenants and agreements of each Obligated Group Member under the Master Indenture shall be enforceable without first having recourse to any such security or source of payment and without first taking any steps or proceedings against any other Person, The Credit Group Representative and the Master Trustee are each empowered to enforce each covenant and agreement of each Obligated Group Member under the Master Indenture and to enforce the making of Required Payments. Each Obligated Group Member authorizes each of the Credit Group Representative and the Master Trustee to enforce or refrain from enforcing any covenant or agreement of the Obligated Group Members under the Master Indenture and to make any arrangement or compromise with any particular Obligated Group Member or Obligated Group Members as the Credit Group Representative or the Master Trustee may deem appropriate, consistent with the Master Indenture and any Supplement. Each Obligated Group Member waives in favor of the Credit Group Representative and the Master Trustee all rights against the Credit Group Representative, the Master Trustee and any other Obligated Group Member, insofar as is necessary to give effect to any of the provisions of the Master Indenture.

Transfers from Credit Group Affiliates. Each Controlling Member has covenanted and agreed in the Master Indenture that it shall cause each of its Credit Group Affiliates to pay, loan or otherwise transfer to the Credit Group Representative such amounts as are necessary to enable the Obligated Group Members to comply with the provisions of the Master Indenture, including without limitation the provisions of the Master Indenture described under the caption provisions of the Master Indenture summarized under the caption "**Payment Obligations; Credit Group Affiliates — Payment of Required Payments**" above.

Designation of Credit Group Affiliates. (a) The Credit Group Representative by resolution of its Governing Body may from time to time designate Persons as Credit Group Affiliates. In connection with such designation, the Credit Group Representative shall designate for each Credit Group Affiliate an Obligated Group Member to serve as the Controlling Member for such Credit Group Affiliate, The Credit Group Representative shall at all times maintain an accurate and complete list of all Persons designated as Credit Group Affiliates (and of the Controlling Members for such Credit Group Affiliates) and file such list with the Master Trustee and any Related Issuer that shall request such list in writing annually on or before July 1 of each year.

(b) Each Controlling Member shall cause each of its Credit Group Affiliates to provide to the Credit Group Representative a resolution of its Governing Body accepting such Person's designation as a Credit Group Affiliate and acknowledging the provisions of the Master Indenture which affect the Credit Group Affiliates. So long as such Person is designated as a Credit Group Affiliate, the Controlling Member of such Credit Group Affiliate shall either (i) maintain, directly or indirectly, control of such Credit Group Affiliate to the extent necessary to cause such Credit Group Affiliate to comply with the terms of the Master Indenture, whether through the ownership of voting securities, corporate membership, reserved powers or the power to appoint corporate members, trustees or directors, or otherwise or (ii) execute and have in effect such contracts or other agreements which the Credit Group Representative and the Controlling Member, in their judgment, deem sufficient for the Controlling Member to cause such Credit Group Affiliate to comply with the terms of the Master Indenture.

(c) Each Controlling Member has covenanted and agreed in the Master Indenture that it will cause each of its Credit Group Affiliates to comply with any and all directives of the Controlling Member given in order that the Controlling Member and each of its Credit Group Affiliates will comply with the applicable provisions of the Master Indenture.

(d) Any Person may cease to be a Credit Group Affiliate (and thus not subject to the terms of the Master Indenture) provided that prior to such Person ceasing to be a Credit Group Affiliate the Master Trustee receives:

(i) a resolution of the Governing Body of the Credit Group Representative declaring such Person no longer a Credit Group Affiliate; and

(ii) an Officer's Certificate to the effect that immediately following such Person ceasing to be a Credit Group Affiliate the Obligated Group Members would not be in default in the performance or observance of any term of the Master Indenture.

Particular Covenants; Representations and Warranties

Covenants as to Corporate Existence, Maintenance of Properties, Etc.; Representations and Warranties. Each Member of the Obligated Group has made, and each Controlling Member has agreed to cause each of its Credit Group Affiliates to abide by, covenants in the Master Indenture relating to the preservation of its corporate or other legal existence and its rights and licenses; the qualification to do business; the maintenance, preservation and repair of its Property; compliance with applicable laws and governmental orders and regulations; the payment of lawful taxes, governmental charges and assessments; the payment of its Indebtedness and all demands and claims against it; the compliance with all terms, covenants and provision of Liens; the obtaining and maintenance of all necessary licenses and permits; and, as to each Member of the Obligated Group or Credit Group Affiliate which is a Tax-Exempt Organization at the time it becomes a Member or a Credit Group Affiliate, so long as all amounts due or to become due on any Related Bond have not been fully paid, the maintenance of such status and the taking of action or the failure to take action which would result in the alteration or loss of its status as a Tax-Exempt Organization, which, in the Opinion of Bond Counsel, would result in the interest on any Related Bond which is not includible in gross income of the holder thereof for federal income tax purposes becoming so includible.

The foregoing notwithstanding, any Member or Credit Group Affiliate may (i) cease to be a not for profit corporation, (ii) take actions which could result in the alteration or loss of its status as a Tax-Exempt Organization or (iii) subject to the other provisions of the Master Indenture, distribute its revenues, income or profits to any of its members, directors or officers or allow the same to inure to the benefit of a private person, association or corporation if prior thereto there is delivered to the Master Trustee an Opinion of Bond Counsel to the effect that such actions would not adversely affect the validity of any Related Bond, the exemption from federal or state income taxation of interest payable on any Related Bond or the enforceability in accordance with its terms of the Master Indenture against any Member.

No Member or Credit Group Affiliate shall be required to pay any tax, levy, charge, fee, rate, assessment or imposition, to remove any Lien required to be removed by reason of the

covenant described under the caption "*Limitations on Creation of Liens*" below, to pay or otherwise satisfy and discharge its obligations, Indebtedness (other than any Obligations), demands and claims against it or to comply with any Lien, law, ordinance, rule, order, decree, decision, regulation or requirement referred to above, so long as such Member or Credit Group Affiliate shall contest, in good faith and at its cost and expense, in its own name and behalf, the amount or validity thereof, in an appropriate manner or by appropriate proceedings which shall operate during the pendency thereof to prevent the collection of or other realization upon the tax, levy, charge, fee, rate, assessment, imposition, obligation, Indebtedness, demand, claim or Lien so contested, or the operation or application of the Lien, law, ordinance, rule, order, decree, decision, regulation or requirement so contested, and the sale, forfeiture, or loss of its Property or any part thereof, provided, that no such contest shall subject any Holder or the Master Trustee to the risk of any liability. While any such matters are pending, such Member or Credit Group Affiliate, as the case may be, shall not be required to pay, remove or cause to be discharged the tax, levy, charge, fee, rate, assessment, imposition, obligation, Indebtedness, demand, claim or Lien being contested or to comply with such Lien, law, ordinance, rule, order, decree, decision, regulation or requirement being contested, unless such Member or Credit Group Affiliate, as the case may be, agrees to settle such contest.

Each Member of the Obligated Group covenants, represents and warrants that:

(a) The Master Indenture creates a valid and binding security interest in the Unrestricted Receivables of such Member of the Obligated Group in favor of the Master Trustee as security for payment of the Obligations which may from time to time be issued under and in compliance with the Master Indenture, enforceable by the Master Trustee in accordance with the terms of the Master Indenture.

(b) Under the laws of the applicable jurisdiction or jurisdictions, each such security interest in the Unrestricted Receivables of such Member is prior to any lien which can be perfected solely by filing. Each Obligated Group Member has filed or recorded, or has caused to be filed and recorded, and will file or record, or cause to be filed and recorded, as the case may be, all financing statements describing, and creating a security interest in, the Unrestricted Receivables as are necessary to establish and maintain such priority in each jurisdiction in which an Obligated Group Member is organized or any Unrestricted Receivables may be located or that may otherwise be applicable pursuant to the Uniform Commercial Code of any such jurisdiction.

(c) Such Member of the Obligated Group has not theretofore made a pledge of, granted a lien on or security interest in, or made an assignment or sale of Unrestricted Receivables that ranks on a parity with or prior to the lien or security interest granted therein by the Master Indenture for the benefit of the Obligations.

Insurance. Each Member of the Obligated Group agrees that it will maintain, or cause to be maintained, and each Controlling Member agrees that it will cause each of its Credit Group Affiliates to maintain or cause to be maintained, insurance (including one or more self-insurance or shared or pooled-insurance programs considered to be adequate) of such types and in such amounts as, in the good faith judgment of the Credit Group Representative, are adequate to protect it and its Property and operations. Such insurance shall be reviewed and approved by management of the Credit Group Representative at least annually.

Limitations on Creation of Liens. Each Member of the Obligated Group agrees that it will not, and each Controlling Member agrees that it will not permit any of its Credit Group Affiliates to, create or suffer to be created or permit the existence of any Lien upon Property now owned or hereafter acquired by it other than Permitted Liens.

Limitations on Indebtedness. So long as any Obligations are outstanding, each Member of the Obligated Group agrees that it will not incur, and each Controlling Member agrees that it will not permit any of its Credit Group Affiliates to incur, any Indebtedness (whether or not incurred through the issuance of Obligations) other than:

(a) Long-Term Indebtedness, if prior to incurrence of the Long-Term Indebtedness one of the following conditions is met:

(i) there is delivered to the Master Trustee an Officer's Certificate of the Credit Group Representative certifying the Maximum Annual Long-Term Debt Service Coverage Ratio for the most recent Fiscal Year preceding the date of delivery of such Officer's Certificate for which Financial Statements of the Credit Group are available, taking all Long-Term Indebtedness to be Outstanding immediately following such incurrence (including the Long-Term Indebtedness then to be incurred) into account as if it had been incurred at the beginning of such period, and such Maximum Annual Long-Term Debt Service Coverage Ratio is not less than 1.10 to 1; or

(ii) (A) there is delivered to the Master Trustee an Officer's Certificate of the Credit Group Representative certifying the Long-Term Debt Service Coverage Ratio, taking into account all Outstanding Long-Term Indebtedness, but not the Long-Term Indebtedness then to be incurred, for the most recent Fiscal Year preceding the date of delivery of the Officer's Certificate for which Financial Statements of the Credit Group are available, and such Long-Term Debt Service Coverage Ratio is not less than 1.10 to 1; and

(B) there is filed with the Master Trustee the report of a Consultant to the effect that taking the proposed Long-Term Indebtedness into account, for (I) in the case of Long-Term Indebtedness (other than a Guaranty) to finance capital improvements, each of the two full Fiscal Years next succeeding the date on which such capital improvements are expected to be in operation, or (II) in the case of Long-Term Indebtedness not financing capital improvements or in the case of a Guaranty, each of the two full Fiscal Years next succeeding the date on which the Indebtedness is incurred, the projected Maximum Annual Long-Term Debt Service Coverage Ratio is not less than 1.10 to 1, all as shown by such Consultant's report for each such Fiscal Year (which report shall include appropriate forecast balance sheets, statements of revenues and expenses and statements of cash flow 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 Credit Group's proposed and existing facilities and the debt service on the Credit Group's other existing Indebtedness during such two Fiscal Years; provided, however, that if the

projected Maximum Annual Long-Term Debt Service Coverage Ratio is at least 1.50 to 1, an Officer's Certificate of the Credit Group Representative may be filed with the Master Trustee in lieu of a Consultant's report described above; and provided further that, if there is delivered to the Master Trustee a report of a Consultant which report states that Governmental Restrictions have been imposed which makes it impossible for any ratio referred to in (A) or (B) to be met, then such coverage requirement shall be reduced to maximum coverage permitted by such Governmental Restrictions but in no event less than 1.00 to 1.

For purposes of determining compliance with the provisions of the Master Indenture described in subsection (a) above, if any member of the Obligated Group shall have Outstanding or shall propose to incur Long-Term Indebtedness which is Variable Rate Indebtedness and is classified as issued under the provisions of the Master Indenture described in subsection (a) above (and not subsequently reclassified as having been issued under another subsection), there shall be taken into account, in respect of interest, in determining the Long-Term Debt Service Coverage Ratio, the Maximum Annual Long-Term Debt Service Coverage Ratio and the Maximum Annual Debt Service Requirement, the amount of interest determined in accordance with the provisions of the definition of "Long-Term Debt Service Requirement."

(b) Completion Indebtedness, without limitation if there is delivered to the Master Trustee: (i) an Officer's Certificate of the Credit Group Representative stating that at the time the original Long-Term Indebtedness for the facilities to be completed was incurred, the Credit Group Representative had reason to believe that the proceeds of such Long-Term Indebtedness, together with other moneys then expected to be available would provide sufficient moneys for the completion of such facilities, (ii) an Officer's Certificate of the Credit Group Representative setting forth the amount estimated to be needed to complete the facilities, and (iii) an Officer's Certificate of the Credit Group Representative stating that the proceeds of such Completion Indebtedness to be applied to the completion of the facilities, together with a reasonable estimate of investment income to be earned on such proceeds and available to pay such costs, the amount of moneys, if any, committed to such completion from available cash or marketable securities and reasonably estimated earnings thereon, enumerated bank loans (including letters or lines of credit) and federal or state grants reasonably expected to be available, will be in an amount not less than the amount set forth in the statement referred to in (ii).

(c) Long-Term 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 Long-Term Indebtedness if prior to the incurrence thereof an Officer's Certificate of the Credit Group Representative is delivered to the Master Trustee stating that, after taking into account the issuance of the proposed Long-Term Indebtedness and the application of the proceeds thereof and any other funds available to be applied to such refunding, the Maximum Annual Debt Service Requirement of the Credit Group will not be increased by more than 15%.

(d) Short-Term Indebtedness (other than Short-Term Indebtedness incurred in accordance with the provisions described in subsection (e) below) may be incurred if immediately after the incurrence of such Indebtedness and the application of the proceeds thereof, the aggregate Outstanding principal amount of all such Short-Term Indebtedness does

not exceed 20% of the Total Revenues for the most recent Fiscal Year for which Financial Statements of the Credit Group are available; provided, however, that for a period of ten consecutive calendar days in each Fiscal Year the total amount of such Short-Term Indebtedness of the Credit Group outstanding under the provisions described in this subsection (d) shall be not more than 5% of the Total Revenues for the most recent Fiscal Year for which Financial Statements of the Credit Group are available plus such additional amount as the Credit Group Representative certifies in an Officer's Certificate is (i) attributable to Short-Term Indebtedness incurred to offset a temporary delay in the receipt of funds due from third party payors and (ii) in the minimum amount reasonably practicable taking into account such delay. For purposes of the provisions described in this subsection, Short-Term Indebtedness shall not include overdrafts to banks to the extent there are immediately available funds of the Credit 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 the provisions of the Master Indenture described in 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, surety or insurance company generally regarded as responsible, to provide financing sufficient to pay such Short-Term Indebtedness at its maturity; and

(ii) The conditions described in subsection (a)(i) or (ii) under this caption are met with respect to such Short-Term Indebtedness when it is assumed that such Short-Term Indebtedness is Long-Term 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) Balloon Indebtedness and Put Indebtedness, provided that, at the time such Indebtedness is incurred, the conditions described in subsection (a)(i) or (ii) under this caption are met with respect to such Indebtedness, taking into account in determining the Long-Term Debt Service Coverage Ratio, the Maximum Annual Long-Term Debt Service Coverage Ratio or the Maximum Annual Debt Service Requirement, the amount of principal and interest determined under the provisions of the definition of "Long-Term Debt Service Requirement."

(g) Balloon Indebtedness may be incurred if the Credit Group Representative establishes in an Officer's Certificate filed with the Master Trustee an amortization schedule for such Balloon Indebtedness, which amortization schedule provides for, and which Officer's Certificate contains a certification that, 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; the Credit Group Representative, on behalf of the applicable Member or Credit Group Affiliate, 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 or Credit Group Affiliate 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 the conditions described in subsection (a)(i) or (ii) 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) Non-Recourse Indebtedness, without limitation.

(i) Guaranties; provided that the Guaranteed Debt could be incurred by a Credit Group Member under the provisions described under this caption assuming such Guaranteed Debt were Indebtedness and the debt service requirements of such Indebtedness are calculated as described in the definition of Guaranteed Debt Service Requirement.

(j) Commitment Indebtedness, without limitation.

(k) Subordinated Indebtedness, without limitation.

(l) To the extent the same would constitute Indebtedness, liabilities for contributions to self-insurance or shared or pooled-risk insurance programs or for retrospective insurance premiums.

(m) Indebtedness incurred in connection with a sale, purported sale, pledge, mortgage or other transfer or financing of accounts receivable, with or without recourse.

(n) Indebtedness of any type, without limit (except as provided in this subsection (n)); provided, however, that the aggregate principal amount of such Indebtedness to be incurred pursuant to the provisions described in this subsection (n) which has not been subsequently reclassified as having been issued under other provisions described under this caption, does not exceed 15% of the Total Revenues for the most recent Fiscal Year for which Financial Statements of the Credit Group are available.

The Credit Group Representative may elect to have Indebtedness incurred, or classified or reclassified as having been incurred, pursuant to one provision of the Master Indenture described under this caption classified or reclassified as having been incurred under another provision of the Master Indenture described under this caption by demonstrating compliance with such other provision on the assumption that such Indebtedness is being reissued on the date of delivery of the necessary documentation required to be delivered under such other provision. From and after the date of delivery of such documentation, such Indebtedness shall be deemed to have been incurred under the provision with respect to which such compliance has been demonstrated until any subsequent reclassification of such Indebtedness.

The Master Indenture provides that various types of Indebtedness may be incurred under any of the provisions described above with respect to which the tests set forth in such subsection are met and need not be incurred under only a subsection specifically referring to such type of Indebtedness (e.g., Balloon Indebtedness and Put Indebtedness may be incurred under subsection (a) above if the tests therein are satisfied).

The various calculations of the amount of Indebtedness of a Person, the amortization schedule of such Indebtedness and the debt service payable with respect to such Indebtedness required under certain provisions of the Master Indenture shall be made in a manner consistent with the provisions of the Master Indenture described under this caption and in Appendix D, "DEFINITIONS", including (without limitation) as to interest on Variable Rate Indebtedness, the amount of interest determined in accordance with the definition of "Long-Term Debt Service Requirement" and, as to principal and interest on Balloon Indebtedness or Put Indebtedness, the amount of principal and interest determined in accordance with such definition. In the case of Balloon Indebtedness or Put Indebtedness issued pursuant to the provisions of the Master Indenture described in subsections (b), (c), (f), (g), (h), (k) or (n) above, unless such Indebtedness is reclassified pursuant to the provisions described under this caption as having been issued pursuant to the provisions described in another subsection, the amortization schedule of such Indebtedness and the debt service payable with respect to such Indebtedness for future periods shall be calculated on the assumption that such Indebtedness is being issued simultaneously with such calculation and, in making such calculation, the provisions of the immediately preceding sentence shall apply. With respect to Put Indebtedness, if the option of the holder to require that such Indebtedness be paid, purchased or redeemed prior to its stated maturity date, has expired or lapsed as of the date of calculation, such Put Indebtedness shall be deemed payable in accordance with its terms.

No debt service shall be deemed payable with respect to Commitment Indebtedness until such time as funding occurs under the commitment which gave rise to such Commitment Indebtedness. From and after such funding, the amount of such debt service shall be calculated in accordance with the actual amount required to be repaid on such Commitment Indebtedness and the actual interest rate and amortization schedule applicable thereto. No Indebtedness shall be deemed to arise when any funding occurs under any such commitment or any such commitment is renewed. In addition, no Indebtedness shall be deemed to arise when Variable Rate Indebtedness is converted to Indebtedness which bears interest at a fixed rate or the method of computing the variable rate on such Indebtedness is changed or the terms upon which Indebtedness, if Put Indebtedness, may be or is required to be tendered for purchase are changed, if such conversion or change is in accordance with the provisions applicable to such Variable Rate Indebtedness or Put Indebtedness in effect immediately prior to such conversion or change.

Long-Term Debt Service Coverage Ratio. (a) Under the Master Indenture, each Member of the Obligated Group covenants, and each Controlling Member covenants that it will cause each of its Credit Group Affiliates, to set rates and charges for its facilities, services and products such that the Long-Term Debt Service Coverage Ratio, calculated at the end of each Fiscal Year, will not be less than 1.10 to 1.

(b) If at any time the Long-Term Debt Service Coverage Ratio required by the provisions described in clause (a) above is not attained, each member of the Obligated Group covenants, and each Controlling Member covenants that it will cause each of its Credit Group Affiliates, immediately after becoming aware thereof to retain or cause to be retained a Consultant to make recommendations to increase such Long-Term Debt Service Coverage Ratio in the Fiscal Year following its retention to the level required or, if in the opinion of the Consultant the attainment of such level is impracticable, to the highest level attainable. Each member of the Credit Group agrees that it will, and each Controlling Member covenants that it

will cause each of its Credit Group Affiliates, to the extent permitted by law, follow the recommendations of the Consultant. The Consultant's report referred to in the second preceding sentence need not be prepared more frequently than once every two Fiscal Years.

So long as a Consultant shall be retained and each Member of the Obligated Group and Credit Group Affiliate shall follow such Consultant's recommendations to the extent provided in the preceding paragraph, the Master Indenture shall be deemed to have been complied with even if the Long-Term Debt Service Coverage Ratio for the following Fiscal Year is below the required level; provided, however, if the Long-Term Debt Service Coverage Ratio for such Fiscal Year shall be less than 1.00 to 1 for two consecutive Fiscal Years, the provisions described under this caption will not be deemed to have been complied with and such failure shall be an Event of Default under the Master Indenture.

(c) If a report of a Consultant is delivered to the Master Trustee, which report shall state that Governmental Restrictions are applicable or have been imposed which make it impossible for the coverage requirement in clause (a) above to be met, then such coverage requirement shall be reduced to the maximum coverage permitted by such Governmental Restrictions but in no event less than 1.00 to 1.

Sale, Lease or Other Disposition of Property. Each Member of the Obligated Group agrees that it will not, and each Controlling Member agrees that it will not permit any of its Credit Group Affiliates to, sell, lease or dispose of (including, for all purposes of the Master Indenture described under this caption, dividends or similar distributions) any of its Property except for sales, leases or other dispositions:

(a) In return for Property of equal or greater value and usefulness;

(b) Upon fair and reasonable terms no less favorable to the Member or Credit Group Affiliate than would obtain in a comparable arms-length transaction;

(c) If the Book Value of the Property so disposed of does not exceed 10% of the Book Value of the Total Assets of the Credit Group, as shown on the most recent Financial Statements of the Credit Group; provided, at the option of the Credit Group Representative, Current Value may be substituted for Book Value, as evidenced by a certificate of the Credit Group Representative delivered to the Master Trustee;

(d) 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 Indebtedness;

(e) To any Person if prior to the transaction there is delivered to the Master Trustee an Officer's Certificate of the Credit Group Representative stating that, in the judgment of the signer, such Property has become inadequate, obsolete, worn out, unsuitable, unprofitable, undesirable or unnecessary and the transfer thereof will not impair the structural soundness, efficiency or economic value of the remaining Property which is material to the operations or financial condition of the Credit Group, taken as a whole;

(f) To another member of the Credit Group without limit;

(g) To a Person which is not a member of the Credit Group or successor corporation pursuant to a merger or consolidation permitted by the provisions of the Master Indenture described above under the caption "**Consolidation, Merger, Sale or Conveyance**" without limit, if such Person or successor corporation shall become a member of the Credit Group pursuant to the Master Indenture; or

(h) To any Person if prior to the transaction there is delivered to the Master Trustee an Officer's Certificate of the Obligated Group Representative demonstrating that immediately after giving effect to the proposed disposal, assuming it had occurred on the first day of the last Fiscal Year for which Financial Statements of the Credit Group are available, the conditions described in subsection (a) under the caption "**Limitations on Indebtedness**" above would have been met for the incurrence of one dollar of Long-Term Indebtedness.

Consolidation, Merger, Sale or Conveyance. (a) Under the Master Indenture, each Member of the Obligated Group covenants that it will not, and each Controlling Member covenants that it will not permit any of its Credit Group Affiliates to, merge or consolidate with, or sell or convey all or substantially all of its assets to, any Person that is not a member of the Credit Group, unless:

(i) Either a Member of the Obligated Group or a Credit Group Affiliate will be the successor corporation, or if the successor corporation is not a Member of the Obligated Group or a Credit Group Affiliate such successor corporation shall execute and deliver to the Master Trustee an appropriate instrument, not objected to by the Master Trustee, containing the agreement of such successor corporation to assume the due and punctual payment of the principal of, premium, if any, and interest on all Outstanding Obligations issued under the Master Indenture according to their tenor and the due and punctual performance and observance of all the covenants and conditions of the Master Indenture and any Supplement thereto or, in the case of a successor to a Credit Group Affiliate, containing the agreement of such successor corporation to comply with any and all directives of its Controlling Member given in order that such successor will comply with the applicable provisions of the Master Indenture as if it were a Credit Group Affiliate; and

(ii) No member of the Credit Group immediately after such merger, consolidation, sale or conveyance would be in default in the performance or observance of any covenant or condition of the Master Indenture and the conditions of Master Indenture described in subsection (a) under the caption "**Limitations on Indebtedness**" above, would be met for the incurrence of one additional dollar of Long-Term Indebtedness assuming that any Property of any successor or acquiring corporation is Property of such Member or a Credit Group Affiliate, that any Indebtedness of any successor or acquiring corporation is Indebtedness of such Member or a Credit Group Affiliate, and that the revenues and expenses of the Credit Group for the applicable Fiscal Year include the revenues and expenses of such other Person; and

(iii) If all amounts due or to become due on any Related Bond have not been fully paid to the holder thereof, there shall have been delivered to the Master Trustee an Opinion of Bond Counsel, in form and substance satisfactory to the Master Trustee, to the

effect that under then existing law, the consummation of such merger, consolidation, sale or conveyance, whether or not contemplated on the date of delivery of such Related Bond, would not adversely affect the exemption from federal income taxation of interest payable on any such Related Bond.

(b) The Master Trustee may accept an Opinion of Counsel as conclusive evidence that any such consolidation, merger, sale or conveyance, and any such assumption, complies with the provisions of 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 thereby.

Preparation and Filing of Financial Statements, Reports and Other Information.

(a) Each Member covenants in the Master Indenture that it will keep, and each Controlling Member covenants that it will cause each of its Credit Group Affiliates to keep, adequate records and books of accounts in which complete and correct entries shall be made (said books shall be subject to the inspection of the Master Trustee during regular business hours after reasonable notice).

(b) The Credit Group Representative covenants and agrees in the Master Indenture to furnish to the Master Trustee and any Related Issuer or Related Bond Trustee that shall request in writing:

(i) As soon as practicable, but in no event more than 150 days after the last day of each Fiscal Year beginning with the Fiscal Year ended December 31, 2012, one or more financial statements which, in the aggregate, shall include all of the Credit Group Members; such financial statements may consist of financial statements reporting financial information with respect to Persons who are Credit Group Members and who are not Credit Group Members.

Each set of financial statements:

(A) shall consist of (i) consolidated financial statements which include one or more members of the Credit Group and one or more other Persons required to be consolidated with such Credit Group Members under GAAP or (ii) special purpose financial statements including only the Credit Group Members;

(B) shall be audited by a firm of independent public accountants approved by the Credit Group Representative and shall be accompanied by a report of such accountants as having been prepared in accordance with GAAP applicable in the U.S. (except, in the case of special purpose financial statements, for required consolidations); and

(C) shall include a consolidated balance sheet, statement of operations and changes in net assets of the entities covered thereby.

(ii) As soon as practicable, but in no event more than 150 days after the last day of each Fiscal Year beginning with the Fiscal Year ending December 31, 2012, a balance sheet and statement of operations, including all the Credit Group Members,

prepared by the Credit Group Representatives above (such balance sheet and statement of operations being referred to in the Master Indenture as the "Financial Statements of the Credit Group"), together with an Officer's Certificate of the Credit Group Representative stating that the Financial Statements of the Credit Group were prepared on a basis consistent with that used for the Credit Group and that the Financial Statements of the Credit Group reflect the results of the operations of only the Credit Group Members, and the operations of all Credit Group Members are included therein.

(iii) At the time of the delivery of the Financial Statements of the Credit Group, a certificate of the chief financial officer of the Credit Group Representative stating that the Credit Group Representative has made a review of the activities of each Credit Group Member during the preceding Fiscal Year for the purpose of determining whether or not the Credit Group Members have complied with all of the terms, provisions and conditions of the Master Indenture and that each Credit Group Member has kept, observed, performed and fulfilled each and every covenant, provision and condition of the Master Indenture on its part to be performed and is not in default in the performance or observance of any of the terms, covenants, provisions or conditions of the Master Indenture or, if any Credit Group Member shall be in default such certificate shall specify all such defaults and the nature thereof, and

(iv) Such additional information as the Master Trustee, any Related Issuer or any Related Bond Trustee may reasonably request concerning any Credit Group Member in order to enable the Master Trustee, such Related Issuer or such Related Bond Trustee to determine whether the covenants, terms and provisions of the Master Indenture have been complied with by the Credit Group Members and for that purpose all pertinent books, documents and vouchers relating to the business, affairs and Property (other than patient, donor and personnel records) of the Credit Group Members shall, to the extent permitted by law, at all times during regular business hours be open to the inspection of such accountant or other agent (who may make copies of all or any part thereof) as shall from time to time be designated and compensated by the Master Trustee, such Related Issuer or such Related Bond Trustee.

Notwithstanding anything to the contrary under the Master Indenture, the Master Trustee or any Related Bond Trustee shall have no obligation to review or analyze any Financial Statement delivered under the provisions described under this caption to determine whether the Credit Group is in compliance with any term, covenant, provision or condition of the Master Indenture. The Master Trustee may rely solely upon the Officer's Certificate of the Credit Group Representative delivered under the provisions described under this caption.

If all financial statements required as described under this caption are filed with the Municipal Securities Rulemaking Board (in accordance with Securities and Exchange Commission Rule 15c2-12), such statements need not be also provided to the Related Issuers and the Related Bond Trustees unless such parties request in writing copies of such statements from the Credit Group Representative.

Each Obligated Group Member covenants that it will, and each Controlling Member covenants that it will cause each of its Credit Group Affiliates to, permit the Master Trustee, any

Related Issuer or any Related Bond Trustee (or such persons as they may designate) to visit and inspect, at the expense of such Person, its Property and to discuss the affairs, finances and accounts of the Credit 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 desire.

Parties Becoming Members of the Obligated Group. Persons which are not Members of the Obligated Group may become Members of the Obligated Group, if:

(a) The Person which is becoming a Member of the Obligated Group executes and delivers to the Master Trustee an appropriate instrument, satisfactory to the Master Trustee, containing the agreement of such Person (i) to become a Member of the Obligated Group under the Master Indenture and thereby become subject to compliance with all provisions of the Master Indenture pertaining to a Member of the Obligated Group, and the performance and observance of all covenants and obligations of a Member of the Obligated Group thereunder, and (ii) unconditionally and irrevocably becoming jointly and severally obligated on all Obligations issued and then Outstanding or to be issued and Outstanding under the Master Indenture;

(b) Each such instrument executed and delivered to the Master Trustee in accordance with the provisions described in subsection (a) under this caption shall be accompanied by an Opinion of Counsel, addressed to and satisfactory to the Master Trustee, to the effect that such instrument has been duly authorized, executed and delivered by such Person and constitutes a valid and binding obligation of such Person enforceable against such Person in accordance with its terms, except as enforceability may be limited by bankruptcy laws, insolvency laws, other laws affecting creditors' rights generally and laws dealing with fraudulent conveyances and principles of equity and such other exceptions as are typical in similar opinions;

(c) There shall be filed with the Master Trustee an Officer's Certificate of the Credit Group Representative demonstrating that the Credit Group, immediately after such Person becomes a Member, would be in compliance with all covenants and conditions of the Master Indenture and the condition described in subsection (a) under the caption "***Limitations on Indebtedness***" above would be met for the incurrence of one additional dollar of Long-Term Indebtedness;

(d) If all amounts due or to become due on any Related Bond have not been paid to the holders thereof, there shall be filed with the Master Trustee, an Opinion of Bond Counsel, in form and substance not unacceptable to the Master Trustee, to the effect that the consummation of such transaction would not adversely affect the exclusion from gross income of the recipient thereof for federal income tax purposes of the interest on any such Related Bond to which such recipient would otherwise be entitled; and

(e) An Officer's Certificate of the Credit Group Representative consenting to such Person becoming a Member of the Obligated Group and to the effect that, to the best of such Officer's knowledge, there exists as of the date on which such Person becomes a Member, no Event of Default under the Master Indenture.

Withdrawal from the Obligated Group. (a) No Member of the Obligated Group may withdraw from the Obligated Group unless, prior to the taking of such action, there is delivered to the Master Trustee:

(i) (A) if all amounts due on any Related Bond which bears interest which is not includible in the gross income of the recipient thereof under the Code have not been paid to the holder thereof, an Opinion of Bond Counsel, in form and substance not unacceptable to the Master Trustee, to the effect that, under then existing law such Member's withdrawal from the Obligated Group would not cause the interest payable on such Related Bond to become includible in the gross income of the recipient thereof under the Code or (B) an Opinion of Bond Counsel, in form and substance not unacceptable to the Master Trustee, to the effect that, under existing law, such Member's withdrawal from the Obligated Group would not adversely affect the validity of any Related Bond or cause the interest payable on such Related Bond, to the extent not includible in the gross income of the recipient thereof under the Code, to become so includible; and

(ii) an Officer's Certificate of the Credit Group Representative demonstrating that immediately after giving effect to the proposed withdrawal, assuming it had occurred on the first day of the last Fiscal Year for which Financial Statements of the Credit Group are available, the conditions described in subsection (a) under the caption "***Limitations on Indebtedness***" above would have been met for the incurrence of one additional dollar of Long-Term Indebtedness; and

(iii) An Officer's Certificate of the Credit Group Representative consenting to such withdrawal.

(b) Upon such withdrawal in accordance with the provisions of the Master Indenture summarized under this caption, such withdrawn Member shall have no liability or obligation under the Master Indenture or any Obligation issued thereunder.

Defaults

Events of Default. Each of the following events shall be an Event of Default under the Master Indenture:

(a) Failure on the part of any Obligated Group Member to make or cause to be made due and punctual payment of the principal of, redemption premium, if any, interest on or any other Required Payment on any Obligation; or

(b) Any Obligated Group Member shall fail to observe or perform any other covenant or agreement under the Master Indenture (including covenants or agreements contained in any Supplement or Obligation) for a period of thirty (30) days after the date on which written notice of such failure, requiring the failure to be remedied, shall have been given to the Credit Group Representative by the Master Trustee or to the Credit Group Representative and the Master Trustee by the Holders of twenty-five percent (25%) in aggregate principal amount of Outstanding Obligations (provided that if such failure can be remedied but not within such thirty (30) day period, such failure shall not become an Event of Default for so long as such Obligated

Group Member shall diligently proceed to remedy the failure in accordance with and subject to any directions or limitations of time established by the Master Trustee); or

(c) Any Obligated Group Member shall default in the payment of Indebtedness (other than Indebtedness secured by an Obligation, which shall be governed by subsection (a) above) in an aggregate outstanding principal amount equal to or greater than one percent (1%) of the aggregate principal amount of all Long-Term Indebtedness of the Credit Group then Outstanding, and any grace period for such payment shall have expired, or an event of default as defined in any mortgage, indenture or instrument under which any Indebtedness is secured or evidenced, shall occur and the maturity of such Indebtedness shall have been accelerated as a result of such default; provided, however, that such default shall not constitute an Event of Default within the meaning described in this caption if, within thirty (30) days or within the time allowed for service of a responsive pleading if any proceeding to enforce payment of the Indebtedness is commenced, (1) any Obligated Group Member in good faith commences proceedings to contest the existence or payment of such Indebtedness, and (2) sufficient moneys are deposited in escrow with a bank or trust company or a bond acceptable to the Master Trustee is posted for the payment of such Indebtedness; or

(d) 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

(e) Any Obligated Group Member shall commence a voluntary case under any applicable federal or state bankruptcy, insolvency or other similar law, or shall consent to the entry of an order for relief in an involuntary case under any such law, or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or similar official) of any Obligated Group Member or for any substantial part of its Property, or shall make any general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due or shall take any corporate action in furtherance of the foregoing; or

(f) An event of default shall exist under any Related Bond Indenture; or

(g) An event of default, as specified in any Supplement, shall exist.

The Credit Group Representative agrees that, as soon as practicable, and in any event within ten (10) days after the occurrence of such event, it shall notify the Master Trustee of any event which is an Event of Default under the Master Indenture which has occurred and is continuing, which notice shall state the nature of such event and the action which the Obligated Group Members propose to take with respect thereto.

Acceleration; Annulment of Acceleration. (a) Upon the occurrence and during the continuation of an Event of Default, the Master Trustee may, and upon the written request of the

Holders of not less than a majority in aggregate principal amount of Outstanding Obligations or the holder or holders of any Accelerable Instrument which is evidenced or secured by an Obligation under which Accelerable Instrument an event of default exists (which event of default permits the holder or holders thereof to request that the Master Trustee declare such Indebtedness evidenced or secured by an Obligation due and payable prior to the date on which it would otherwise become due and payable), shall, by notice to the Credit Group Representative, declare all Outstanding Obligations immediately due and payable. Upon such declaration of acceleration, all Outstanding Obligations shall be immediately due and payable. If the terms of any Supplement give a Person the right to consent to acceleration of the Obligations issued pursuant to such Supplement, the Obligations issued pursuant to such Supplement may not be accelerated by the Master Trustee unless such consent is properly obtained pursuant to the terms of such Supplement. In the event of acceleration, an amount equal to the aggregate principal amount of all Outstanding Obligations, plus all interest accrued thereon and, to the extent permitted by applicable law, which accrues on such principal and interest to the date of payment, shall be due and payable on the Obligations.

(b) At any time after the Obligations have been declared to be due and payable, and before the entry of a final judgment or decree in any proceeding instituted with respect to the Event of Default that resulted in the declaration of acceleration, the Master Trustee may annul such declaration and its consequences if:

(i) the Obligated Group has paid (or caused to be paid or deposited with the Master Trustee moneys sufficient to pay) all Required Payments then due on all Outstanding Obligations (other than payments then due only because of such declaration);

(ii) the Obligated Group has paid (or caused to be paid or deposited with the Master Trustee moneys sufficient to pay) all fees and expenses of the Master Trustee then due;

(iii) the Obligated Group has paid (or caused to be paid or deposited with the Master Trustee moneys sufficient to pay) all other amounts then payable by the Obligated Group under the Master Indenture; and

(iv) every Event of Default (other than a default in the payment of the principal or other payments with respect to such Obligations then due only because of such declaration) has been remedied.

No such annulment shall extend to or affect any subsequent Event of Default or impair any right with respect to any subsequent Event of Default.

Additional Remedies and Enforcement of Remedies. (a) Upon the occurrence and continuance of any Event of Default, the Master Trustee may, and upon the written request of the Holders of a majority in aggregate principal amount of the Outstanding Obligations (and upon indemnification of the Master Trustee to its satisfaction by the Credit Group for any such request), shall, proceed to protect and enforce its rights and the rights of the Holders under the

Master Indenture by such proceedings as the Master Trustee may deem expedient, including but not limited to:

- (i) Enforcement of the right of the Holders to collect amounts due or becoming due under the Obligations;
- (ii) Civil action upon all or any part of the Obligations;
- (iii) Civil action to require any Person holding moneys, documents or other property pledged to secure payment of amounts due or to become due on the Obligations to account as if it were the trustee of an express trust for the Holders of Obligations;
- (iv) Civil action to enjoin any acts which may be unlawful or in violation of the rights of the Holders of Obligations;
- (v) Civil action for specific performance of any obligation of any Obligated Group Member under the Master Indenture; and
- (vi) Enforcement of any other right or remedy of the Holders at law or in equity conferred or by the Master Indenture.

(b) Regardless of the occurrence of an Event of Default, if requested in writing by the Holders of a majority in aggregate principal amount of the Outstanding Obligations (and upon indemnification of the Master Trustee to its satisfaction for such request), the Master Trustee shall institute and maintain such proceedings as it may be advised shall be necessary or expedient (1) to prevent any impairment of the security under the Master Indenture by any acts which may be unlawful or in violation of the Master Indenture, or (2) to preserve or protect the interests of the Holders. However, the Master Trustee shall not comply with any such request or institute and maintain any such proceeding that is in conflict with any applicable law or the provisions of the Master Indenture or (in the sole judgment of the Master Trustee) is unduly prejudicial to the interests of the Holders not making such request.

Application of Moneys After Default. During the continuance of an Event of Default, all moneys received by the Master Trustee pursuant to any right given or action taken under the provisions of the Master Indenture relating to Events of Default (after payment of the costs of the proceedings resulting in the collection of such moneys and payment of all fees, expenses and other amounts owed to the Master Trustee) shall be applied as follows:

(a) Unless all Outstanding Obligations have become or have been declared due and payable (or if any such declaration is annulled in accordance with the terms of the Master Indenture):

First: To the payment of all installments of interest then due on the Obligations in the order of their due dates, and, if the amount available is not sufficient to pay in full all installments due on the same date, then to the payment thereof ratably, according to the amounts of interest due on such date, without any discrimination or preference; and

Second: To the payment of all installments of principal then due on the Obligations (whether at maturity or by call for redemption) in the order of their due dates, and, if the amount available is not sufficient to pay in full all installments due on the same date, then to the payment thereof ratably, according to the amounts of principal due on such date, without any discrimination or preference.

(b) If all Outstanding Obligations have become or have been declared due and payable (and such declaration has not been annulled under the terms of the Master Indenture), to the payment of the Required Payments then due and unpaid on the Obligations, and, if the amount available is not sufficient to pay in full the whole amount then due and unpaid, then to the payment thereof ratably, without preference or priority of principal over interest, of interest over principal, of any installment over any other installment or of any Obligation over any other Obligation, according to the amounts due respectively for principal and interest, without any discrimination or preference.

Such moneys shall be applied at such times as the Master Trustee shall determine, having due regard for the amount of moneys available and the likelihood of additional moneys becoming available in the future. Upon any date fixed by the Master Trustee for the application of such moneys to the payment of principal, interest on the amounts of principal paid on such date shall cease to accrue. The Master Trustee shall give such notices as it may deem appropriate of the deposit with it of such moneys or of the fixing of such dates. The Master Trustee shall not be required to make payment to the Holder of any unpaid Obligation until such Obligation (and all unmatured interest coupons, if any) is presented to the Master Trustee for appropriate endorsement of any partial payment or for cancellation if fully paid.

Whenever all Obligations have been paid under the terms of the Master Indenture described above and all fees and expenses of the Master Trustee have been paid, any balance remaining shall be paid to the Person entitled to receive such balance. If no other Person is entitled thereto, then the balance shall be paid to the Credit Group Representative, its successors or such Person as a court of competent jurisdiction may direct.

Remedies Vested in the Master Trustee. All rights of action (including the right to file proof of claims) under the Master Indenture or under any of the Obligations may be enforced by the Master Trustee without the possession of any of the Obligations or the production thereof in any proceeding relating thereto. Any proceeding instituted by the Master Trustee may be brought in its name as the Master Trustee without the necessity of joining any Holders as plaintiffs or defendants. Subject to the provisions of the Master Indenture described under the caption "***Application of Moneys After Default***" above, any recovery or judgment shall be for the equal benefit of the Holders of the Outstanding Obligations.

Master Trustee to Represent Holders. The Master Trustee is irrevocably appointed as trustee and attorney-in-fact for the Holders for the purpose of exercising on their behalf the rights and remedies available to the Holders under the provisions of the Master Indenture, the Obligations, any Supplement and applicable provisions of law, in each case subject to the provisions of the Master Indenture described under the caption "***Holders Control of Proceedings***" below. The Holders, by accepting and holding the Obligations, shall be conclusively deemed to have so appointed the Master Trustee.

Holders Control of Proceedings. If an Event of Default has occurred and is continuing, notwithstanding anything in the Master Indenture to the contrary, the Holders of a majority in aggregate principal amount of Outstanding Obligations shall have the right (upon the indemnification of the Master Trustee to its satisfaction) to direct the method and/or place of conducting any proceeding to be taken in connection with the enforcement of the terms of the Master Indenture. Such direction must be in writing, signed by such Holders and delivered to the Master Trustee. However, the Master Trustee shall not follow any such direction that is in conflict with any applicable law or the provisions of the Master Indenture or (in the sole judgment of the Master Trustee) is unduly prejudicial to the interests of the Holders not joining in such direction. Nothing described in this paragraph shall impair the right of the Master Trustee to take any other action authorized by the Master Indenture which it may deem proper and which is not inconsistent with such direction by Holders.

Waiver of Event of Default. (a) No delay or omission of the Master Trustee or of any Holder to exercise any right with respect to any Event of Default shall impair such right or shall be construed to be a waiver of or acquiescence to such Event of Default. Every right and remedy given by the Master Indenture to the Master Trustee and the Holders may be exercised from time to time and as often as may be deemed expedient by them.

(b) The Master Trustee may waive any Event of Default which in its opinion has been remedied before the entry of a final judgment or decree in any proceeding instituted by it under the provisions of the Master Indenture, or before the completion of the enforcement of any other remedy under the Master Indenture.

(c) Upon the written request of the Holders of a majority in aggregate principal amount of Outstanding Obligations, the Master Trustee shall waive any Event of Default under the Master Indenture and its consequences; provided, however, that, except under the circumstances set forth in the provisions of the Master Indenture described in subsection (b) under the caption "***Acceleration; Annulment of Acceleration***" above, the failure to pay the principal of, premium, if any, or interest on any Obligation when due may not be waived without the written consent of the Holders of all Outstanding Obligations.

(d) In case of any waiver by the Master Trustee of an Event of Default, the Obligated Group Members, the Master Trustee and the Holders shall be restored to their former positions and rights. No waiver shall extend to, or impair any right with respect to, any other Event of Default.

Rights of Holders to Receive Payment. Notwithstanding any other provisions of the Master Indenture, the right of any Holder to receive payment in accordance with the provisions of the Obligations held by such Holder, on or after the respective due dates expressed in or determined in accordance with such Obligations, or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder.

Supplements and Amendments

Supplements Not Requiring Consent of Holders. The Credit Group Representative (acting for itself and each Obligated Group Member) and the Master Trustee may, without the consent of or notice to any of the Holders, enter into one or more Supplements (other than a Supplement which effects a change of the type prohibited by clause (i), (ii) or (iii) of subsection (a) under the caption "***Supplements Requiring Consent of Holders***" below) for one or more of the following purposes:

- (a) To cure any ambiguity or formal defect or omission under the Master Indenture.
- (b) To correct or supplement any provision in the Master Indenture which may be inconsistent with any other provision in the Master Indenture, or to make any other provisions with respect to matters or questions arising under the Master Indenture and which shall not materially and adversely affect the interests of the Holders.
- (c) To grant or confer ratably upon all of the Holders any additional rights, remedies, powers or authority that may lawfully be granted or conferred upon them.
- (d) To qualify the Master Indenture under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect.
- (e) To create and provide for the issuance of Obligations as permitted under the Master Indenture.
- (f) To obligate a successor to any Member of the Obligated Group as provided in the provisions of the Master Indenture summarized under the caption "**Particular Covenants; Representations and Warranties — Consolidation, Merger, Sale or Conveyance**" above, to add a new Member of the Obligated Group or provide for the withdrawal of a Member of the Obligated Group, in each case, as permitted by the Master Indenture.
- (g) To comply with the provisions of any federal or state securities law.
- (h) To provide for the payment, refunding or advance refunding of any Obligation.
- (i) To provide for the issuance of Obligations with original issue discount or premium, provided such issuance would not materially adversely affect the Holder of any Outstanding Obligation.
- (j) To permit an Obligation to be secured by security which is not extended to all Obligation Holders, but only to the extent permitted by the provisions of the Master Indenture summarized under the caption "**Authorization and Issuance of Obligations — Security for Obligations, Parity Obligations Except as Provided**".
- (k) To permit the issuance of Obligations which are not in the form of a promissory note.

(l) To provide for additional events which will constitute Events of Default, under the Master Indenture as if such events were enumerated in the provisions of the Master Indenture summarized under the caption "**Defaults — *Events of Default***" above.

Supplements Authorizing the Issuance of Obligations; Terms Thereof. To the extent not otherwise established in the Master Indenture, there may be established in a Supplement pursuant to which any Obligations of any series shall be issued:

(a) The title of the Obligations and of the series, if any (which shall distinguish the Obligations and the series from all other Obligations and any other series);

(b) The form of the Obligation;

(c) Any limit upon the aggregate principal amount of Obligations of the series which may be authenticated and delivered under the Master Indenture;

(d) The date or dates on which the principal of the Obligations of the series shall be payable;

(e) The rate or rates at which the Obligations of the series shall bear interest, if any, or the variable rate provisions by which such rates shall be determined, the date or dates from which such interest shall accrue, the dates on which such interest shall be payable and, if applicable, any record date for determination of Holders entitled to the interest payable;

(f) The place or places where the principal of (and premium, if any) and interest on Obligations of the series shall be payable;

(g) If applicable, the period or periods within which, the price or prices at which and the terms and conditions upon which Obligations of the series may be redeemed, in whole or in part, at the option of the Obligated Group, the Credit Group Representative or any Member or Members;

(h) The obligation, if any, of the Obligated Group to redeem or purchase Obligations of the series pursuant to any sinking fund or analogous provisions or at the option of a Holder thereof or upon the occurrence of specified events and the period or periods within which, the price or prices at which and the terms and conditions upon which Obligations of the series shall be redeemed or purchased, in whole or in part, pursuant to such obligation;

(i) The denominations in which Obligations of the series shall be issuable;

(j) If other than the principal amount thereof, the portion of the principal amount of Obligations of the series which shall be payable upon declaration of acceleration of the maturity thereof;

(k) The Member or Members of the Obligated Group who are specifically responsible for arranging for and making payments on such Obligations;

(l) The purpose for which the Obligations created thereby are being issued, which may be for any lawful corporate purpose of any Member of the Obligated Group; and

(m) Any other terms of Obligations of the series (which terms shall not be inconsistent with the provisions of the Master Indenture).

Any such Supplement may provide with respect to Obligations of the series created by such Supplement for events which will constitute Events of Default under the Master Indenture as if such events were enumerated in the provisions of the Master Indenture summarized under the caption "**Defaults — Events of Default**" above. Any such Supplement may also grant such additional rights to the Holders of a particular series of Obligations, and to any other Person providing liquidity or credit support with respect to any Obligations or any securities secured, in whole or in part, by any Obligation or Obligations, as do not in any manner impair the rights of the Holders of any other series of Outstanding Obligations, including, but not limited to:

(i) The right to institute a suit, action or other proceeding in equity or at law, upon or under or with respect to the Master Indenture seeking any remedy provided under the Master Indenture if the Master Trustee shall have neglected or refused to institute any such action, suit or proceeding;

(ii) The right to approve the appointment of a successor Master Trustee under the Master Indenture;

(iii) The right to be deemed the Holder of any Obligation notwithstanding the fact such Obligation is owned or held by a Related Bond Trustee or Related Issuer as security for the payment of Related Bonds;

(iv) The right to receive written notice of the occurrence of any Event of Default;

(v) The right to provide a grace period with reference to any Event of Default;

(vi) The right to approve any amendments to the Master Indenture;

(vii) The right to approve the appointment of any Consultant under the Master Indenture; and

(viii) The right to act or direct action by the Master Trustee in case of an Event of Default (including the right to declare, or to require the Master Trustee to declare, an acceleration of Obligations of the series held by such Holder or Holders upon an Event of Default) or otherwise include provision for such Holders to act without intervention of the Master Trustee.

Supplements Requiring Consent of Holders. (a) Other than Supplements described in the provisions of the Master Indenture under the caption "**Supplements Not Requiring Consent of Holder**" above, the Holders of a majority in aggregate principal amount of Obligations then Outstanding shall have the right, from time to time, anything contained in the Master Indenture to the contrary notwithstanding, to consent to and approve the execution by the Obligated Group

and the Master Trustee of such Supplements as shall be deemed necessary and desirable for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Master Indenture; provided, however, no such Supplement shall:

(i) Effect a change in the times, amounts or currency of payment of the principal of, premium, if any, and interest on any Obligation or a reduction in the principal amount or redemption price of any Obligation or the rate of interest thereon, without the consent of the Holder of such Obligation;

(ii) Except to the extent otherwise permitted by the Master Indenture, permit the preference or priority of any Obligation over any other Obligation, without the consent of the Holders of all Obligations then Outstanding; or

(iii) Reduce the aggregate principal amount of Obligations then Outstanding the consent of the Holders of which is required to authorize such Supplement without the consent of the Holders of all Obligations then Outstanding.

(b) If at any time the Credit Group Representative shall request the Master Trustee to enter into a Supplement as described in this caption, and if the Master Trustee shall receive an instrument or instruments purporting to be executed by the Holders of a majority in aggregate principal amount of Obligations which instrument or instruments shall refer to the proposed Supplement and shall specifically consent to and approve the execution thereof in substantially the form of the copy thereof as on file with the Master Trustee, thereupon, but not otherwise, the Master Trustee may execute such Supplement in substantially such form, without liability or responsibility to any Holder, whether or not such Holder shall have consented thereto.

(c) Any such consent shall be binding upon the Holder giving such consent and upon any subsequent Holder of such Obligation and of any Obligation issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof). At any time after the Holders of the required principal amount of Obligations shall have filed their consents to the Supplement, the Master Trustee shall make and file with the Credit Group Representative a written statement to that effect. Such written statement shall be conclusive that such consents have been so filed.

(d) If the Holders of the required principal amount of the Obligations Outstanding shall have consented to and approved the execution of such Supplement as provided in the Master Indenture, no Holder shall have any right to object to the execution of such Supplement, 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 Master Trustee or any Member of the Obligated Group from executing the same or from taking any action pursuant to the provisions thereof.

Satisfaction and Discharge

Defeasance. If the Members shall pay or provide for the payment of the entire indebtedness on all Obligations (including any Obligations owned by a Member) Outstanding in any one or more of the following ways:

(a) by paying or causing to be paid the principal of (including redemption premium, if any) and interest on all Obligations Outstanding, as and when the same become due and payable;

(b) by depositing with the Master Trustee, in trust, at or before maturity, moneys in an amount sufficient to pay or redeem (when redeemable) all Obligations Outstanding (including the payment of premium, if any, and interest payable on such Obligations to the maturity or redemption date thereof), provided that such moneys, if invested, shall be invested at the direction of the Credit Group Representative in Defeasance Obligations, in an amount, without consideration of any income or increment to accrue thereon, sufficient to pay or redeem (when redeemable) and discharge the indebtedness on all Obligations Outstanding at or before their respective maturity dates; it being understood that the investment income on such Defeasance Obligations may be used at the direction of the Credit Group Representative for any other purpose permitted by law;

(c) by delivering to the Master Trustee, for cancellation by it, all Obligations Outstanding; or

(d) by depositing with the Master Trustee, in trust, before maturity, Defeasance Obligations in such amount as the Master Trustee shall determine will, together with the income or increment to accrue thereon, without consideration of any reinvestment thereof, be fully sufficient to pay or redeem (when redeemable) and discharge the indebtedness on all Obligations Outstanding at or before their respective maturity dates (which determination may be based upon a verification report of a firm of nationally recognized certified public accountants as to the sufficiency of such Defeasance Obligations to pay or redeem and discharge the indebtedness on all Obligations);

and if the Obligated Group shall also pay or cause to be paid all other sums payable under the Master Indenture by the Obligated Group and, if any such Obligations are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given in accordance with the requirements of the Master Indenture or provisions satisfactory to the Master Trustee shall have been made for the giving of such notice, then and in that case (but subject to the provisions of the Master Indenture summarized under the caption "***Satisfaction of Related Bonds***" below) the Master Indenture and the estate and rights granted thereunder shall cease, determine, and become null and void, and thereupon the Master Trustee shall, upon the written request of the Credit Group Representative, and upon receipt by the Master Trustee of an Officer's Certificate from the Credit Group Representative and an opinion of Independent Counsel acceptable to the Master Trustee, each stating that in the opinion of the signers all conditions precedent to the satisfaction and discharge of the Master Indenture have been complied with, forthwith execute proper instruments acknowledging satisfaction of and discharging the Master Indenture and the lien thereof. The satisfaction and discharge of the Master Indenture shall be without prejudice to the rights of the Master Trustee to charge and be reimbursed by the Obligated Group for any expenditures which it may thereafter incur in connection with the Master Indenture and to the rights of the Master Trustee to be indemnified and held harmless by the Obligated Group. The foregoing notwithstanding, the liability of the Obligated Group in respect of the Obligations shall continue, but the Holders thereof shall thereafter be entitled to payment only out of the moneys or Defeasance Obligations deposited with the Master Trustee as aforesaid.

Provision for Payment of a Particular Series of Obligations or Portion Thereof. If the Obligated Group shall pay or provide for the payment of the entire indebtedness on all Obligations of a particular series or a portion of such a series (including, any such Obligations owned by a Member) in one of the following ways:

(a) by paying or causing to be paid the principal of (including redemption premium, if any) and interest on all Obligations of such series or portion thereof outstanding, as and when the same shall become due and payable;

(b) by depositing with the Master Trustee, in trust, at or before maturity, moneys in an amount sufficient to pay or redeem (when redeemable) all Obligations of such series or portion thereof outstanding (including the payment of premium, if any, and interest payable on such Obligations to the maturity or redemption date), provided that such moneys, if invested, shall be invested at the written direction of the Credit Group Representative in Defeasance Obligations in an amount, without consideration of any income or increment to accrue thereon, sufficient to pay or redeem (when redeemable) and discharge the indebtedness on all Obligations of such series or portion thereof outstanding at or before their respective maturity dates; it being understood that the investment income on such Defeasance Obligations may be used at the written direction of the Credit Group Representative for any other purpose permitted by law;

(c) by delivering to the Master Trustee, for cancellation by it, all Obligations of such series or portion thereof outstanding; or

(d) by depositing with the Master Trustee, in trust, Defeasance Obligations in such amount as the Master Trustee shall determine in accordance with the terms of the Master Indenture will, together with the income or increment to accrue thereon without consideration of any reinvestment thereof, be fully sufficient to pay or redeem (when redeemable) and discharge the indebtedness on all Obligations of such series or portion thereof at or before their respective maturity dates (which determination may be based upon a verification report of a firm of nationally recognized certified public accountants as to the sufficiency of such Defeasance Obligations to pay or redeem and discharge the indebtedness on all Obligations of such series or portion thereof);

and if the Obligated Group shall also pay or cause to be paid all other sums payable under the Master Indenture by the Obligated Group with respect to such series of Obligations or portion thereof, and, if any such Obligations of such series or portion thereof are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given in accordance with the requirements of the Master Indenture or provisions satisfactory to the Master Trustee shall have been made for the giving of such notice, then in that case (but subject to the provisions of the Master Indenture summarized under the caption "***Satisfaction of Related Bonds***" below and the next sentence) such Obligations shall cease to be entitled to any lien, benefit or security under the Master Indenture. The liability of the Obligated Group in respect of such Obligations shall continue but the Holders thereof shall thereafter be entitled to payment (to the exclusion of all other Obligation Holders) only out of the moneys or Defeasance Obligations deposited with the Master Trustee as aforesaid.

Satisfaction of Related Bonds. The provisions described above under the captions "**Defeasance**" and "**Provision for Payment of a Particular Series of Obligations or Portions Thereof**" notwithstanding, any Obligation which secures a Related Bond (i) shall be deemed paid and shall cease to be entitled to the lien, benefit and security under the Master Indenture in the circumstances described in subsection (b) of the definition of "Outstanding Related Bonds" above; and (ii) shall not be deemed paid and shall continue to be entitled to the lien, benefit and security under the Master Indenture unless and until such Related Bond shall cease to be entitled to any lien, benefit or security under the Related Bond Indenture pursuant to the provisions thereof.

Evidence of Acts of Holders of the Obligations. For the purposes of the Master Indenture, unless the Bond Trustee elects to the contrary, the Bond Trustee shall be deemed the Holder of the Series 2018A Note. If the Bond Trustee so elects, the holders of the Series 2018A Bonds shall be deemed the Holders of the Series 2018A Note to the extent of the principal amount of the Series 2018A Note to which their Series 2018A Bonds relate.

SUMMARY OF CERTAIN PROVISIONS OF THE SERIES 2018A SUPPLEMENTAL MASTER INDENTURE

The Series 2018A Note is issued under the Master Indenture, as supplemented by the Series 2018A Supplemental Master Indenture. Under the Series 2018A Supplemental Master Indenture, the Series 2018A Note will be subject to prepayment prior to maturity to the extent that the Series 2018A Bonds are subject to redemption prior to maturity. Pursuant to the Series 2018A Supplemental Master Indenture, CHNw agrees to become jointly and severally obligated with the Members of the Obligated Group, if any, for the payment of all Obligations issued under the Master Indenture and to guarantee that Obligations will be paid in accordance with their respective terms when due.

Under the Series 2018A Supplemental Master Indenture, each Member covenants and agrees that it will not substitute Obligations under the Master Indenture without the prior consent of the holders of more than fifty percent (50%) of the principal amount of the Series 2018A Bonds.

SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE

Establishment and Pledge of Indenture Fund

Subject only to the provisions of the Bond Indenture permitting or requiring the application thereof for the purposes and on the terms and conditions set forth therein, the Indenture Fund and all amounts held therein are pledged, assigned and transferred by CHNw to the Bond Trustee for the benefit of the Bondholders to secure the full payment of the principal or redemption price of and interest on the Bonds in accordance with their terms and the provisions of the Bond Indenture. CHNw grants to the Bond Trustee a security interest in and acknowledges and agrees that the Indenture Fund and all amounts on deposit therein shall constitute collateral security to secure the full payment of the principal or redemption price of and interest on the Bonds in accordance with their terms and the provisions of the Bond Indenture. For purposes of creating, perfecting and maintaining the security interest of the Bond

Trustee on behalf of the Bondholders in and to the Indenture Fund and all amounts on deposit therein, the parties to the Bond Indenture agree as follows: (1) the Bond Indenture shall constitute a "security agreement" for purposes of the Uniform Commercial Code; (2) the Bond Trustee shall maintain on its books and records reflecting the interest, as set forth in the Bond Indenture, of the Bondholders in the Indenture Fund and/or the amounts on deposit therein; and (3) the Indenture Fund and the amounts on deposit therein and any proceeds thereof shall be held by the Bond Trustee acting in its capacity as an agent of the Bondholders, and the holding of such items by the Bond Trustee (including the transfer of any items among the funds and accounts in the Indenture Fund) is deemed possession of such items on behalf of the Bondholders.

Nothing in the Bond Indenture or in the Bonds, expressed or implied, shall be construed to constitute a security interest under the Uniform Commercial Code or otherwise in the assets of CHNw other than in any interest of CHNw in the Indenture Fund and/or the amounts on deposit therein. No recourse for the payment of the principal or redemption price of or interest on any Bond, or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of CHNw in the Bond Indenture or in any Supplemental Bond Indenture or in any Bond, or because of the creation of any indebtedness represented thereby, shall be had against any employee, agent, or officer, as such, past, present or future, of CHNw or of any successor entity, either directly or through any successor entity, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise, it being expressly understood that all such liability is expressly waived and released as a condition of, and as a consideration for, the execution of the Bond Indenture and the issue of the Bonds. No officer or agent of CHNw, nor any Person executing the Bonds, shall in any event be subject to any personal liability or accountability by reason of the issuance of the Bonds.

Funds and Accounts

The Bond Indenture creates a Project Fund and an Indenture Fund (and a Bond Fund and a Redemption Fund thereunder). The Bond Indenture also creates an Interest Account and Principal Account under the Bond Fund. All of the funds and accounts are to be held by the Bond Trustee.

Application of Proceeds of Bonds. Proceeds of the sale of the Bonds (net of underwriter's discount) will be deposited in the Project Fund and used to pay for the Project. The proceeds of any Additional Bonds will be applied in accordance with the Supplemental Bond Indenture authorizing the issuance thereof.

Project Fund. At the election of CHNw, it may establish or direct the Bond Trustee to establish a special fund designated as the "Project Fund." Pursuant to the Bond Indenture, CHNw has directed the Bond Trustee to establish a Project Fund. If established by CHNw, the Project Fund may be part of any other account maintained by CHNw. Any proceeds of the Bonds deposited into the Project Fund shall be applied as described in the preceding paragraph titled "*Application of Proceeds of Bonds.*" At the option of CHNw, any balance in the Project Fund after the payment of all costs of the Project may be transferred to the Bond Trustee for deposit in the Indenture Fund and the Project Fund shall be closed if directed by CHNw.

Indenture Fund. The Bond Trustee establishes for the sole benefit of the Bondholders, a master fund referred to in the Bond Indenture as the "Indenture Fund" containing the Bond Fund and the Redemption Fund and each of the accounts contained therein. The Indenture Fund and each of the funds and accounts in the Indenture Fund shall be identified on the books of the Bond Trustee with reference hereto and shall be maintained by the Bond Trustee and held in trust apart from all other moneys and securities held under the Bond Indenture or otherwise, and the Bond Trustee shall have the exclusive and sole right of withdrawal therefrom in accordance with the terms of the Bond Indenture. All amounts deposited with the Bond Trustee pursuant to the Bond Indenture shall be held, disbursed, allocated and applied by the Bond Trustee only as provided in the Bond Indenture.

Bond Fund. Upon the receipt thereof, the Bond Trustee shall deposit all payments received from CHNw (other than amounts which are to be deposited in the Redemption Fund or income or profit from investments which are to be applied pursuant to the Bond Indenture) in a special fund designated the "Bond Fund" which the Bond Trustee shall establish and maintain and hold in trust and which shall be disbursed and applied only as authorized in the Bond Indenture.

At the times specified below, the Bond Trustee shall allocate within the Bond Fund in the following order of priority the following amounts to the following accounts or funds, each of which the Bond Trustee shall establish and maintain and hold in trust and each of which shall be disbursed and applied only as authorized in the Bond Indenture: (1) On each Interest Payment Date, the Bond Trustee shall deposit in the "Interest Account" the aggregate amount of interest becoming due and payable on such Interest Payment Date on all Bonds then Outstanding, until the balance in said account is equal to said aggregate amount of interest; and (2) On each Principal Payment Date, the Bond Trustee shall deposit in the "Principal Account" the aggregate amount of principal becoming due and payable on such Principal Payment Date, until the balance in said account is equal to said aggregate amount of such principal.

Interest Account. All amounts in the Interest Account shall be used and withdrawn by the Bond Trustee solely for the purpose of paying interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds redeemed prior to maturity pursuant to the Bond Indenture).

Principal Account. All amounts in the Principal Account shall be used and withdrawn by the Bond Trustee solely to pay the principal of the Bonds at maturity.

Redemption Fund. Upon the receipt thereof, the Bond Trustee shall deposit the following amounts in a special fund designated the "Redemption Fund" which the Bond Trustee shall establish and maintain and hold in trust: (1) all moneys deposited by CHNw with the Bond Trustee directed to be deposited in the Redemption Fund; and (2) all interest, profits and other income received from the investment of moneys in the Redemption Fund.

All amounts deposited in the Redemption Fund 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, on the date fixed for redemption for which notice has been given; provided that, at any time prior to the selection of Bonds for such redemption, the

Bond Trustee shall, upon direction of CHNw, apply such amounts to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as CHNw may direct, except that the purchase price (exclusive of accrued interest) may not exceed the redemption price then applicable to such Bonds (or, if such Bonds are not then subject to redemption, the par value of such Bonds); and provided further that in lieu of redemption on the date fixed for redemption, or in combination therewith, amounts in such account may be transferred to the Principal Account as set forth in a Request of CHNw.

Payments by CHNw: Allocation of Funds. On or before each Payment Date, until the principal of and interest on the Bonds shall have been fully paid or provision for such payment shall have been made as provided in the Bond Indenture, CHNw shall pay to the Bond Trustee a sum equal to the amount payable on such Payment Date as principal of and interest on the Bonds, less the amounts, if any, in the Bond Fund and available therefor. Each payment made as described in this paragraph, together with available amounts, if any, in the Bond Fund, shall at all times be sufficient to pay the total amount of interest and principal (whether at maturity or upon acceleration) becoming due and payable on the Bonds on such Payment Date. If on any Payment Date the available amounts held by the Bond Trustee in the Bond Fund are insufficient to make any required payments of principal of (whether at maturity or upon acceleration) and interest on the Bonds as such payments become due, CHNw shall forthwith pay such deficiency to the Bond Trustee.

The obligations of CHNw to make the payments required by the immediately preceding paragraph and to perform and observe the other agreements on its part contained in the Bond Indenture shall be a general obligation of CHNw, absolute and unconditional, irrespective of any defense or any rights of set-off, recoupment or counterclaim it might otherwise have against the Bond Trustee, and during the term of the Bond Indenture, CHNw shall pay all payments required to be made by the immediately preceding paragraph (which payments shall be net of any other obligations of CHNw) as prescribed therein and all other payments required under the Bond Indenture, free of any deductions and without abatement, diminution or set-off. Until such time as the principal of and interest on the Bonds shall have been fully paid, or provision for the payment thereof shall have been made as required by the Bond Indenture, CHNw (i) will not suspend or discontinue any payments provided for in the immediately preceding paragraph; (ii) will perform and observe all of its other covenants contained in the Bond Indenture; and (iii) except as otherwise provided in the Bond Indenture, will not terminate the Bond Indenture for any cause, including, without limitation, the occurrence of any act or circumstances that may constitute failure of consideration, destruction of or damage to all or a portion of the projects financed or refinanced with the proceeds of the Bonds, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of Indiana or any political subdivision of either of these, or any failure of the Bond Trustee to perform and observe any covenant, whether express or implied, or any duty, liability or obligation arising out of or connected with the Bond Indenture, except to the extent permitted by the Bond Indenture.

Validity of Bonds

The recital contained in the Bonds that the same are issued pursuant to the Bond Indenture shall be conclusive evidence of their validity and of compliance with the provisions of the Bond Indenture in their issuance.

Redemption of Bonds

Terms of Redemption. At any time on or after May 1, 2028, the Series 2018A Bonds are redeemable prior to maturity at the written direction of CHNw, in whole or in part, in whole or in part, in any order of maturity designated by the Corporation, at a redemption price of 100% of the principal amount of each Series 2018A Bond to be redeemed, plus accrued and unpaid interest to the date fixed for redemption.

Additional Bonds are subject to such redemption provisions as are set forth in the Supplemental Bond Indenture authorizing the issuance thereof.

The Bonds are subject to purchase in lieu of redemption by the Bond Trustee at the direction of CHNw prior to maturity, on the same terms that would apply to the Bonds if the Bonds were then being optionally redeemed.

Selection of Bonds for Redemption Within a Maturity. If (i) the Bonds are registered in book-entry only form and so long as the Securities Depository or its nominee is the sole registered owner of the Bonds, and (ii) if less than all of the Bonds of a maturity are called for redemption, the particular Bonds or portions thereof to be redeemed shall be selected on a pro rata pass-through distribution of principal basis in accordance with procedures of the Securities Depository, provided that the selection for redemption of such Bonds shall be made in accordance with the operational arrangements of the Securities Depository then in effect, and, if the Securities Depository's operational arrangements at such time do not allow for redemption on a pro rata pass-through distribution of principal basis, the Bonds shall be selected for redemption, in accordance with Securities Depository procedures, by lot or in such other manner as in accordance with the applicable arrangements of the Securities Depository.

If (i) the Securities Depository or its nominee is no longer the sole registered owner of the Bonds, and (ii) if less than all of the Bonds of a maturity are called for redemption, the Bond Trustee shall select the Bonds to be redeemed on a pro rata basis within such maturity, provided that the selection for redemption of such Bonds shall be made in accordance with the operational arrangements of the Bond Trustee then in effect, and, if the Bond Trustee's operational arrangements at such time do not allow for redemption on a pro rata pass-through distribution of principal basis, the Bonds shall be selected for redemption, in accordance with Bond Trustee procedures, by lot or in such other manner as in accordance with the applicable arrangements of the Bond Trustee.

Notice of Redemption. Notice of redemption shall be mailed by CHNw to the Bond Trustee by first class mail, not less than thirty (30) days, nor more than sixty (60) days prior to the redemption date, or such fewer number of days as may be agreed to between CHNw and the Bond Trustee. Notice of redemption shall be mailed by the Bond Trustee by first class mail, not less than twenty-five (25) days, nor more than sixty (60) days prior to the date fixed for

redemption, to the respective Holders of any Bonds designated for redemption at their addresses appearing on the bond registration books of the Bond Trustee. If the Bonds are no longer held by the Securities Depository or its successor or substitute, the Bond Trustee shall also give notice of redemption by overnight mail to such securities depositories and/or securities information services as shall be designated in a Certificate of CHNw. Each notice of redemption shall state the date of such notice, the date of issue of the Bonds, the redemption date, the calculation method for determining the redemption price, the interest rate, the place or places of redemption (including the name and appropriate address or addresses of the Bond Trustee), the maturity (including CUSIP number, if any), and, in the case of 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 Bonds the redemption price thereof or of said specified portion of the principal amount thereof in the case of a Bond to be redeemed in part only, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered.

Notice of redemption of Bonds shall be given by the Bond Trustee, at the expense of CHNw, for and on behalf of CHNw.

Failure by the Bond Trustee to give notice pursuant to the Bond Indenture to any one or more of the securities information services or depositories designated by CHNw, or the insufficiency of any such notice shall not affect the sufficiency of the proceedings for redemption. Failure by the Bond Trustee to mail notice of redemption pursuant to the Bond Indenture to any one or more of the respective Holders of any 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.

CHNw may instruct the Bond Trustee to provide conditional notice of redemption, which may be conditioned upon the receipt of moneys or any other event. If such conditions are not met, the Bond Trustee shall give notice of such failure as soon as practicable, in the same manner to the same Persons as notice of such redemption was given. Additionally, any notice given pursuant to the Bond Indenture may be rescinded by written notice given to the Bond Trustee by CHNw no later than five (5) Business Days prior to the date specified for redemption. The Bond Trustee shall give notice of such rescission, as soon thereafter as practicable, in the same manner and to the same Persons as notice of such redemption was given pursuant to the Bond Indenture. Any failure of CHNw to pay the redemption price on the date fixed for redemption as a result of the failure to meet any condition specified in a conditional notice of redemption provided as described in this paragraph shall not constitute an Event of Default under the Bond Indenture.

Partial Redemption of Bonds. Upon surrender of any Bond redeemed in part only, CHNw shall execute (but need not prepare) and the Bond Trustee shall prepare or cause to be prepared, authenticate and deliver to the Holder thereof, at the expense of CHNw, a new Bond or Bonds of the same series, bearing interest at the same rate and maturing on the same date of Authorized Denominations, equal in aggregate principal amount to the unredeemed portion of the Bond surrendered.

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

All Bonds redeemed pursuant to the provisions of the Bond Indenture shall be cancelled by the Bond Trustee upon surrender thereof and delivered to, or upon the order of, CHNw.

Use of Securities Depository

Notwithstanding any provision of the Bond Indenture to the contrary:

The Bonds shall be initially issued as fully registered Bonds, registered in the name of "Cede & Co.," as nominee of the Securities Depository and shall be evidenced by one Bond for each maturity in the principal amount of the Bonds of such maturity. Registered ownership of the Bonds, or any portion thereof, may not thereafter be transferred except: (1) to any successor of the Securities Depository or its nominee, or to any substitute depository designated pursuant to clause (2) of this paragraph ("substitute depository"); provided that any successor of the Securities Depository or substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; (2) to any substitute depository designated by CHNw and not objected to by the Bond Trustee, upon (i) the resignation of the Securities Depository or its successor (or any substitute depository or its successor) from its functions as depository or (ii) a determination by CHNw that the Securities Depository or its successor (or any substitute depository or its successor) is no longer able to carry out its functions as depository; provided that any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or (3) to any Person as provided below, upon (i) the resignation of the Securities Depository or its successor (or substitute depository or its successor) from its functions as depository; provided that no substitute depository which is not objected to by the Bond Trustee can be obtained or (ii) a determination by CHNw that it is in the best interests of CHNw to remove the Securities Depository or its successor (or any substitute depository or its successor) from its functions as depository.

In the case of any transfer pursuant to clause (1) or clause (2) of the immediately preceding paragraph, upon receipt of the Outstanding Bonds by the Bond Trustee, together with a Certificate of CHNw to the Bond Trustee, new Bonds for each maturity shall be executed and delivered in the principal amount of the Bonds of such maturity, registered in the name of such successor or such substitute depository, or their nominees, as the case may be, all as specified in such Certificate of CHNw. In the case of any transfer pursuant to clause (3) of the immediately preceding paragraph, upon receipt of the Outstanding Bonds by the Bond Trustee together with a Certificate of CHNw to the Bond Trustee, new Bonds shall be executed and delivered in such

denominations and registered in the names of such persons as are requested in such a Certificate of CHNw, subject to the limitations of the Bond Indenture, provided the Bond Trustee shall not be required to deliver such new Bonds within a period less than sixty (60) days from the date of receipt of such a Certificate of CHNw.

In the case of a partial redemption or refunding of the Bonds evidencing a portion of the principal amount Outstanding, the Securities Depository shall make an appropriate notation on the Bonds indicating the date and amounts of such reduction in principal, in form acceptable to the Bond Trustee.

CHNw and the Bond Trustee shall be entitled to treat the Person in whose name any Bond is registered as the Bondholder thereof for all purposes of the Bond Indenture and any applicable laws, notwithstanding any notice to the contrary received by CHNw or the Bond Trustee.

So long as the Outstanding Bonds are registered in the name of Cede & Co. or its registered assign, CHNw and the Bond Trustee shall cooperate with Cede & Co., as sole registered Bondholder, and its registered assigns, in effecting payment of the principal or redemption price of and interest on the Bonds by arranging for payment in such manner that funds for such payments are properly identified and are made immediately available on the date they are due, all in accordance with the letter of representations of CHNw to the Securities Depository or as otherwise agreed by the Bond Trustee and the Securities Depository.

Additional Bonds

Additional Bonds shall be authorized by a Supplemental Bond Indenture. The Additional Bonds so authorized shall from time to time and in such amounts as directed by CHNw be authenticated by the Bond Trustee and by it delivered to or upon the order of CHNw upon receipt of the consideration therefor. Each Supplemental Indenture authorizing the issuance of Bonds shall specify the following: (A) the authorized principal amount of such Additional Bonds to be issued; (B) the purpose for which such Additional Bonds are to be issued; (C) if such Additional Bonds are consolidated with the Series 2018A Bonds, the first Interest Payment Date for such Additional Bonds; (D) if such Additional Bonds are not consolidated with the Series 2018A Bonds, the interest rates, the Interest Payment Dates (including the first Interest Payment Date), the Principal Payment Dates and the redemption provisions for such Additional Bonds; (E) directions for the applications of the proceeds of the Additional Bonds; (F) the conditions precedent to the issuance of such Additional Bonds, including without limitation, the delivery to the Bond Trustee of an Obligation, issued by CHNw, to the Bond Trustee, payable at times and in amounts sufficient to pay the principal of and interest on, and redemption price of such Additional Bonds, in form and substance satisfactory to the Bond Trustee; and (G) such other provisions as CHNw deems advisable.

Limitations on Consolidated Bonds

CHNw covenants and agrees that: (A) any Additional Bonds that are consolidated with the initial Series 2018A Bonds constitute a part of such Series 2018A Bonds; (B) any Additional Bonds that are consolidated with the initial Series 2018A Bonds shall mature on the same dates

as such Series 2018A Bonds, bear interest at the same rates per annum and be payable on the same dates as such Series 2018A Bonds, and be subject to redemption at the same times and at the same redemption price as such Series 2018A Bonds; (C) any additional Bonds that are consolidated with the initial Series 2018A Bonds shall have the same Authorized Denominations; and (D) as a condition precedent to the issuance of any Additional Bonds to be consolidated with the initial Series 2018A Bonds, there shall be delivered to the Bond Trustee an Opinion of Counsel experienced in federal securities and tax laws, that the issuance and consolidation of such Additional Bonds will not cause (i) any adverse tax impact on the Holders of any Outstanding Series 2018A Bonds, (ii) any Outstanding Series 2018A Bonds to be required to be registered under the Securities Act of 1933, as amended, or (iii) the Bond Indenture to be required to be qualified under the Trust Indenture Act of 1939, as amended.

The limitations in subsection (A), (B), (C) and (D) of the paragraph above shall not apply to any Additional Bonds issued under the Bond Indenture which will not be consolidated with the Series 2018A Bonds.

Particular Covenants

Punctual Payment. CHNw shall punctually pay the principal or redemption price and interest to become due in respect of all the Bonds, in strict conformity with the terms of the Bonds and of the Bond Indenture, according to the true intent and meaning thereof. When and as paid in full, all Bonds shall be delivered to the Bond Trustee and shall forthwith be cancelled by the Bond Trustee and delivered to, or upon the order of, CHNw.

Compliance With Bond Indenture. CHNw covenants not to issue, or permit to be issued, any Bonds in any manner other than in accordance with the provisions of the Bond Indenture, and shall not suffer or permit any Default (within its power to prevent) to occur under the Bond Indenture, but shall faithfully observe and perform all the covenants, conditions and requirements of the Bond Indenture.

Against Encumbrances. CHNw shall not create or suffer to be created any pledge, lien, charge or other encumbrance upon all or any part of the Indenture Fund or any of the amounts held therein pledged or assigned under the Bond Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by the Bond Indenture and any statutory liens or other liens arising by operation of law. CHNw shall contest and defend any pledge, lien, charge or other encumbrance that does not comply with the provisions of the Bond Indenture.

Power to Issue Bonds and Make Pledge and Assignment. CHNw is duly authorized to issue the Bonds and to enter into the Bond Indenture and to pledge and assign the funds and accounts purported to be pledged and assigned under the Bond Indenture in the manner and to the extent provided in the Bond Indenture. The Bonds are and will be legal, valid and binding obligations of CHNw in accordance with their terms, and CHNw shall at all times, to the extent permitted by law, defend, preserve and protect said pledge and assignment of funds and accounts and all the rights of the Bondholders under the Bond Indenture against all claims and demands of all Persons whomsoever.

Accounting Records and Financial Statements. With respect to each fund or account established and maintained by the Bond Trustee pursuant to the Bond Indenture, the Bond Trustee shall at all times keep, or cause to be kept, proper books of record and account prepared in accordance with corporate trust accounting standards, in which complete and accurate entries shall be made of all transactions relating to the receipt, investment, disbursement, allocation and application of payments received from CHNw and the proceeds of the Bonds. Such books of record and account shall be available for inspection by CHNw and any Bondholder, or his or her agent or representative duly authorized in writing, at reasonable hours and under reasonable circumstances.

The Bond Trustee shall file and furnish to each Bondholder who shall have filed his or her name and address with the Bond Trustee for such purpose, within thirty (30) days after the end of each month, a complete financial statement (which need not be audited and may be its regular account statements) covering receipts, disbursements, allocation and application of any moneys (including proceeds of Bonds) in any of the funds and accounts established pursuant to the Bond Indenture for such month; provided that the Bond Trustee shall not be obligated to deliver an accounting for any fund or account that has a balance of \$0.00 and has not had any activity since the last reporting. The Bond Trustee shall also furnish a copy of its monthly statement to CHNw.

Annual Reports, Quarterly Reports and Other Current Information. If, at any time during which any Bonds are Outstanding, CHNw shall cease to be obligated to file any information under any agreement or contract pursuant to Rule 15c2-12 of the Securities Exchange Act of 1934, as amended, CHNw shall file the information described under this heading at the times and in the manner as described under this heading. Copies of the reports and statements required to be filed with the Bond Trustee as described below shall be filed with the Bond Trustee in sufficient quantity to permit the Bond Trustee to retain at least one copy for inspection by Bondholders and to permit the Bond Trustee to mail a copy to each Bondholder who requests it.

Within one hundred fifty (150) days after the end of each fiscal year of CHNw, CHNw shall (i) post on its website and (ii) furnish to the Bond Trustee and to Bondholders requesting the same, copies of the audited consolidated financial statements of CHNw and affiliates for such fiscal year, together with the auditor's report and all note thereto. Such financial statements shall be audited by an independent public accountant and prepared in conformity with generally accepted accounting principles applied on a consistent basis, except that such financial statements may contain such changes as are concurred in by such accountant, and shall include a balance sheet, a statement of operations and changes in net assets and cash flows of CHNw for such fiscal year.

Within sixty (60) days after the end of each of the first three fiscal quarters of each fiscal year of CHNw, CHNw shall (i) post on its website and (ii) furnish to the Bond Trustee and to any Bondholders requesting the same, copies of the unaudited consolidated financial statements of CHNw and affiliates for such fiscal quarter, including a balance sheet, a statement of operations and changes in the assets and a statement of cash flows, prepared in conformity with generally accepted accounting principles, applied on a consistent basis, except that such financial statements may exclude notes.

The failure of CHNw to comply with the covenants described under this heading "*Annual Reports, Quarterly Reports and Other Current Information*" shall not be considered a Default or an Event of Default under the Bond Indenture. As the sole and exclusive remedy for CHNw's failure to comply with these covenants the Bond Trustee may (and, at the request of the holders of at least 51% aggregate principal amount in the Outstanding Bonds, shall) or any Bondholder or any owner of a beneficial interest in a Bond or Bonds may, at the expense of CHNw, take such actions to seek specific performance by court order and to cause CHNw to comply with its obligations described under this heading, and no person, including any Holder or any Beneficial Owner of the Bonds, may recover monetary damages.

The Bond Trustee shall have no duty to review, analyze or verify such financial statements or the completeness or accuracy thereof and shall hold such financial statements solely as a repository for the benefit of the Bondholders; the Bond Trustee shall not be deemed to have notice of any information contained therein or a Default or Event of Default which may be disclosed therein in any manner.

Events of Default and Remedies of Bondholders

Events of Default. Each of the following events shall be an "Event of Default" under the Bond Indenture:

(a) default in the due and punctual payment of the principal or redemption price of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, purchase in lieu of redemption, by acceleration or otherwise; except as stated herein in the last paragraph under the heading "**Redemption of Bonds - Notice of Redemption**";

(b) default in the due and punctual payment of any interest on any Bond when and as such interest shall become due and payable;

(c) default by CHNw in the performance or observance of any of the other covenants, agreements or conditions on its part contained in the Bond Indenture or in the Bonds (other than a covenant, agreement or condition a default by CHNw in the performance or observance of the covenants under the heading "**Particular Covenants - Annual Reports, Quarterly Reports and Other Current Information**"), if such default shall have continued for a period of sixty (60) days after written notice specifying such default and requiring the same to be remedied and stating that such notice is a "Notice of Default" under the Bond Indenture, shall have been given to CHNw by the Bond Trustee, or to CHNw and the Bond Trustee by the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding; unless if such default is not capable of being cured within sixty (60) days, CHNw has commenced to cure such default within said sixty (60) days and diligently prosecutes the cure thereof;

(d) the commencement by CHNw of a voluntary case under the federal bankruptcy laws, or CHNw's becoming insolvent or unable to pay its debts as they become due, or making an assignment for the benefit of creditors, or applying for, consenting to or acquiescing in the appointment of, or the taking of possession by, a trustee, receiver, custodian or similar official or agent for or of itself or any substantial part of its property;

- (e) an event of default under the Master Indenture;
- (f) the appointment of a trustee, receiver, custodian or similar official or agent for CHNw or for any substantial part of its property, which trustee, receiver, custodian or similar official or agent shall not be discharged within sixty (60) days; or
- (g) an order or decree for relief in an involuntary case under the federal bankruptcy laws shall be entered against CHNw, or a petition seeking reorganization, readjustment, arrangement, composition, or other similar relief as to CHNw under the federal bankruptcy laws or any similar law for the relief of debtors shall be brought against it and shall be consented to by it or shall remain undismissed for sixty (60) days.

Acceleration of Maturity. If an Event of Default shall occur, then, and in each and every such case during the continuance of such Event of Default, the Bond Trustee may, upon notice in writing to CHNw, declare the principal of all the Bonds then Outstanding, and the interest accrued thereon, or in the case of a failure to pay the redemption price on the date fixed for redemption upon an unconditional redemption proceeding, the redemption price thereof, to be due and payable immediately, and upon any such declaration by the Bond Trustee the same shall become and shall be immediately due and payable, without any further action or notice, anything in the Bond Indenture or in the Bonds contained to the contrary notwithstanding. In such event, there shall be due and payable on the Bonds an amount equal to the total principal amount of all such Bonds, plus all interest accrued thereon and which accrues to the date of payment.

Any such declaration, however, is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, there shall be deposited with the Bond Trustee a sum sufficient to pay all the principal of and interest on the Bonds, and premium, if any, payment of which is overdue, with interest on such overdue principal at the rate borne by the Bonds, and the reasonable charges and expenses of the Bond Trustee, and any and all other Defaults known to the Bond Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Bond Trustee or provision deemed by the Bond Trustee to be adequate shall have been made therefor, then, and in every such case, the Bond Trustee shall, on behalf of the Holders of all of the Bonds, by written notice to the Institution, 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.

Rights as a Secured Party. The Bond Trustee may exercise all of the rights and remedies of a secured party under the Uniform Commercial Code with respect to securities in the Indenture Fund, including without limitation the Bond Fund and the Redemption Fund, including the right to sell or redeem such securities and the right to retain the securities in satisfaction of the obligation of CHNw under the Bond Indenture. Notice sent by registered or certified mail, postage prepaid, or delivered during business hours, to CHNw at least seven (7) days before an event under Uniform Commercial Code Sections 9.1-610 and 9.1-611, or any successor provision of law shall constitute reasonable notification of such event.

Bond Trustee to act as Holder of Obligations. In the event that any request, direction or consent is required or permitted by the Master Indenture to be given with respect to the Series 2018A Note, the Bond Trustee or its successor or assign shall be the registered owner of the Series 2018A Note for the purpose of any such request, direction or consent but shall act only at the direction or consent of the registered owners of the Bonds pursuant to the Master Indenture.

Application of Moneys Collected by the Bond Trustee. If an Event of Default shall occur and be continuing, all moneys then held or thereafter received by the Bond Trustee under any of the provisions of the Bond Indenture (subject to provisions of the Bond Indenture requiring moneys to be held for payment of 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 fees and expenses of the Bond Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under the Bond Indenture; and

(B) To the payment of the principal of and interest then due on or, if an unconditional notice of redemption has been delivered to Holders of the Bonds, the redemption price of 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 due 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 which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, with interest on the overdue principal at the rate borne by the Bonds, and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, together with such interest, then to the payment thereof ratably, according to the amounts of the principal or, if an unconditional notice of redemption has been delivered to Holders of the Bonds, the 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.

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 and applicable provisions of any law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Bond Trustee to represent the Bondholders, the Bond Trustee in its discretion may, and upon the written request of the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding, and 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 granted in the Bond Indenture, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Bond Trustee, or in such Holders under the Bonds, the Bond Indenture or any applicable 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 amounts pledged under the Bond Indenture, pending such proceedings. If more than one such request is received by the Bond Trustee from the Holders, the Bond Trustee shall follow the written request executed by the Holders of the greatest percentage (which percentage shall be, in any case, not less than a majority in aggregate principal amount) of the Bonds then Outstanding. 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.

Bondholders' Direction of Proceedings. The Holders of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Bond Trustee, and upon indemnifying the Bond Trustee to its satisfaction therefor, to direct the time, method and place of conducting all remedial proceedings taken by the Bond Trustee under the Bond Indenture, provided that such direction shall not be otherwise than in accordance with law and the provisions of the Bond Indenture, and that the Bond Trustee shall have the right to decline to follow any such direction which in the opinion of the Bond Trustee would be unjustly prejudicial to Bondholders not parties to such direction.

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 or any 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 a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Bond Trustee to exercise the powers granted in the Bond Indenture or to institute such suit, action or proceeding in its own name; (3) such Holder or said Holders shall have tendered to the Bond Trustee indemnity satisfactory to it against the costs, expenses and liabilities to be incurred in compliance with such request; 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 declared by the Bond Indenture, in every case, to be conditions precedent to the exercise by any Holder of Bonds of any remedy under the Bond Indenture or under law; it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by 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 or 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 provided in the Bond Indenture and for the benefit and protection of all Holders of the Outstanding Bonds, subject to the provisions of the Bond Indenture.

Absolute Obligation of CHNw. Notwithstanding any other provision of the Bond Indenture, or in the Bonds, nothing shall affect or impair the obligation of CHNw, which is absolute and unconditional, to pay the principal or redemption price of and interest on the Bonds to the respective Holders of the Bonds at their respective dates of maturity, or upon call for redemption, as provided in the Bond Indenture, or, subject to the provisions of the Bond Indenture regarding limitation on Bondholders' right to sue, affect or impair the right of such Holders to enforce such payment by virtue of the contract embodied in the Bonds.

Termination of Proceedings. In case any proceedings taken by the Bond Trustee or any one or more Bondholders on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Bond Trustee or the Bondholders, then in every such case CHNw, the Bond Trustee and the Bondholders, subject to any determination in such proceedings, shall be restored to their former positions and rights under the Bond Indenture, severally and respectively, and all rights, remedies, powers and duties of CHNw, the Bond Trustee and the Bondholders shall continue as though no such proceedings had been taken.

Remedies Not Exclusive. No remedy conferred in the Bond Indenture upon or reserved to the Bond Trustee or to the Holders of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given under the Bond Indenture or now or hereafter existing at law or in equity or otherwise.

Delay or Omission Not Waiver. No delay or omission of the Bond Trustee or of any Holder of the Bonds to exercise any right or power arising upon the occurrence of any Default shall impair any such right or power or shall be construed to be a waiver of any such Default or an acquiescence therein; and every power and remedy given by the Bond Indenture to the Bond

Trustee or to the Holders of the Bonds may be exercised from time to time and as often as may be deemed expedient.

Waiver of Past Defaults. The Bond Trustee may, and upon request of the Holders of not less than a majority in aggregate principal amount of the Outstanding Bonds shall, on behalf of the Holders of all the Bonds waive any past Default under the Bond Indenture and its consequences, except a Default: (A) in the payment of the principal or redemption price of or interest on any Bond, or (B) in respect of a covenant or other provision of the Bond Indenture which, pursuant to the Bond Indenture, cannot be modified or amended without the consent of the Holder of each Outstanding Bond affected. Upon any such waiver, such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of the Bond Indenture, but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereon.

Undertaking for Costs. Subject to the provisions of the Bond Indenture regarding the Bond Trustee's rights to compensation and indemnification, the parties to the Bond Indenture agree, and each Holder of any Bond by such Person's acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under the Bond Indenture, or in any suit against the Bond Trustee for any action taken or omitted by it as Bond Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this paragraph shall not apply to any suit instituted by the Bond Trustee or to any suit instituted by any Bondholder or group of Bondholders holding in the aggregate more than a majority in aggregate principal amount of the Outstanding Bonds,

Notice of Default. Upon a Responsible Officer's actual knowledge of the existence of any Default under the Bond Indenture, the Bond Trustee shall notify CHNw in writing as soon as practicable, but in any event within five (5) Business Days.

Upon a Responsible Officer's actual knowledge of the existence of any Default under the Bond Indenture, the Bond Trustee shall transmit by mail to all Bondholders, as their names and addresses appear in the bond register, notice of such Default under the Bond Indenture within ninety (90) days, unless such Default shall have been cured or waived; provided, however, that, except in the case of a Default in the payment of the principal or redemption price of or interest on any Bond, the Bond Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee or a trust committee of directors or Responsible Officers of the Bond Trustee in good faith determine that the withholding of such notice is in the interest of the Bondholders; and provided, further, that in the case of any Default of the character specified in subsection (c) of the paragraph above under the heading "**Events of Default and Remedies of Bondholders - Events of Default,**" no such notice to Bondholders shall be given until at least sixty (60) days after the date of the applicable Notice of Default.

Bond Trustee May File Proofs of Claim. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to CHNw or any other obligor upon the Bonds or the property

of CHNw or of such other obligor or their creditors, the Bond Trustee (irrespective of whether the principal of the Bonds shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Bond Trustee shall have made any demand on CHNw for the payment of overdue principal or interest) shall be entitled and empowered, by intervention in such proceeding or otherwise: (1) To file and prove a claim for the whole amount of principal (or redemption price) and interest owing and unpaid in respect of the Bonds and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Bond Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Bond Trustee, its agents and counsel including expenses and fees of outside counsel and allocated costs of internal legal counsel) and of the Bondholders allowed in such judicial proceeding; and (2) To collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same; and any receiver, assignee, trustee, liquidator or sequestrator (or other similar official) in any such judicial proceeding is, by the Bond Indenture, authorized by each Bondholder to make such payments to the Bond Trustee and, in the event that the Bond Trustee shall consent to the making of such payments directly to the Bondholders, to pay to the Bond Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Bond Trustee, its agents and counsel including expenses and fees of outside counsel and allocated costs of internal legal counsel, and any other amounts due the Bond Trustee under the Bond Indenture.

Nothing contained in the Bond Indenture shall be deemed to authorize the Bond Trustee to authorize or consent to or accept or adopt on behalf of any Bondholder any plan of reorganization, arrangement, adjustment or composition affecting the Bonds or the rights of any Holder thereof, or to authorize the Bond Trustee to vote in respect of the claim of any Bondholder in any such proceeding.

The Bond Trustee

Duties, Immunities and Liabilities of Bond Trustee. The Bond Trustee shall, prior to an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in the Bond Indenture, and, except to the extent required by law, no implied covenants or obligations shall be read into the Bond Indenture against the Bond Trustee. The Bond Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by the Bond Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

CHNw may remove the Bond Trustee at any time unless an Event of Default shall have occurred and then be continuing, and shall remove the Bond Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Bond Trustee shall cease to be eligible in accordance with the Bond Indenture, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Bond Trustee or its property shall be appointed, or any public officer shall take control or charge of the Bond Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of

such removal to the Bond Trustee, and thereupon shall appoint a successor Bond Trustee by an instrument in writing.

The Bond Trustee may at any time resign by giving written notice of such resignation to CHNw and by giving the Bondholders notice of such resignation by mail at the addresses shown on the registration books maintained by the Bond Trustee. Upon receiving such notice of resignation, CHNw shall promptly appoint a successor Bond Trustee by an instrument in writing. The Bond Trustee shall not be relieved of its duties until such successor Bond Trustee has accepted appointment.

Any removal or resignation of the Bond Trustee and appointment of a successor Bond Trustee shall become effective upon acceptance of appointment by the successor Bond Trustee. If no successor Bond Trustee shall have been appointed and have accepted appointment within thirty (30) days of giving notice of removal or notice of resignation as aforesaid, the resigning Bond Trustee or any Bondholder (on behalf of itself and all other Bondholders) may petition any court of competent jurisdiction for the appointment of a successor Bond Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Bond Trustee. Any successor Bond Trustee appointed under the Bond Indenture, shall signify its acceptance of such appointment by executing and delivering to CHNw and to its predecessor Bond Trustee a written acceptance thereof, and thereupon such successor Bond Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Bond Trustee, with like effect as if originally named Bond Trustee in the Bond Indenture; but, nevertheless at the request of the successor Bond Trustee, such predecessor Bond Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Bond Trustee all the right, title and interest of such predecessor Bond Trustee in and to any property held by it under the Bond Indenture and shall pay over, transfer, assign and deliver to the successor Bond Trustee any money or other property subject to the trusts and conditions set forth in the Bond Indenture. Upon request of the successor Bond Trustee, CHNw shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Bond Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Bond Trustee as provided in this paragraph, CHNw shall mail or cause to be mailed (at the expense of CHNw) a notice of the succession of such Bond Trustee to the trusts under the Bond Indenture to the Bondholders at the addresses shown on the registration books maintained by the Bond Trustee. If CHNw fails to mail such notice within fifteen (15) days after acceptance of appointment by the successor Bond Trustee, the successor Bond Trustee shall cause such notice to be mailed at the expense of CHNw.

Any successor Bond Trustee shall be a trust company or bank having trust powers in the State of Indiana, having a combined capital and surplus of (or if such trust company or bank is a member of a bank holding system, its bank holding company shall have a combined capital and surplus of) at least fifty million dollars (\$50,000,000), and subject to supervision or examination by federal or State of Indiana authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined

capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Bond Trustee shall cease to be eligible in accordance with the provisions of this paragraph, the Bond Trustee shall resign immediately in the manner and with the effect specified in the Bond Indenture.

Preservation and Inspection of Documents. All documents received by the Bond Trustee under the provisions of the Bond Indenture shall be retained in its possession and shall be subject upon prior written notice to the inspection of CHNw and any Bondholder, and their agents and representatives duly authorized in writing, at reasonable hours and under reasonable conditions, until ninety (90) days after the termination of the Bond Indenture.

Modification or Amendment of the Bond Indenture

Amendments Permitted. The Bond Indenture and the rights and obligations of CHNw and of the Holders of the Bonds and of the Bond Trustee may be modified or amended from time to time and at any time by an indenture or indentures supplemental to the Bond Indenture, which CHNw and the Bond Trustee may enter into when the written consent of the Holders of a majority in aggregate principal amount of the Bonds then Outstanding shall have been filed with the Bond Trustee. No such modification or amendment shall (1) extend the fixed maturity of any Bond, or reduce the amount of principal thereof, or reduce the rate of interest thereon, or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof, without the consent of the Holder of each Bond so affected, or (2) reduce the aforesaid percentage of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or permit the creation of any lien on the Indenture Fund or the amounts pledged under the Bond Indenture prior to or on a parity with the lien created by the Bond Indenture, or deprive the Holders of the Bonds of the lien created by the Bond Indenture on the Indenture Fund and such amounts (except as expressly provided in the Bond Indenture), without the consent of the Holders of all Bonds then Outstanding. It shall not be necessary for the consent of the Bondholders to approve the particular form of any Supplemental Bond Indenture, but it shall be sufficient if such consent shall approve the substance thereof. Promptly after the execution by CHNw and the Bond Trustee of any Supplemental Bond Indenture pursuant to this paragraph, the Bond Trustee shall mail a notice, setting forth in general terms the substance of such Supplemental Bond Indenture, to the Bondholders at the addresses shown on the registration books maintained by the Bond Trustee. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Bond Indenture.

The Bond Indenture and the rights and obligations of CHNw, of the Bond Trustee and of the Holders of the Bonds may also be modified or amended from time to time and at any time by an indenture or indentures supplemental to the Bond Indenture, which CHNw and the Bond Trustee may enter into without the necessity of obtaining the consent of any Bondholders, but only to the extent permitted by law and only for any one or more of the following purposes: (1) to add to the covenants and agreements of CHNw contained in the Bond Indenture other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power reserved in the Bond Indenture to or conferred upon CHNw; (2) to make such provisions for the purpose of curing any

ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Bond Indenture, or in regard to matters or questions arising under the Bond Indenture, as CHNw or the Bond Trustee may deem necessary or desirable and not inconsistent with the Bond Indenture, and which shall not materially adversely affect the interests of the Holders of the Bonds; (3) to modify, amend or supplement the Bond Indenture or any Supplemental Bond Indenture in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute; (4) to provide for the procedures required to permit any Bondholder, at its option, to utilize an uncertificated system of registration of its Bond or to facilitate the registration of the Bonds in the name of a nominee of the Securities Depository in accordance with the provisions of the Bond Indenture; (5) to authorize the issuance of Additional Bonds in accordance with the Bond Indenture; (6) to authorize different authorized denominations of the Bonds and to make correlative amendments and modifications to the Bond Indenture regarding exchangeability of Bonds of different authorized denominations, redemptions of portions of Bonds of particular authorized denominations and similar amendments and modifications of a technical nature; (7) to make any changes required by a Rating Agency in order to obtain or maintain a rating for the Bonds; or (8) to modify, amend or supplement any other provision of the Bond Indenture that shall not materially adversely affect the interests of the Holders of the Bonds.

The Bond Trustee shall not be obligated to enter into any such Supplemental Bond Indenture authorized by either of the two preceding paragraphs which materially adversely affects the Bond Trustee's own rights, duties or immunities under the Bond Indenture or otherwise.

Effect of Supplemental Bond Indenture. Upon the execution of any Supplemental Bond Indenture pursuant to the Bond Indenture, the Bond Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Bond Indenture of CHNw, the Bond Trustee and all Holders of Bonds Outstanding shall thereafter be determined, exercised and enforced under the Bond Indenture subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Bond Indenture shall be deemed to be part of the terms and conditions of the Bond Indenture for any and all purposes.

Amendment of Particular Bonds. The provisions of the Bond Indenture regarding modification or amendment of the Bond Indenture shall not prevent any Bondholder from accepting any amendment as to the particular Bonds held by such Bondholder, provided that due notation thereof is made on such Bonds.

Defeasance

Discharge of Bond Indenture. The Bonds may be paid or discharged by CHNw or the Bond Trustee on behalf of CHNw in any of the following ways: (A) by paying or causing to be paid the principal or redemption price of and interest on all Bonds Outstanding, as and when the same become due and payable: (B) by depositing with the Bond Trustee, in trust, at or before maturity, moneys or securities in the necessary amount (as provided in the Bond Indenture) to

pay when due or redeem all Bonds then Outstanding; or (C) by delivering to the Bond Trustee, for cancellation by it, all Bonds then Outstanding.

If CHNw shall also pay or cause to be paid all other sums payable under the Bond Indenture by CHNw, then and in that case at the election of CHNw (evidenced by a Certificate of CHNw filed with the Bond Trustee signifying the intention of CHNw to discharge all such indebtedness and the Bond Indenture and 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), and notwithstanding that any Bonds shall not have been surrendered for payment, the Bond Indenture and the pledge of the Indenture Fund and all amounts held therein made under the Bond Indenture and all covenants, agreements and other obligations of CHNw under the Bond Indenture (except as otherwise provided in the Bond Indenture) shall cease, terminate, become void and be completely discharged and satisfied and the Bonds shall be deemed paid. In such event, upon the Request of CHNw, the Bond Trustee shall cause an accounting for such period or periods as may be requested by CHNw to be prepared and filed with CHNw and shall execute and deliver to CHNw all such instruments as may be necessary to evidence such discharge and satisfaction, and the Bond Trustee shall pay over, transfer, assign or deliver to CHNw all moneys or securities or other property held by it pursuant to the Bond Indenture which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

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 the Bond Indenture) 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 CHNw in respect of such Bond shall cease, terminate and be completely discharged, and the Bonds shall be deemed paid, except only that thereafter the Holder thereof shall be entitled to payment of the redemption price of such Bond by CHNw, and CHNw shall remain liable for such payments, but only out of such money or securities deposited with the Bond Trustee as aforesaid for their payment, subject, however, to the provisions of the Bond Indenture regarding payment of Bonds after discharge of the Bond Indenture.

CHNw may at any time surrender to the Bond Trustee for cancellation by it any Bonds previously issued and delivered, which CHNw may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

Deposit of Money or Securities With Bond Trustee. Whenever the Bond Indenture provides or permits that there be deposited with or held in trust by the Bond Trustee money or securities in the amount necessary to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Bond Trustee in the funds and accounts established pursuant to the Bond Indenture and shall be:

(A) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such

redemption shall have been given as described under the heading "**Redemption of Bonds - Notice of Redemption**" 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 redemption price of such Bonds to the date fixed for redemption; or

(B) Government Obligations (not callable by the holder thereof prior to maturity), the principal of and interest on which when due will provide money sufficient to pay the principal of and accrued and unpaid interest on the Bonds at maturity or the redemption price on the date fixed for redemption, as the case may be, as such principal and interest or redemption price become due; provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as described under the heading "**Redemption of Bonds - Notice of Redemption**" or provision satisfactory to the Bond Trustee shall have been made for the giving of such notice; provided, in each case, that the Bond Trustee shall have been irrevocably instructed (by the terms of the Bond Indenture or by direction of CHNw) to apply such money to the payment of the redemption price with respect to such Bonds.

The Bond Trustee may obtain and rely on the verification report of a firm of nationally recognized verification agents or a firm of nationally recognized independent certified public accountants for determining the amount of money or securities necessary to pay or redeem Bonds.

Payment of Bonds After Discharge of Bond Indenture. Notwithstanding any provisions of the Bond Indenture, any moneys 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 three years (or, if shorter, one day before such moneys would escheat to the State of Indiana under then applicable Indiana law) after such principal, redemption price or interest, as the case may be, has become due and payable (whether at maturity or upon call for redemption), shall be repaid to CHNw free from the trusts created by the Bond Indenture and all liability of the Bond Trustee and CHNw with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to CHNw as aforesaid, the Bond Trustee may (at the cost of CHNw) first mail to the Holders of Bonds which have not yet been paid, at the addresses shown on the registration books maintained by the Bond Trustee, a notice, in such form as may be deemed appropriate by the Bond Trustee with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to CHNw of the moneys held for the payment thereof.

Limitation of Rights to Parties and Bondholders

Nothing in the Bond Indenture or in the Bonds expressed or implied is intended or shall be construed to give to any Person other than CHNw, the Bond Trustee and the Holders of the Bonds, any legal or equitable right, remedy or claim under or in respect of the Bond Indenture or any covenant, condition or provision therein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of CHNw, the Bond Trustee and the Holders of the Bonds.

Evidence of Rights of Bondholders

Any request, consent or other instrument required or permitted by the Bond Indenture to be signed and executed by Bondholders may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Bondholders in Person or by an agent or agents duly appointed in writing.

The fact and date of the execution by any Person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the Person signing such request, consent or other instruments acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.

The ownership of Bonds shall be proved by the registration books for the Bonds held by the Bond Trustee.

Any request, consent, or other instrument or writing of the Holder of any Bond shall bind every future Holder of the same Bond and the Holder of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Bond Trustee or CHNw in accordance therewith or reliance thereon.

Waiver of Personal Liability

No member, officer, agent or employee of CHNw shall be individually or personally liable for the payment of the principal or redemption price of or interest on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof or the performance of any duty under the Bond Indenture; but nothing contained in the Bond Indenture shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law or by the Bond Indenture.

Governing Law; Venue

The Bond Indenture shall be construed in accordance with and governed by the Constitution and the laws of the State of Indiana applicable to contracts made and performed in the State of Indiana. The Bond Indenture shall be enforceable in the State of Indiana, provided, however, that any action arising under the Bond Indenture shall (unless waived by CHNw and the Bond Trustee) be filed and maintained in the State of Indiana.

CUSIP Numbers

Neither the Bond Trustee nor CHNw shall be liable for any defect or inaccuracy in the CUSIP number that appears on any Bond or in any redemption notice. The Bond Trustee may, in its discretion, include in any redemption notice a statement to the effect that the CUSIP numbers on the Bonds have been assigned by an independent service and are included in such notice solely for the convenience of the Holders and that neither the Bond Trustee nor CHNw shall be liable for any inaccuracies in such numbers.

APPENDIX D
DEFINITIONS

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DEFINITIONS

The following are definitions of certain terms used in the Master Indenture and Appendix C. Capitalized terms not defined elsewhere in this Offering Memorandum or in this Appendix D have the meanings set forth in the Master Indenture.

"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 or other obligation (including, without limitation, a Financial Products Agreement), 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 instrument (or the related Indebtedness or other obligation) due and payable prior to the date on which it would otherwise become due and payable.

"Additional Bonds" means bonds issued under the Bond Indenture subsequent to the initial Series 2018A Bonds, which are consolidated with such Series 2018A Bonds or which are issued as a separate series. Any Additional Bonds consolidated with such Series 2018A Bonds shall, together with such Series 2018A Bonds, be treated as a single series of Series 2018A Bonds for all purposes the Bond Indenture.

"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 Governing Body of which are members of the Governing 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 a majority of the securities (as defined in Section 2(1) of the Securities Act of 1933) of any class or classes, the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the Governing Body of such corporation; (b) a not for profit corporation not having stock, having the power to elect or appoint, directly or indirectly, a majority of the members of the Governing 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 Governing Body, by contract or otherwise. For the purposes of this definition, "Governing Body" means with respect to: (a) a corporation having stock, such corporation's board of directors and the owners, directly or indirectly, of a majority of the securities (as defined in Section 2(1) of the Securities Act of 1933) 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 Governing Body); (b) a not for profit corporation not having stock, such corporation's members if the members have complete discretion to elect the corporation's Governing Body, or the corporation's Governing 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 Persons performing the function of directors or members however denominated.

"Assumed Variable Rate" means, with respect to Variable Rate Indebtedness or Put Indebtedness, the interest rate which is equal to the average of the actual interest rates which were in effect (weighted according to the length of the period during which each such interest rate was in effect) for the most recent 12-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a 12-month period) and during which such Variable Rate Indebtedness or Put Indebtedness was outstanding and, as to any period during such 12-month period that such Variable Rate Indebtedness or Put Indebtedness was not outstanding, the rate of interest borne by such Variable Rate Indebtedness or Put Indebtedness when issued shall be used.

"Authorized Denomination" means \$1,000 or any multiple integral thereof.

"Authorized Representative" means, with respect to each Obligated Group Member, the chairman, vice chairman, president or vice president of its Governing Body, its chief executive officer, its chief financial officer or any other person designated as an Authorized Representative of such Obligated Group Member by a certificate of such Obligated Group Member, signed by the chairman, vice chairman, president or vice president of its Governing Body, its chief executive officer or its chief financial officer and filed with the Master Trustee.

"Balloon Indebtedness" means Long-Term Indebtedness 20% or more of the original principal amount of which is scheduled to be due in any consecutive 12-month period, which principal portion is not required by the documents under which such Indebtedness is incurred to be amortized by redemption or prepayment prior to such 12-month period. Balloon Indebtedness does not include Indebtedness which otherwise would be classified under the Master Indenture as Put Indebtedness.

"Beneficial Owner" means any Person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any of the Bonds (including any Person holding Bonds through nominees, depositories or other intermediaries) established to the reasonable satisfaction of the Bond Trustee or CHNw.

"Bond Fund" means the fund by that name established pursuant to the Bond Indenture.

"Bond Indenture" means the Trust Indenture, by and between CHNw and the Bond Trustee, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Bond Indenture.

"Bond Trustee" means The Bank of New York Mellon Trust Company, N.A., a national banking association duly organized and existing under and by virtue of the laws of the United States of America, or its successor or successors, as Bond Trustee under the Bond Indenture as provided in the Bond Indenture.

"Bonds" means bonds authorized by, and at any time Outstanding pursuant to, the Bond Indenture, including the Series 2018A Bonds and any Additional Bonds.

"Book-Entry Form" or "Book-Entry System" means a form or system, as applicable, under which physical bond certificates in fully registered form are registered only in the name of a Securities Depository or its nominee as Bondholder, with the physical bond certificates held by

and "immobilized" in the custody of the Securities Depository and the book-entry system maintained by and the responsibility of others than CHNw or the Bond Trustee is the record that identifies and records the transfer of the interests of the owners of book-entry interests in those Bonds.

"Book Value" when used in connection with Property of any Person, means the value of such Property, net of any accumulated depreciation or amortization, as it is carried in the most recent audited financial statements of such Person prepared in conformity with GAAP, and when used in connection with Property of the Credit Group, means the aggregate of the values so determined with respect to such Property of each Obligated Group Member and Credit Group Affiliate determined in such manner that no Property is included more than once.

"Business Day" means a day which is not (a) a Saturday, Sunday or legal holiday on which banking institutions in the State of New York or the State of Indiana, or the city in which the Designated Office of the Bond Trustee is located, are authorized by law to close or (b) a day on which the New York Stock Exchange is closed.

"Capitalized Interest" means amounts held by a trustee on deposit in a trust account in connection with the issuance of Related Bonds or other Long Term Indebtedness to pay interest on Related Bonds or other Long Term Indebtedness.

"Certificate", "Statement", "Request" and "Requisition" of CHNw" mean, respectively, a written certificate, statement, request or requisition signed in the name of CHNw by an Authorized Representative. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument. If and to the extent required by the Bond Indenture, each such instrument shall include the statements provided for in the Bond Indenture.

"CHNw" means Community Health Network, Inc., an Indiana nonprofit corporation.

"Code" means the Internal Revenue Code of 1986, as amended. Each reference to a section of the Code shall be deemed to include the United States Treasury Regulations, including temporary and proposed regulations, relating to such section which are applicable to the related Obligations or Related Bonds, as the case may be, or the use of the proceeds thereof

"Commitment Indebtedness" means the obligation of any Person to repay amounts disbursed pursuant to a commitment from a financial institution, insurer, surety or similar entity to pay, refinance or purchase when due, when tendered or when required to be purchased or tendered, or to extend funds for such purpose, other Indebtedness of such Person or any other obligation of any other Person, and the obligation of any Person to pay interest payable on amounts disbursed for such purposes, plus any fees, costs or expenses payable to such financial institution, insurer, surety or similar entity 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 and any indemnification or contribution obligation related thereto.

"Completion Indebtedness" means any Long-Term Indebtedness incurred by any Person for the purpose of financing the completion of facilities for the acquisition, construction or equipping of which Long-Term indebtedness has theretofore been incurred in compliance with the provisions of the Master Indenture, to the extent necessary to provide a completed and equipped facility of substantially the same type and scope contemplated at the time that such Long-Term indebtedness theretofore incurred was originally incurred, and 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 Long-Term Indebtedness was originally incurred, to provide for Escrowed Interest related thereto, to provide any reserve funds related to such Completion Indebtedness and to pay the costs and expenses of issuing such Completion Indebtedness.

"Consultant" means a professional consulting, advisory or banking firm, selected by the Credit Group Representative and not objected to by the Master Trustee, which has the skill and experience necessary to render the particular report required and having a favorable and nationally recognized reputation for such skill and experience, which firm does not control any Member or Credit Group Affiliate and is not controlled by or under common control with any Member or Credit Group Affiliate.

"Controlling Member" means the Obligated Group Member designated by the Credit Group Representative to establish and maintain control over a Credit Group Affiliate.

"Corporate Trust Office" means the office of the Master Trustee at which its designated corporate trust business is conducted.

"Credit Group" means all Obligated Group Members and Credit Group Affiliates.

"Credit Group Affiliate" means any Person which has been so designated in writing by the Credit Group Representative in accordance with the provisions of the Master Indenture described in subsection (a) under the caption "**SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE — Payment Obligations; Credit Group Affiliates — Designation of Credit Group Affiliates**" so long as such Person has not been further designated in writing by the Credit Group Representative as no longer being a Credit Group Affiliate in accordance with the provisions of the Master Indenture described in subsection (d) under the caption "**SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE — Payment Obligations; Credit Group Affiliates — Designation of Credit Group Affiliates**".

"Credit Group Member" means a member of the Credit Group.

"Credit Group Representative" means CHNw or such other Obligated Group Member (or Obligated Group Members acting jointly) as may have been designated pursuant to written notice to the Master Trustee executed by CHNw or the then-current Credit Group Representative.

"Cross-over Date" means, with respect to Cross-over Refunding Indebtedness, the date on which the principal portion of the related 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 Crossover Refunding Indebtedness.

"Cross-over Refunded Indebtedness" means Indebtedness of a Person refunded by 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" means (i) with respect to tangible Property: (a) the aggregate fair market value of such Property as reflected in the most recent written report of an appraiser acceptable to the Master Trustee and, in the case of real property, who is a member of the American Institute of Real Estate Appraisers (MAI), 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), plus (b) the Book Value of any tangible Property acquired since the last such report, minus (c) the greater of the Book Value or the fair market value (as reflected in such most recent appraiser's report) of any tangible Property disposed of since the last such report date as of which Current Value is to be calculated, and (ii) with respect to any other Property, the fair market value of such Property, which fair market value shall be evidenced in a manner acceptable to the Master Trustee.

"Default" means any event which is or after notice or lapse of time or both would become an Event of Default under the Bond Indenture.

"Defeasance Obligations" means (i) Government Obligations, (ii) with respect to any Related Bonds or any Obligation securing or issued in respect of Related Bonds, those obligations permitted to be used to effect the discharge, or provision for discharge, of such Related Bonds under the Related Bond Indenture or Related Loan Document and (iii) with respect to any Obligation, other than an Obligation referred to in (ii), those obligations permitted to be used to effect the discharge, or provision for discharge, of such Obligation as described in the Supplement related to such Obligation.

"Designated Office" means the Designated Office of the Bond Trustee, which as of the date of the Bond Indenture is located at 300 N. Meridian Street, Suite 910, Indianapolis, Indiana 46204, Attention: Corporate Trust Administration, and such other offices as the Bond Trustee may designate from time to time by written notice to CHNw and the Holders.

"Escrowed Interest" means amounts irrevocably deposited in escrow to pay interest on Long-Term Indebtedness or Related Bonds and interest earned or increment to accrue on amounts so deposited in escrow to the extent such interest earned or increment is required to be applied to pay interest on Long-Term Indebtedness or Related Bonds.

"EMMA" means the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system.

"Event of Default" means any of the events specified as such in the Bond Indenture or the Master Indenture.

"Excluded Property" means any assets of "employee pension benefit plans" as defined in the Employee Retirement Income Security Act of 1974, as amended; the Property of CHNw and any other Obligated Group Member which is not subject to the restrictions and limitations contained in the Master Indenture on the transfer of assets and the creation of liens on assets as provided for in the Master Indenture from time to time, including certain nursing homes and rehabilitation facilities, and all improvements, fixtures, tangible personal property and equipment located thereon and used in connection therewith.

"Financial Products Agreement" means an interest rate swap, basis swap, index swap or option, exchange, cap, collar, option, floor, forward, futures contract or other hedging agreement, arrangement or security, or combination of the foregoing, however denominated, including any option to enter into the foregoing, identified to the Master Trustee in a certificate of the Credit Group Representative as having been entered into by an Obligated Group Member or a Credit Group Affiliate for the purpose of reducing, modifying, converting or otherwise managing the Obligated Group Member's or Credit Group Affiliate's risk of interest rate or interest rate index changes or interest rate or interest rate index exposures or risk of changes or exposures to prices of commodities, securities, portfolios, products, supplies, goods or services. Obligations of a Credit Group Member in respect of a Financial Products Agreement shall not constitute Indebtedness under the Master Indenture.

"Financial Product Payments" means amounts periodically required to be paid, or required to be paid on termination, to a counterparty by an Obligated Group Member or a Credit Group Affiliate pursuant to a Financial Products Agreement.

"Financial Statements of the Credit Group" means the financial statements described in the provisions of the Master Indenture summarized under the caption **"SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE — Particular Covenants; Representations and Warranties — Preparation and Filing of Financial Statements, Reports and Other Information."**

"Fiscal Year" means the period commencing on the first day of January of any year and ending on the last day of December of the following year unless the Master Trustee is notified in writing by the Credit Group Representative of a change in such period, in which case the Fiscal Year shall be the period set forth in such notice.

"Fitch" means Fitch IBCA, Inc. and its successors and assigns.

"GAAP" means generally accepted accounting principles in the United States of America in effect from time to time promulgated by the Financial Standards Accounting Board and recognized and interpreted by the American Institute of Certified Public Accountants.

"Governing Body" means, when used with respect to any Member or Credit Group Affiliate, its board of directors, board of trustees, or other board or group of individuals in which the powers of such Member or Credit Group Affiliate are vested, except for those powers reserved to the corporate membership of such Obligated Group Member or Credit Group

Affiliate by the articles of incorporation or bylaws of such Obligated Group Member or Credit Group Affiliate.

"Government Obligations" means, with respect to the Master Indenture: (1) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) or obligations the timely payment of the principal of and interest on which are fully guaranteed by the United States of America; (2) obligations issued or guaranteed by any agency, department or instrumentality of the United States of America if the obligations issued or guaranteed by such entity are rated in one of the two highest rating categories of a Rating Agency (without regard to any gradation of such rating category); (3) certificates which evidence ownership of the right to the payment of the principal of and interest on obligations described in clauses (1) and/or (2), provided that such obligations are held in the custody of a bank or trust company in a special account separate from the general assets of such custodian; and (4) obligations the interest on which is excluded from gross income for purposes of federal income taxation pursuant to Section 103 of the Code and the timely payment of the principal of and interest on which is fully provided for by the deposit in trust of cash and/or obligations described in clauses (1), (2) and/or (3); and with respect to the Bond Indenture, means direct obligations of, or obligations the timely payment of principal of and interest on which are fully guaranteed by, the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America and including certificates or other instruments evidencing direct ownership interests in such direct obligations of the United States of America such as "CATS," "TIGRS," Treasury Receipts and Stripped Treasury Coupons), including (i) evidences of a direct ownership interest in future interest or principal payments on obligations issued or guaranteed by the United States of America, which obligations are held in a custody account by a custodian pursuant to the terms of a custody agreement and (ii) obligations issued by any state of the United States of America or any political subdivision, public instrumentality or public authority of any state of the United States of America, which obligations are fully secured by and payable solely from direct obligations of, or obligations the timely payment of principal and interest on which are fully guaranteed by, the United States of America, which security is held pursuant to a security agreement and which obligations as so secured and payable are rated at the time of purchase "Aaa" by Moody's, or its successor, if any, and rated at the time of purchase "AAA" by Standard & Poor's, or its successor, if any.

"Guaranteed Debt" means any obligation of any Person which is not a Member or Credit Group Affiliate which obligation of such other Person would, if such obligation were the obligation of a Member or Credit Group Affiliate, constitute Indebtedness under the Master Indenture, with respect to which a Credit Group Member has issued a Guaranty.

"Guaranteed Debt Service Requirements" means the debt service requirements for Guaranteed Debt calculated as follows: (A) for the purpose of calculating any historical Long Term Debt Service Requirements, the guarantor's Long Term Debt Service Requirements for a Guaranty shall be deemed to be the actual amount paid on such Guaranty by the guarantor, (B) for all other purposes, (1) except as provided in clause (2) below, the debt service requirements of such Guaranteed Debt, excluding the percentage of the debt service requirements of such Guaranteed Debt set forth in the following table based on the ratio of the aggregate income available for debt service (determined on a basis consistent with the

determination of Income Available for Debt Service under the Master Indenture) of all primary obligors with respect to such Guaranteed Debt for their most recent fiscal year to the maximum annual debt service on all outstanding long-term Indebtedness with respect to which such persons are primary obligors for such fiscal year (determined on a basis consistent with the determination of Maximum Annual Debt Service Requirement under the Master Indenture), shall be taken into:

Ratio of Income available for debt service to maximum annual debt service of the primary obligor	Percentage of debt service requirements of the Guaranteed Debt to be excluded
1.50 to 1.0 or greater	100%
At least 1.35 to 1.0 but less than 1.50 to 1.0	75
At least 1.25 to 1.0 but less than 1.35 to 1.0	50
At least 1.10 to 1.0 but less than 1.25 to 1.0	25
Less than 1.10 to 1.0	0

or (2) if a default shall have occurred with respect to such Guaranteed Debt or a demand for payment shall have been made under such Guaranteed Debt during the immediately preceding two years, 100% of the debt service requirements of such Guaranteed Debt shall be taken into account.

"Guaranty" means any obligation of any Member or Credit Group Affiliate guaranteeing in any manner, directly or indirectly, any obligation of any other Person which is not a Member or Credit Group Affiliate which obligation of such other Person would, if such obligation were the obligation of a Member or Credit Group Affiliate, constitute Indebtedness under the Master Indenture.

"Holder" or "Bondholder," whenever used in the Bond Indenture with respect to a Bond, means the Person in whose name such Bond is registered.

"Holder" or "Obligation Holder" means, unless contrary provision is made by a Supplement pursuant to which an Obligation is issued, the registered owner of any Obligation issued in registered form.

"Income Available for Debt Service" means, for any Fiscal Year, the excess of revenues over expenses (or, in the case of for-profit Obligated Group Members or Credit Group Affiliates, net income after taxes) of the Credit Group for such period, to which shall be added depreciation, amortization and interest, provided that no such determination shall include (1) any gain or loss resulting from (a) the extinguishment of Indebtedness, (b) any disposition of capital assets not made in the ordinary course of business, (c) any discontinued operations or (d) adjustments to the value of assets or liabilities resulting from changes in GAAP, (2) unrealized gains or losses on investments, contracts or other agreements (including, without limitation, any securities or any hedging, derivative, interest rate exchange or similar contract or arrangement) as of the last date

of such Fiscal Year, including (without limitation) in this clause (2) unrealized losses resulting from other than permanent declines in the value of such investments, contracts or other agreements, (3) unrealized gains or losses resulting from any change in the termination value of any hedging, derivative, interest rate exchange or similar contract or arrangement, or (4) any nonrecurring items of an extraordinary nature which do not involve the receipt, expenditure or transfer of assets.

"Indebtedness" means (i) all Guaranties and (ii) all obligations of any Member of the Obligated Group or Credit Group Affiliate (a) for borrowed money or credit extended, (b) with respect to leases which are considered capital leases, (c) under installment sale agreements, in each case as determined in accordance with GAAP or (d) evidenced by bonds, debentures, notes or similar instruments; provided, however, that if more than one Obligated Group Member or Credit Group Affiliate shall have incurred or assumed a Guaranty of a Person other than an Obligated Group Member or a Credit Group Affiliate, or if more than one Obligated Group Member or Credit Group Affiliate shall be obligated to pay any obligation, for purposes of any computations or calculations under the Master Indenture, such Guaranty or obligation shall be included only one time. Indebtedness shall not include (i) obligations of any Member or Credit Group Affiliate to another Member or Credit Group Affiliate, (ii) the joint and several liability of any Member on Indebtedness of another Member, (iii) obligations with respect to Financial Products Agreements, (iv) the obligation of any Member or Credit Group Affiliate to repay moneys deposited by patients or others with a Member or Credit Group Affiliate 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 endowments or similar funds deposited by or on behalf of such residents, or (v) any Obligation which is issued to secure Indebtedness, which Indebtedness has been incurred in compliance with the provisions of the Master Indenture described under the caption **"SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE — Particular Covenants; Representations and Warranties — *Limitations on Indebtedness*"** below.

"Indenture Fund" means the fund by that name established pursuant to the Bond Indenture.

"Interest Account" means the account by that name in the Bond Fund established pursuant to the Bond Indenture.

"Interest Payment Date" means May 1 and November 1 of each year, commencing May 1, 2018, or with respect to any Additional Bonds, such dates as shall be specified in the Supplemental Bond Indenture authorizing their issuance.

"Lien" means any mortgage, deed of trust or pledge of, security interest in or encumbrance on any Property of any Member or Credit Group Affiliate which secures any Indebtedness of any Member or Credit Group Affiliate or which secures any obligation of any Person (other than an obligation to any Member or Credit Group Affiliate) which, if such Person were a Member or a Credit Group Affiliate, would constitute Indebtedness, excluding Liens applicable to Property in which any Member or Credit Group Affiliate has only a leasehold interest, unless the Lien is with respect to such leasehold interest.

"Long-Term Debt Service Coverage Ratio" means, for any Fiscal Year, the ratio consisting of (i) a numerator equal to the amount determined by dividing the Income Available for Debt Service by the Long-Term Debt Service Requirement for such Fiscal Year and (ii) a denominator of one.

"Long-Term Debt Service Requirement" means, for any Fiscal Year for which such determination is made, the aggregate of the payments required to be made in respect of principal and interest on Outstanding Long-Term Indebtedness of the Credit Group during such Fiscal Year. In calculating the amount of such payments for completed Fiscal Years, the following shall apply: (i) the interest on any Indebtedness shall be excluded to the extent Capitalized Interest is available to pay such interest during such period, (ii) 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 the provisions of the Master Indenture described in subsection (g) under the caption **"SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE — Particular Covenants; Representations and Warranties — *Limitations on Indebtedness*"**, which amounts were deposited in Fiscal Years prior to the Fiscal Year in which such principal became due, and (iii) with respect to Guaranteed Debt, the amount of principal and interest shall be determined in accordance with the Guaranteed Debt Service Requirements and shall only be taken into account once. In calculating the amount of such payments for future Fiscal Years, the following shall apply: (i) with respect to Balloon Indebtedness, the amount of principal and interest payments required to be made shall be deemed to be that amount which would be payable in such Fiscal Year if the principal of such Balloon Indebtedness were amortized from the date of calculation over a period of 30 years (or, if the term thereof exceeds 30 years, over a period equal to such term) on a level annual debt service basis at the Projected Rate and if the interest payable thereon were calculated at the Projected Rate; (ii) with respect to Put Indebtedness, the amount of principal and interest payments required to be made shall be deemed to be that amount which would be payable in such Fiscal Year if the principal of such Put Indebtedness were amortized from the date of calculation over a period of 30 years (or, if the term thereof exceeds 30 years, over a period equal to such term) on a level annual debt service basis at the Assumed Variable Rate and interest were calculated at the Assumed Variable Rate; (iii) with respect to Variable Rate Indebtedness (which is not Put Indebtedness or Balloon Indebtedness, unless such Put Indebtedness or Balloon Indebtedness was incurred pursuant to the provisions of the Master Indenture described in subsection (a) under the caption **"SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE — Particular Covenants; Representations and Warranties — *Limitations on Indebtedness*"** or thereafter classified as having been incurred pursuant to the provisions described in such subsection and, in either case, not thereafter reclassified as having been incurred under another provision of the Master Indenture described under the caption **"SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE — Particular Covenants; Representations and Warranties — *Limitations on Indebtedness*"**) that is Long-Term Indebtedness, the interest on such Indebtedness for any future Fiscal Year shall be calculated at the Assumed Variable Rate; (iv) with respect to any Commitment Indebtedness, to the extent that amounts are not then due and owing for advances made by the creditor with respect thereto, the principal, interest and other payments relating to such Commitment Indebtedness shall not be included in any

computations with respect to Income Available for Debt Service or the Long-Term Debt Service Requirement; (v) with respect to Guaranteed Debt, the amount shall be determined in accordance with the Guaranteed Debt Service Requirements and shall only be taken into account once; and (vi) with respect to any Indebtedness for which the number of actual required 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, 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 determined by the Credit Group Representative; provided, however, that (a) interest shall be excluded from the determination of Long-Term Debt Service Requirements to the extent that Escrowed Interest is or will be available to pay such interest; and (b) principal shall be excluded from the determination of Long-Term 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.

"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.

"Master Indenture" means the Amended and Restated Master Trust Indenture dated as of November 15, 1995, as amended and restated by the Amended and Restated Master Trust Indenture dated as of November 27, 2012, all between the Members of the Obligated Group and the Master Trustee, and as it may be further amended and supplemented from time to time.

"Master Trustee" means The Bank of New York Mellon Trust Company, N.A., and its successors in the trusts created under the Master Indenture.

"Maximum Annual Debt Service Requirement" means the maximum Long-Term Debt Service Requirement for the then current or any succeeding Fiscal Year; provided 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.

"Maximum Annual Long-Term Debt Service Coverage Ratio" means, for any Fiscal Year, the ratio consisting of (i) a numerator equal to the amount determined by dividing Income Available for Debt Service by the Maximum Annual Debt Service Requirement for such Fiscal Year and (ii) a denominator of one.

"Medicaid" means, collectively, the health care assistance program established by Title XIX of the Social Security Act (42 U.S.C. §§ 1396 et seq.) and any statutes succeeding thereto, and all laws, rules, regulations, manuals, orders, guidelines or requirements pertaining to such program including (a) all federal statutes (whether set forth in Title XIX of the Social Security Act or elsewhere) affecting such program; (b) all state statutes and plans for medical assistance enacted in connection with such program and federal rules and regulations promulgated in

connection with such program; and (c) all applicable provisions of all rules, regulations, manuals, orders and administrative and reimbursement guidelines and requirements of all government authorities promulgated in connection with such program (whether or not having the force of law), in each case as the same may be amended, supplemented or otherwise modified from time to time.

"Medicare" means, collectively, the health insurance program for the aged and disabled established by Title XVIII of the Social Security Act (42 U.S.C. §§ 1395 et seq.) and any statutes succeeding thereto, and all laws, rules, regulations, manuals, orders or guidelines pertaining to such program including (a) all federal statutes (whether set forth in Title XVIII of the Social Security Act or elsewhere) affecting such program; and (b) all applicable provisions of all rules, regulations, manuals, orders and administrative and reimbursement guidelines and requirements of all governmental authorities promulgated in connection with such program (whether or not having the force of law), in each case as the same may be amended, supplemented or otherwise modified from time to time.

"Member," "Member of the Obligated Group" or "Obligated Group Member" means any Person which has executed the Master Indenture or any Supplement and thereby has become obligated as a Member of the Obligated Group, but excluding any Person which withdraws from the Obligated Group to the extent and in accordance with the provisions of the Master Indenture as described under the caption "**SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE — Particular Covenants; Representations and Warranties — *Withdrawal from the Obligated Group***", from and after the date of such withdrawal.

"Moody's" means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by CHNw upon notice to the Bond Trustee.

"Non-Recourse Indebtedness" means any Indebtedness secured by a Lien, the liability for which is of limited to the Property subject to such Lien with no recourse, directly or indirectly, to any other Property of any Credit Group Member.

"Obligated Group" means, collectively, the Members of the Obligated Group.

"Obligation" means any obligation of the Obligated Group issued by the Credit Group Representative or by a Member with the approval of the Credit Group Representative pursuant to the Master Indenture, as a joint and several obligation of each Obligated Group Member, which may be in any form set forth in a related Supplement, including, but not limited to, bonds, obligations, debentures, reimbursement agreements, loan agreements, other forms of Indebtedness or Financial Products Agreements.

"Offering Memorandum" means the final offering memorandum dated February 13, 2018, relating to the Series 2018A Bonds.

"Officer's Certificate" means a certificate signed by an Authorized Representative of the Credit Group Representative and stating, among other things, that it is being delivered pursuant to (and shall identify the section or subsection of) the Master Indenture and shall incorporate by reference and use in all appropriate instances all terms defined in the Master Indenture, that the terms thereof are in compliance with the requirements of the section or subsection pursuant to which such Officer's Certificate is delivered, or shall state in reasonable detail the nature of any non-compliance and the steps being taken to remedy such non-compliance, and that it is being delivered together with any opinions, schedules, statements or other documents required in connection therewith.

"Opinion of Bond Counsel" means an opinion in writing signed by an attorney or firm of attorneys experienced in the field of municipal bonds whose opinions are generally accepted by purchasers of municipal bonds.

"Opinion of Counsel" means an opinion in writing signed by an attorney or firm of attorneys, who may be counsel for any Member of the Obligated Group or any Credit Group Affiliate (but not an employee thereof) satisfactory to the Bond Trustee.

"Outstanding" when used as of any particular time with reference to Bonds, means (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 CHNw 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" means, when used with reference to 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 incurred except any such portion thereof canceled after purchase thereof 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 incurred 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.

"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 theretofore cancelled by the Master Trustee or delivered to (or required to be delivered to) the Master Trustee for cancellation;
- (b) Obligations deemed paid and no longer outstanding pursuant to the terms thereof;
- (c) Obligations in lieu of which others have been authenticated under the Master Indenture; and

(d) For the purposes of all covenants, approvals, waivers and notices required to be complied with, given or obtained under the Master Indenture, Obligations held or owned by any member of the Credit Group or any Affiliate.

Notwithstanding the foregoing, any Obligation securing Related Bonds shall be deemed outstanding if such Related Bonds are Outstanding Related Bonds.

"Outstanding Related Bonds" or "Related Bonds outstanding" means 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 thereof or because of payment at or redemption prior to maturity;

(b) Related Bonds deemed paid and no longer outstanding pursuant to the terms thereof;

(c) Related Bonds in lieu of which others have been authenticated 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 any member of the Credit Group or any Affiliate.

"Payment Date" means an Interest Payment Date or a Principal Payment Date.

"Permitted Liens" means:

(i) Any Lien arising by reason of any escrow or fund established to pay debt service with respect to Indebtedness;

(ii) Any Lien in favor of a trustee on the proceeds of Indebtedness prior to the application of such proceeds;

(iii) Liens on moneys deposited by patients or others with any Obligated Group Member or Credit Group Affiliate as security for or as prepayment for the cost of patient care, and any rights of residents of life care, elderly housing or similar facilities to entrance fees, endowment or similar funds deposited by or on behalf of such residents;

(iv) Liens on Property received by any Obligated Group Member or Credit Group Affiliate through gifts, grants or bequests (at the time of receipt of such Property, the aggregate amount remaining unpaid on any Indebtedness secured thereby does not exceed the fair market value of such Property); provided, that no such Lien (or the amount of Indebtedness secured thereby) may be increased or modified so as to apply to any Property of any Obligated Group Member or Credit Group Affiliate not previously

subject to such Lien unless such Lien following such increase or modification otherwise qualifies as a Permitted Lien under the Master Indenture;

(v) Liens on funds established pursuant to the terms of any Supplement, Related Bond indenture or related document in favor of the Master Trustee, a Related Bond Trustee or the registered owner of the Indebtedness incurred or Obligation issued pursuant to such Supplement, Related Bond Indenture or related document;

(vi) Liens required by any federal, state or local government as a condition to its making a grant or loan (except loans made solely from the proceeds derived from the sale of Related Bonds) to, or its guaranteeing or insuring part or all of Indebtedness of an Obligated Group Member or a Credit Group Affiliate, but only if such Lien is limited to Property the acquisition of which has not been financed, directly or indirectly, with proceeds of Obligations or Related Bonds;

(vii) Liens in favor of the Master Trustee securing all Outstanding Obligations equally and ratably;

(viii) Liens junior to Liens in favor of the Master Trustee in accordance with clauses (vii) or (xv);

(ix) (a) Liens which are existing on the date of execution of the Master Indenture or (b) existing on the date any Person becomes an Obligated Group Member or a Credit Group Affiliate, provided that no such Lien (or the amount of Indebtedness secured thereby) may be increased or modified to apply to any Property of any Obligated Group Member or Credit Group Affiliate not subject to such Lien on such date, unless such Lien following such increase or modification otherwise qualifies as a Permitted Lien under the Master Indenture;

(x) Liens on Property of a Person at the time such Person engages in a merger, consolidation, sale or conveyance pursuant to the provisions of the Master Indenture summarized under the caption "**SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE — Particular Covenants; Representations and Warranties — Consolidation, Merger, Sale or Conveyance**"; provided that no such Lien (or the amount of Indebtedness secured thereby) may be increased or modified to apply to any Property of any Obligated Group Member or Credit Group Affiliate not subject to such Lien on such date, unless such Lien following such increase or modification otherwise qualifies as a Permitted Lien under the Master Indenture;

(xi) Liens granted by an Obligated Group Member or Credit Group Affiliate to another Obligated Group Member or Credit Group Affiliate;

(xii) Liens securing 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 an Obligated Group Member or Credit Group Affiliate other than any theretofore unimproved real property on which the Property so constructed or improved is located;

(xiii) Any other Lien, provided that, after giving effect to the creation of any Lien described in this clause (xiii), the aggregate Book Value of Property subject to Liens created or permitted to exist pursuant to this clause (xiii) shall not exceed twenty percent (20%) of the Book Value of the Total Assets of the Credit Group (as shown on or reflected in the Financial Statements of the Credit Group for the most recent Fiscal Year for which Financial Statements are available immediately preceding the date that such Lien is created);

(xiv) Liens on accounts receivable arising as a result of the sale, purported sale, pledge, mortgage or other transfer or financing of or involving accounts receivable; provided, that the aggregate amount of accounts receivable of the Credit Group so sold, purportedly sold, pledged, mortgaged or otherwise transferred or financed (and, in each case, which have not been paid) shall not at any time exceed 25% of the total amount of accounts receivable of the Credit Group as reflected in the Financial Statements of the Credit Group for the most recent Fiscal Year for which Financial Statements of the Credit Group are available; and

(xv) Liens on Unrestricted Receivables created in the Master Indenture, as amended or supplemented from time to time.

"Person" or "Persons" includes an individual, association, unincorporated organization, corporation, partnership, joint venture, business trust, trust or other legal entity or group of entities, including a government or an agency or a political subdivision thereof.

"Principal Account" means the account by that name in the Bond Fund established pursuant to the Bond Indenture.

"Principal Payment Date" means May 1, 2053 and May 1, 2058, or, with respect to any Additional Bonds, such dates as shall be specified in a Supplemental Indenture authorizing their issuance.

"Project" means the use of the proceeds of the Series 2018A Bonds by CHNw for general corporate purposes of CHNw and costs of issuance of the Series 2018A Bonds.

"Project Fund" means the fund by that name established by the Bond Indenture.

"Projected Rate" means (i) in the case of obligations the interest on which is expected to be exempt from federal income taxes, the interest rate which equals the most recently available Revenue Bond Index as published in *The Bond Buyer* (or such comparable index approved by the Credit Group Representative, if such Revenue Bond Index is no longer published) for a term most closely approximating the assumed term of the Indebtedness in question (i.e., the period to maturity calculated in the manner provided in the Master Indenture) and (ii) in all other cases, 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 not objected to by the Master Trustee). Such report shall state that in determining the Projected Rate such Consultant reviewed (to the extent available) the yield evaluation at par of such number of other obligations selected by such Consultant as such Consultant deems appropriate, which obligations such Consultant states are reasonable comparators for utilizing in

developing such Projected Rate and which obligations are not entitled to the benefits of any credit enhancement including without limitation any letter of credit or insurance policy.

"Property" means any and all rights, titles and interests in and to any and all property whether real or personal, tangible or intangible and wherever situated, other than Excluded Property.

"Property, Plant and Equipment" means all Property which is property, plant and equipment determined in accordance with GAAP.

"Put Indebtedness" means Long-Term Indebtedness which is 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.

"Rating Agency" means Moody's or S & P.

"Rating Category" means a generic securities rating category, without regard to any refinement or gradation of such rating category by a numerical modifier or otherwise.

"Record Date" means the fifteenth (15th) day (whether or not a Business Day) of the month immediately preceding each Interest Payment Date.

"Redemption Fund" means the fund by that name established pursuant to the Bond Indenture.

"Related Bond Indenture" means any indenture, bond resolution or other comparable instrument pursuant to which a series of Related Bonds is issued.

"Related Bonds" means revenue bonds or other obligations issued by any state, territory or possession of the United States or any municipal corporation or political subdivision formed under the laws thereof or any constituted authority or agency or instrumentality of any of the foregoing empowered to issue obligations on behalf thereof ("governmental issuer"), the proceeds of which are lent or otherwise made available to (i) a Member of the Obligated Group or Credit Group Affiliate in consideration, in whole or in part, of the execution, authentication and delivery of an Obligation to or for the order of such governmental issuer or (ii) any Person other than a Member of the Obligated Group or Credit Group Affiliate in consideration of the issuance to such governmental issuer (A) by such Person of any evidence of indebtedness or other obligation of such Person and (B) by a Member of the Obligated Group of a Guaranty in respect of such indebtedness or other obligation, which Guaranty is represented by an Obligation.

"Related Bond Trustee" means the trustee and its successors in the trusts created under any Related Bond Indenture.

"Related Issuer" means the issuer of any issue of Related Bonds.

"Related Loan Document" means the document or documents (including without limitation any lease, sublease or installment sales contract) pursuant to which any proceeds of any Related Bonds are advanced.

"Required Payment" means any payment, whether at maturity, by acceleration, upon proceeding for redemption, call for purchase or otherwise, including the purchase price of any Obligations, required to be made by any Obligated Group Member under the Master Indenture, any Supplement or any Obligation in respect of principal, interest, premium or the like or, in the case of a Financial Products Agreement, in respect of Financial Product Payments.

"Responsible Officer" means with respect to the Bond Trustee, any officer or authorized representative in its corporate trust or similar group administering the trusts under the Bond Indenture or any other officer of the Bond Trustee customarily performing functions similar to those performed by any of the above designated officers to whom a particular matter is referred by the Bond Trustee because of such officer's or authorized representative's knowledge of and familiarity with the particular subject.

"S&P" means Standard & Poor's Rating Services, a Standard & Poor's Finance Services LLC business, a corporation organized and existing under the laws of the State of New York, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by CHNw upon notice to the Bond Trustee.

"Securities Depository" means The Depository Trust Company and its successors and assigns, or any other securities depository selected as set forth in the Bond Indenture, which agrees to follow the procedures required to be followed by such securities depository in connection with the Bonds.

"Series 2018A Bonds" means the Community Health Network, Inc. Taxable Bonds, Series 2018A authorized by, and at any time outstanding pursuant to, the Bond Indenture.

"Series 2018A Note" means the Master Note Obligation, Series 2018A of CHNw, issued pursuant to the Series 2018A Supplemental Indenture, in the same principal amount as the aggregate principal amount of the Series 2018A Bonds.

"Series 2018A Supplemental Indenture" means the Series 2018A Supplemental Master Indenture dated as of February 1, 2018, between CHNw and the Master Trustee.

"Special Record Date" means the date established by the Bond Trustee pursuant to the Bond Indenture as the record date for the payment of defaulted interest on the Bonds.

"Supplemental Bond Indenture" means any indenture hereafter duly authorized and entered into between CHNw and the Bond Trustee, authorizing the issuance of Additional Bonds or 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.

"Subordinated Indebtedness" means Indebtedness the payment of which is specifically subordinated to the payment of principal, interest and premium on, or purchase price of, Obligations and having certain other provisions set forth in the Master Indenture.

"Supplement" means an indenture supplemental to, and authorized and executed pursuant to the terms of, the Master Indenture.

"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 and exempt from federal income taxes under Section 501(a) of the Code, or corresponding provisions of federal income tax laws from time to time in effect.

"Total Assets" means all assets of the Credit Group or of a Member of the Obligated Group or Credit Group Affiliate, as the case may be, as shown on the asset side of the balance sheet of such Person determined in accordance with GAAP.

"Total Revenues" means, with respect to the Credit Group, as to any Fiscal Year, total revenues, as reflected in the Financial Statements of the Credit Group for such Fiscal Year determined in accordance with GAAP.

"Underwriters" means, with respect to the Series 2018A Bonds, Wells Fargo Securities LLC, and PNC Capital Markets LLC.

"Uniform Commercial Code" means the Uniform Commercial Code as in effect in the State of Indiana from time to time.

"Variable Rate Indebtedness" means any portion of Indebtedness the interest rate on which is not established at the time of incurrence at a fixed or constant rate for its term and shall include, without limitation, any such Indebtedness for which the interest rate is established from time to time based upon a fixed formula, a percentage of an index, an auction or bidding process or the like.

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