



SUPPLEMENT
to the Official Statement dated October 15, 2013
and
Supplemented July 31, 2015
Relating to the

\$87,245,000
Aggregate Principal Amount of Outstanding
County of Franklin, Ohio
Revenue Bonds
(CHE Trinity Health Credit Group)
Series 2013OH

\$45,735,000
Aggregate Principal Amount of Outstanding
Idaho Health Facilities Authority
Hospital Revenue Bonds
(CHE Trinity Health Credit Group)
Series 2013ID

Adjustment Date: March 1, 2018

This Supplement (this "Supplement") contains certain information describing adjustments to the Term Rate Period for the County of Franklin, Ohio Revenue Bonds (CHE Trinity Health Credit Group), Series 2013OH (the "Ohio Bonds"), and the Idaho Health Facilities Authority Hospital Revenue Bonds (CHE Trinity Health Credit Group), Series 2013ID (the "Idaho Bonds"), and amendments to certain documents in order to effectuate such adjustments. The Ohio Bonds and the Idaho Bonds collectively are referred to herein as the "Bonds" and each as a "Series" of Bonds. Capitalized terms used but not defined herein shall have the meanings set forth in the Official Statement, dated October 15, 2013, as supplemented July 31, 2015 (as so supplemented, the "Supplemented 2013 Official Statement"), relating to each Series of Bonds. The Supplemented 2013 Official Statement is attached to this Supplement.

The Bonds will bear interest from March 1, 2018 (the "Adjustment Date") at a Term Rate, as determined by Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Remarketing Agent (the "Remarketing Agent"), in a Term Rate Period that will begin March 1, 2018. Such Term Rate will be in effect through April 30, 2018. The Bonds will be subject to mandatory tender for purchase on May 1, 2018. Thereafter, the Bonds will bear interest at a Term Rate determined by the Remarketing Agent. Each Term Rate Period beginning May 1, 2018 and thereafter will be a Three Month Term Rate Period and will be followed by a mandatory tender until such time, if any, that the Bonds are converted to bear interest during a Term Rate Period of a different duration or are converted to a different Interest Rate Mode. In the event of a change to a Term Rate Period of a different duration than described in this Supplement or a conversion to a different Interest Rate Mode, a further supplement to the Supplemented 2013 Official Statement or a new offering or remarketing document will be delivered describing the new Term Rate Period or Interest Rate Mode and the terms and provisions of the documents relating thereto.

In order to effectuate the adjustments to the Term Rate Periods described above, certain amendments to the Tenth Supplemental Bond Indenture, dated as of October 1, 2013, between the County of Franklin, Ohio, and U.S. Bank National Association, relating to the Ohio Bonds, and the Bond Indenture, dated as of October 1, 2013, between the Idaho Health Facilities Authority and The Bank of New York Mellon Trust Company, N.A. (collectively, the "Bond Indentures" and each a "Bond Indenture"), relating to the Idaho Bonds, will be required. The definition of "Interest Payment Date" in each Bond Indenture is proposed to be amended to add the following underlined language and read as follows:

"Interest Payment Date" means each date on which interest is to be paid and is: (i) with respect to the Bonds in the Flexible Mode, each Mandatory Purchase Date applicable thereto; (ii) with respect to the in the Daily Mode, the Weekly Mode, the Flexible Index Mode, the FRN Rate Mode or the Index Mode, the first Business Day of each calendar month; (iii) with respect to the Bonds in a Term Rate Mode (other than during a Three Month Term Rate Period) or a Fixed Rate Mode, the first day of the sixth calendar month following the month in which such Term Rate Mode or a Fixed Rate Mode takes effect, and the first day of each sixth calendar month thereafter or, upon the receipt by the Bond Trustee of a Favorable Opinion of Bond Counsel, any other six-month interval chosen by Trinity Health (beginning with the first such day which is at least three months after the Conversion Date) and, with respect to a Term Rate Period, the final day of the current Interest Period if other than a regular six-month interval; (iv) with respect to the Bonds in the Three Month LIBOR Indexed Mode or a Term Rate Mode during a Three Month Term Rate Period, each March 1, June 1, September 1 and December 1 (beginning with the first such day after the applicable Conversion Date) or, with respect to a Three Month Term Rate Period, the first day of such other three calendar month intervals as may be selected by Trinity Health prior to the first Rate Determination Date applicable to such Three Month Term Rate Period (following a special Three Month Term Rate Period of either two calendar months or four calendar months in duration in order to accommodate the alternate three calendar month intervals selected by Trinity Health); (v) with respect to in the Window Mode, the first Thursday of each calendar month, or if the first Thursday is not a Business Day, the next succeeding Business Day; (vi) (without duplication as to any Interest Payment Date listed above) each Maturity Date, Mandatory Purchase Date and Redemption Date; (vii) each Unscheduled Mandatory Tender Date on which all Outstanding Bonds are purchased as provided in Section 2.12(y); (viii) each Scheduled Mandatory Tender Date and (ix) with respect to any Liquidity Facility Bonds, the day set forth in the Reimbursement Agreement.

The definition of "Three Month Term Rate Period" in each Bond Indenture is proposed to be amended to add the following underlined language and read as follows:

"Three Month Term Rate Period" means each Term Rate Period with a duration of three calendar months (except under the circumstances contemplated in the definition of Interest Payment Date or in the event that fewer than three calendar months remain to the applicable Maturity Date, Mandatory Purchase Date or Redemption Date).

By purchasing the Ohio Bonds or the Idaho Bonds on the Adjustment Date, the purchasers and the Beneficial Owners of the respective Series of Bonds will be deemed to consent to the above-described amendments to the definitions of "Interest Payment Date" and "Three Month Term Rate Period" in the respective Bond Indenture. Such amendments shall become effective upon satisfaction of the conditions set forth in the respective Bond Indenture, including among other things, receipt by the related Issuer and the applicable Bond Trustee of an opinion of nationally recognized bond counsel to the effect that such amendments are authorized or permitted by the related Bond Indenture and the related Act and will not result in the inclusion of interest on the related Series of the Bonds in gross income for federal income tax purposes.

This Supplement must be read together with the Supplemented 2013 Official Statement, which has not been updated since its date. As described in the Supplemented 2013 Official Statement, Trinity Health Corporation files periodic reports and other information with the Municipal Securities Rulemaking Board through its electronic municipal market access system. Such reports and other information are available to the public on the website, www.emma.msrb.org.

This Supplement has been prepared for use by the Remarketing Agent, for the sole purpose of providing information relating to the matters set forth herein. The delivery of this Supplement has been duly authorized by the Corporation.

TRINITY HEALTH CORPORATION

By: /s/ Daniel T. Davis
 Its: Vice President, Debt Management and
 Treasury Services

BofA Merrill Lynch

The date of this Supplement is February 15, 2018

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**OFFICIAL STATEMENT SUPPLEMENT
to the Official Statement dated October 15, 2013
Relating to the**

\$87,245,000
Aggregate Principal Amount of Outstanding
County of Franklin, Ohio
Revenue Bonds
(CHE Trinity Health Credit Group)
Series 2013OH

\$45,735,000
Aggregate Principal Amount of Outstanding
Idaho Health Facilities Authority
Hospital Revenue Bonds
(CHE Trinity Health Credit Group)
Series 2013ID

Conversion Date: August 6, 2015

This Supplement (this “Supplement”), including the cover page, contains certain information describing the interest rate mode conversion of the County of Franklin, Ohio Revenue Bonds (CHE Trinity Health Credit Group), Series 2013OH (the “Ohio Bonds”) and the Idaho Health Facilities Authority Hospital Revenue Bonds (CHE Trinity Health Credit Group), Series 2013ID (the “Idaho Bonds” and, together with the Ohio Bonds, the “Bonds” and each a “Series” of Bonds) to the Term Rate Mode effective as shown on the inside front cover pages, pursuant to the provisions of the related Bond Indentures.

The Bonds will bear interest from their Conversion Date at an initial Term Rate, as determined by Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Remarketing Agent (the “Remarketing Agent”), in an initial Three Month Term Rate Period which will commence on the Conversion Date and end on the dates set forth on the inside cover hereof. Capitalized terms used but not defined herein shall have the meanings set forth in the Official Statement dated October 15, 2013 (the “2013 Official Statement”), relating to each Series of Bonds, which is attached hereto as Schedule I. The proceeds of the Bonds were loaned to Trinity Health Corporation (“Trinity Health”), pursuant to separate Loan Agreements each dated as of October 1, 2013.

The Bonds will be subject to mandatory tender for purchase on the date set forth on the inside cover hereof following the initial Three Month Term Rate Period. Thereafter, the Bonds will continue to bear interest at a Term Rate during successive Three Month Term Rate Periods, which will each be followed by a mandatory tender until such time, if any, that the Bonds are converted to bear interest during a Term Rate Period of a different duration or a different Interest Rate Mode as described herein. This Official Statement only describes the terms and provisions of the Bonds and the documents relating thereto while the Bonds bear interest at a Term Rate. The interest rate to be borne by the Bonds may be changed, including to a rate other than the Term Rate. In the event of a change to a rate other than the Term Rate, a supplement to this Official Statement or a new offering or remarketing document will be delivered describing the new rate and the terms and provisions of the documents relating thereto. Interest accrued on the Bonds during each Interest Accrual Period will be payable in arrears on each Interest Payment Date.

Depending on the applicable Term Rate Period, the Bonds may be subject to optional, mandatory and extraordinary optional redemption prior to maturity and are subject to mandatory tender, all as described herein. See “DESCRIPTION OF THE BONDS” herein.

From their date of delivery, the Purchase Price of any Bonds tendered or deemed tendered for purchase and not remarketed will not be supported by any form of liquidity agreement. Any Bonds that are not remarketed will be required to be purchased by Trinity Health from its own funds. Failure of Trinity Health to purchase any Bonds that are not remarketed shall constitute an Event of Default under the Loan Agreement described herein. See “DESCRIPTION OF THE BONDS—Remarketing of Bonds” and “—Liquidity for Payment of the Purchase Price” herein.

Reference is made to the 2013 Official Statement solely for a summary description of the security for the Bonds. The foregoing notwithstanding, potential purchasers of the Bonds are cautioned against relying on any information contained in the 2013 Official Statement in Appendices A, B, C or D thereto. This Supplement should only be read in conjunction with the other portions of the 2013 Official Statement and the other documents incorporated herein by reference. This cover page contains certain information for quick reference only. It is not intended to be a summary of the security or terms of the Bonds offered hereby. Investors are instructed to read this Supplement, together with the 2013 Official Statement to obtain information essential to the making of an informed investment decision.

See inside cover hereof for
DESCRIPTION OF CERTAIN INITIAL TERMS OF THE BONDS

The 2013 Official Statement has not been updated since its date. This Supplement has been prepared for use by the Remarketing Agent, for the sole purpose of providing information relating to the matters set forth herein.

BofA Merrill Lynch
The date of this Supplement is July 31, 2015

OFFICIAL STATEMENT SUPPLEMENT

\$87,245,000
Aggregate Principal Amount of Outstanding
COUNTY OF FRANKLIN, OHIO
Revenue Bonds
(CHE Trinity Health Credit Group)
Series 2013OH

Maturity Date (December 1)	Price	End of Initial Interest Period	Initial Mandatory Purchase Date	CUSIP[†]
2046	100%	August 31, 2015	September 1, 2015	353202FK5

\$45,735,000
Aggregate Principal Amount of Outstanding
IDAHO HEALTH FACILITIES AUTHORITY
Hospital Revenue Bonds
(CHE Trinity Health Credit Group)
Series 2013ID

Maturity Date (December 1)	Price	End of Initial Interest Period	Initial Mandatory Purchase Date	CUSIP[†]
2048	100%	August 31, 2015	September 1, 2015	45129UCB8

[†] A registered trademark of The American Bankers Association. CUSIP is provided by Standard & Poor's CUSIP Service Bureau, a Standard & Poor's Financial Services LLC business. CUSIP numbers are provided for convenience of reference only. None of the Issuers, the Credit Group and the Remarketing Agent assumes any responsibility for the accuracy of such numbers.

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OFFICIAL STATEMENT SUPPLEMENT
to the Official Statement dated October 15, 2013
Relating to the

\$87,245,000
Aggregate Principal Amount of Outstanding
COUNTY OF FRANKLIN, OHIO
Revenue Bonds
(CHE Trinity Health Credit Group)
Series 2013OH

\$45,735,000
Aggregate Principal Amount of Outstanding
IDAHO HEALTH FACILITIES AUTHORITY
Hospital Revenue Bonds
(CHE Trinity Health Credit Group)
Series 2013ID

INTRODUCTORY STATEMENT

Purpose of this Supplement

The purpose of this Supplement (this “Supplement”), including the cover page hereto, is to set forth information in connection with the interest rate mode conversion and reoffering of the series of bonds listed below under this caption (the “Bonds”). The Bonds of a series are subject to mandatory tender on August 6, 2015 (the “Mandatory Tender Date”), which is a Conversion Date, pursuant to the provisions of each bond trust indenture dated as of October 1, 2013 (collectively, the “Bond Indentures”) between the related issuers and U.S. Bank National Association, as bond trustee for the Ohio Bonds and The Bank of New York Mellon Trust Company, N.A., as bond trustee for the Idaho Bonds (collectively, the “Bond Trustees”). Upon their reoffering, each Series of Bonds will bear interest at an initial Term Rate determined by Merrill Lynch, Pierce, Fenner & Smith Incorporated (the “Remarketing Agent”) on or prior to the Mandatory Tender Date for the Three Month Term Rate Period that begins on the Mandatory Tender Date and ends on the respective calendar date preceding the initial Interest Payment Dates. The proceeds of the sale of the Bonds have been loaned by the Issuers to Trinity Health Corporation, an Indiana nonprofit corporation (“Trinity Health”), pursuant to a separate Loan Agreement for each Series, each dated as of October 1, 2013, between the respective Issuer and Trinity Health. Trinity Health has used the proceeds of the various loans for the purposes described in the 2013 Official Statement.

Reference is made to the 2013 Official Statement solely for a summary description of the Bonds, including a description of the security for the Bonds. The foregoing notwithstanding, potential purchasers of the Bonds are cautioned against relying on any information contained in the 2013 Official Statement in Appendices A, B, C or D thereto. This Supplement should only be read in conjunction with the other portions of the 2013 Official Statement and the other documents incorporated herein by reference.

The Bonds will bear interest in the Term Rate Mode at an initial Term Rate, as determined by the Remarketing Agent, in an initial Three Month Term Rate Period which will commence on the Conversion Date and end on the date set forth on the inside cover hereof. The Bonds will be subject to mandatory tender for purchase on the date set forth on the inside cover hereof following the initial Three Month Term Rate Period. Thereafter, the Bonds will continue to bear interest at a Term Rate during successive Three Month Term Rate Periods, which will each be followed by a mandatory tender until such time, if any, that the Bonds are converted to bear interest during a Term Rate Period of a different duration or a different Interest Rate Mode as described herein. This Official Statement only describes the terms and provisions of the Bonds and the documents relating thereto while the Bonds bear interest at a Term Rate. The interest rate to be borne by the Bonds may be changed, including to a rate other than the Term Rate. In the event of a change to a rate other than the Term Rate, a supplement to this Official Statement or a new offering or remarketing document will be delivered describing the new rate and the terms and provisions of the documents relating thereto. Interest accrued on the Bonds during each Interest Accrual Period will be payable in arrears on each Interest Payment Date.

DESCRIPTION OF THE BONDS

This Supplement summarizes certain terms and provisions of the Bonds only while such Bonds bear interest in a Term Rate Mode during a Three Month Term Rate Period. If a Series of the Bonds are converted from a Term

Rate Mode to a Mode other than a Term Rate Mode or to a Term Rate Period of a different duration, Trinity Health will supplement this Supplement or deliver a new official statement or remarketing circular describing the new Mode and the terms and provisions of the documents relating thereto.

The following is a summary of certain provisions of the Bonds. Reference is made to the Bonds for the complete text thereof and to each Bond Indenture for a more detailed description of such provisions. The discussion herein is qualified by such reference. See the 2013 Official Statement **APPENDIX E – “SUMMARY OF FINANCING DOCUMENTS.”** Any reference herein to the Bonds or to any Bond Indenture or other documents shall be deemed to mean the Bonds of a particular Series or such Bond Indenture or other documents, unless the context or use clearly indicates otherwise.

General

Each Series of Bonds will be reoffered in the Term Rate Mode and will bear interest at a Term Rate for an initial Three Month Term Rate Period, which will commence on the Date of Issue and end on August 31, 2015. The Bonds will be subject to mandatory purchase on September 1, 2015. Thereafter, the Bonds will continue to bear interest at a Term Rate for successive Three Month Term Rate Periods, which will each be followed by a mandatory purchase, until such time, if any, that the Bonds are converted to bear interest during a Term Rate Period of a different duration or a different Interest Rate Mode as described herein. The Bonds will be issued as fully registered bonds without coupons in initial denominations of \$100,000 and integral multiples of \$5,000 in excess thereof, subject to the book-entry procedures described herein.

When a Term Rate Mode of less than one year is in effect, interest on a Series of Bonds shall be calculated on the basis of a 365-366 day year for the actual number of days elapsed. When a Term Rate Mode of greater than one year is in effect, interest on a Series of Bonds shall be calculated on the basis of a 360 day year comprised of twelve 30-day months. Payment of interest on each Bond shall be made on each Interest Payment Date for unpaid interest accrued during the period commencing on and including the last Interest Payment Date to which interest has been paid (or, if no interest has been paid from the Conversion Date) to, but not including, the next Interest Payment Date on which interest is to be paid, or any Redemption Date, if applicable. The “Interest Payment Date” for the Bonds shall be (i) with respect to the Bonds during a Three Month Term Rate Period, each March 1, June 1, September 1 and December 1 (beginning with the first such day after the applicable Conversion Date) and (ii) with respect to the Bonds in a Term Rate Mode other than during a Three Month Term Rate Period, the first day of the sixth calendar month following the month in which such Term Rate Mode takes effect, and the first day of each sixth calendar month thereafter or, upon the receipt by the Bond Trustee of a Favorable Opinion of Bond Counsel, any other six-month interval chosen by Trinity Health (beginning with the first such day which is at least three months after the Conversion Date (as defined below)) and, with respect to a Term Rate Period, the final day of the current Interest Period if other than a regular six-month interval. Payment of interest on each Bond in a Term Rate Mode during a Three Month Term Rate Period shall be made to the owner of record of such Bond on the last Business Day before an Interest Payment Date. Payment of interest on each Bond during a Term Rate Mode (except during a Three Month Term Rate Period) shall be made to the owner of record of such Bond on the 15th day (whether or not a Business Day) of the month next preceding each Interest Payment Date.

At the option of Trinity Health and upon certain conditions provided in the related Bond Indenture, all or a portion of the Bonds of a Series may be converted to any other Interest Rate Mode. The Bonds of such Series are subject to mandatory tender in the event of any such conversion. See “— Conversion of Bonds to Other Modes” and “—Tender of the Bonds—Mandatory Tender for Purchase” below. Merrill Lynch, Pierce, Fenner & Smith Incorporated has been appointed as the Remarketing Agent for each Series of the Bonds.

Interest on the Bonds

Determination of Term Rates. Each Series of the Bonds shall bear interest in the Term Rate Mode until changed to another Mode in accordance with the applicable Bond Indenture. Absent written direction from Trinity Health to the contrary at least 20 days prior to the end of any Term Rate Period, while the Bonds bear interest in the Term Rate Mode, the duration of the next succeeding Term Rate Period shall be of the same duration as the Term Rate Period currently in effect or, if shorter, the period to but not including the applicable Maturity Date. The Term Rate shall be determined by the applicable Remarketing Agent not later than 4:00 p.m., on the Rate Determination

Date. If a new Interest Period is not selected by Trinity Health prior to a Rate Determination Date, the new Interest Period shall be the same length as the current Interest Period (or such lesser period as shall be necessary to comply with the related Bond Indenture). Such Remarketing Agent shall make the Term Rate available by telephone or Electronic Means after 5:00 p.m. on the Rate Determination Date to any Notice Party requesting such Term Rate. No Interest Period in the Term Rate Mode may extend beyond the applicable Maturity Date. The Term Rate shall be the minimum rate of interest which, in the sole judgment of the Remarketing Agent, would result in a sale of the applicable Series of Bonds at a price equal to the principal amount thereof on the Rate Determination Date for the Interest Period selected by Trinity Health in writing delivered to such Remarketing Agent before such Rate Determination Date, but not greater than the Maximum Rate. The Maximum Rate with respect to Bonds in the Term Rate Mode, other than Liquidity Facility Bonds, is an annual rate equal to the lower of 12% or the highest rate allowed by law.

Alternate Rates. If (i) the Remarketing Agent fails or is unable to determine the interest rate or Interest Period for a Series of Bonds, (ii) the method by which the Remarketing Agent determines the interest rate or Interest Period with respect to such Series of Bonds (or the selection by Trinity Health of the Interest Periods for the Bonds in the Term Rate Mode) is held to be unenforceable by a court of law of competent jurisdiction or (iii) the Remarketing Agent suspends its remarketing effort in accordance with the applicable Remarketing Agreement, then the related Series of Bonds shall automatically convert to Flexible Rate Bonds, with an Interest Period commencing on the first day following the last day of the current Interest Period for the related Series of Bonds to, but excluding, the next succeeding Business Day and thereafter shall commence on each Business Day and extend to, but exclude, the next succeeding Business Day. For each such Interest Period, the interest rate for the Bonds shall be the applicable Alternate Rate in effect at the beginning of each such Interest Period. If the period during which the Interest rate or Interest Period is not determined because of the circumstances described in (i), (ii) or (iii) above is longer than 30 consecutive days, the interest rate on the Bonds commencing on the 31st day of such period until the end of such period shall equal the Maximum Rate. These provisions shall continue to apply until such time as the Remarketing Agent (or Trinity Health, if applicable) shall again make such determinations. In the case of clause (ii) above, the Remarketing Agent (or Trinity Health, if applicable) shall again make such determination at such time as there is delivered to such Remarketing Agent and Trinity Health, an opinion of Bond Counsel to the effect that there are no longer any legal prohibitions against such determinations. Such methods shall be applicable from and after the date of any of the events described in clauses (i), (ii) or (iii) first become applicable to the Series of Bonds until such time as the events described in clauses (i), (ii) or (iii) are no longer applicable to such Bonds. The provisions of the Bond Indentures described in this paragraph shall not apply if Trinity Health fails to select an Interest Period for the bonds in the Term Rate Mode for a reason other than as described in clause (ii) above.

Conversion of Bonds to Other Modes

At the option of Trinity Health, a Series of Bonds in the Term Rate Mode may be converted to any other Mode. No later than the seventh Business Day before the notice to Holders of the Series of Bonds is required to be sent, Trinity Health will give written notice to the Notice Parties of its intention to effect a change in the Mode to another Mode, and, if the change is to a Term Rate Mode, the length of the initial Interest Period. The date on which a Series of Bonds is converted to a different Interest Rate Mode or the date on which a Term Rate Period is changed to a Term Rate Period of different duration is a “Conversion Date.” While a Series of Bonds are in the Term Rate Mode, the Conversion Date shall be limited to any Interest Payment Date on which such Bonds are subject to optional redemption or to the last Interest Payment Date of the current Term Rate Period, as the case may be. Notice of the proposed change in Interest Rate Mode shall be given by the Tender Agent to the Owners of the applicable Series of Bonds not later than the 20th day next preceding the Conversion Date provided that no notice need be given for a Conversion Date occurring on the first Business Day following the last day of a Term Rate Mode. The Bonds may be converted to bear interest in a Daily Mode, Weekly Mode, a Flexible Mode, a Three Month LIBOR Indexed Mode, a Flexible Index Mode, an Index Mode, a FRN Rate Mode, a Term Rate Mode, a Window Mode or a Fixed Rate Mode. Upon such conversion, the Bonds will be subject to mandatory tender for purchase as described below under “—Tender of the Bonds—Mandatory Tender for Purchase.” The following items are required to be delivered to the applicable Bond Trustee, the applicable Paying Agent and the Remarketing Agent (and, in the case of a change to the Fixed Rate Mode, the applicable Issuer, Trinity Health, and the applicable Credit Facility Provider, if any) on or prior to the Conversion Date:

- (i) a Favorable Opinion of Bond Counsel dated the Conversion Date;

(ii) if there is to be a Liquidity Facility or an Alternate Liquidity Facility or a Credit Facility or an Alternate Credit Facility delivered in connection with such change, the following items: (a) such facility, (b) a Favorable Opinion of Bond Counsel, (c) an Opinion of Counsel for the provider of the Alternate Credit Facility or Alternate Liquidity Facility and (d) if applicable or not waived, written evidence of the provision for the purchase from the prior Credit Facility or Liquidity Facility Provider, of all Bonds owned by such provider, if any, at a price equal to the principal amount thereof plus accrued and unpaid interest, and payment of all amounts due under the related reimbursement agreement on or before the effective date of such new Credit Facility, Alternate Letter of Credit, Liquidity Facility or Alternate Liquidity Facility; and

(iii) a Rating Confirmation Notice, or if the Conversion Date is a Mandatory Purchase Date, a notice from the Rating Agencies of the rating(s) to be assigned the Bonds on such Conversion Date.

In the event that the conditions for a proposed conversion to a new Mode are not met, (i) such new Mode shall not take effect on the proposed Conversion Date, notwithstanding any prior notice to the Holders of such conversion, and (ii) the Bonds shall remain in the Term Rate Mode and the interest rate shall be established by the Remarketing Agent on the failed Conversion Date in accordance with the Bond Indenture.

Notwithstanding anything herein to the contrary, Trinity Health may rescind any election by it to change an Interest Rate Mode prior to the Conversion Date by giving written notice thereof to the Notice Parties prior to 10:00 a.m. on the Business Day preceding such Conversion Date.

Tender of the Bonds

No Optional Tender. Bonds bearing interest at a Term Rate are not subject to optional tender.

Mandatory Purchase Date. The Bonds of each Series shall be subject to mandatory purchase on each of the following dates (each, a “Mandatory Purchase Date”):

- (i) the first Business Day following the last day of each Term Rate Period;
- (ii) any Conversion Date; and
- (iii) the effective date of a Credit Facility or Liquidity Facility issued or delivered with respect to the Bonds.

No notice shall be given of the Mandatory Purchase Date described in clause (i) above. The Tender Agent shall give notice of such mandatory purchase by mail to the Owners of the applicable Bonds subject to mandatory purchase no less than 20 days prior to the Mandatory Purchase Date described in (ii) and (iii) above. From and after the Purchase Date, no further interest on the Bonds shall be payable to the registered owners thereof, provided that there are sufficient funds available on the Purchase Date to pay the purchase price. See “—Liquidity for Payment of the Purchase Price” below.

Tenders of the Bonds Are Subject to DTC Procedures. For so long as the Bonds are registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), the tender option rights of holders of Bonds may be exercised only by DTC by giving notice of its election to tender Bonds or portions thereof at the times and in the manner described above and delivery of Bonds required to be tendered for purchase shall be effected by the transfer on the applicable Purchase Date of a book-entry credit to the account of the Tender Agent of a beneficial interest in such Bonds. See “—Book-Entry System” in the 2013 Official Statement and APPENDIX H – “BOOK-ENTRY SYSTEM” thereto.

Source of Funds for Purchase of Bonds. Except as set forth in the Bond Indentures, the Tender Agent shall purchase tendered Bonds of a Series from the tendering Owners at the applicable Purchase Price by wire transfer in immediately available funds. Funds for the payment of such Purchase Price shall be derived solely from the following sources in the order of priority indicated and none of the related Tender Agent, the related Bond Trustee or the related Remarketing Agent shall be obligated to provide funds from any other source:

- (i) immediately available funds on deposit in the related Remarketing Proceeds Account derived from the remarketing of tendered Bonds;
- (ii) immediately available funds on deposit in the related Liquidity Facility Purchase Account;
- (iii) drawn under the applicable Liquidity Facility (if any); and
- (iv) moneys of Trinity Health on deposit in the related Trinity Health Purchase Account.

Insufficient Funds for Purchase. If moneys sufficient to pay the Purchase Price of all tendered Bonds of a Series to be purchased on any Purchase Date are not available (i) no purchase shall be consummated on such Purchase Date; (ii) all tendered Bonds of such Series shall be returned to the holders thereof; and (iii) all remarketing proceeds shall be returned to the Remarketing Agent for return to the persons providing such moneys. The failure to purchase all Bonds of a Series tendered for purchase shall constitute an Event of Default under the related Loan Agreement. All Bonds of a Series shall bear interest at the Maximum Rate during the period of time from and including the applicable Purchase Date to (but not including) the date that the Purchase Price of all such tendered Bonds has been paid to the owners thereof (the “Delayed Remarketing Period”). Trinity Health may direct the conversion of the tendered Bonds to a different Interest Rate Mode during the Delayed Remarketing Period. The related Bond Trustee shall give five Business Days’ notice of such conversion to the Holders of the Bonds to be converted. During the Delayed Remarketing Period, the applicable Bond Trustee may, upon direction of Trinity Health, apply amounts on deposit in the applicable Redemption Fund to the redemption of such Bonds, as a whole or in part, on any Business Day during the Delayed Remarketing Period, at a Redemption Price without premium. During the Delayed Remarketing Period, the related Bond Trustee after receiving at least two Business Days’ notice shall give five Business Days’ notice of such redemption to the Holders of the Bonds to be redeemed. During the Delayed Remarketing Period, interest on all Bonds shall be paid to the Holders thereof (i) the first Business Day of each calendar month occurring during the Delayed Remarketing Period and (ii) on the last day of the Delayed Remarketing Period.

Remarketing of Bonds

Each Remarketing Agent shall use its best efforts, subject to the terms and conditions of the related Remarketing Agreement, to offer for sale all of the related Series of Bonds required to be purchased on the Mandatory Purchase Dates described in the section above entitled “—Tender of the Bonds—Mandatory Purchase Date.”

Notwithstanding the above, each Remarketing Agent may sell any Bonds owned by it at a price that is more or less than the Purchase Price. The Remarketing Agent will not remarket Bonds to the Issuers or Trinity Health or any affiliate of either of them; provided that the Remarketing Agent may sell any Bonds owned by the Remarketing Agent to the Issuers or Trinity Health. In connection with the remarketing of any Bonds of a Series with respect to which notice of redemption or notice of mandatory purchase has been given, the related Remarketing Agent will notify each person to which such Bonds are remarketed of such notice of redemption or notice of mandatory purchase.

Anything in the Bond Indentures to the contrary notwithstanding, if there shall have occurred and be continuing a Credit Provider Failure or a Liquidity Provider Failure, the Remarketing Agent shall not remarket any Bonds. All other provisions of the Bond Indentures, including without limitation, those relating to the setting of interest rates and Interest Periods and mandatory and optional purchases, shall remain in full force and effect during the continuance of such Event of Default.

Liquidity for Payment of the Purchase Price

Funds for the purchase of Bonds of a Series that have been tendered for purchase, whether at the option of the Holders or pursuant to the mandatory tender requirements described herein, will be provided, first, from the proceeds of the remarketing of such Bonds and then, to the extent remarketing proceeds are insufficient to provide all funds required to purchase such Bonds, from funds provided by Trinity Health. See “INTRODUCTORY STATEMENT—Security for the Bonds” above. **The obligation to purchase the Bonds of a Series upon optional**

or mandatory tender is not supported by any liquidity agreement. Except as discussed above under “—Tender of the Bonds—Insufficient Funds for Purchase,” the failure to purchase all Bonds of a Series tendered for purchase shall constitute an Event of Default under the related Loan Agreement.

Redemption

Optional Redemption. Bonds in a Term Rate Mode are subject to redemption, in whole or in part, on their individual Mandatory Purchase Dates, at the option of Trinity Health, at a Redemption Price without premium.

Bonds in the Term Rate Mode also are subject to redemption in whole on any date or in part on any Interest Payment Date (and if in part, in such order of maturity as Trinity Health shall specify and within a maturity by lot or by such other method as the Paying Agent determines to be fair and reasonable and in authorized denominations) commencing on the Interest Payment Date next following the tenth anniversary of the change to the Term Rate Mode at a Redemption Price without premium. If the length of the Term Rate Period is less than ten years, then the Bonds shall not be subject to redemption during such Term Rate Period.

Purchase in Lieu of Redemption. Unless otherwise provided in a Supplemental Bond Indenture, whenever Bonds of a Series are subject to redemption, they may instead be purchased at the option of Trinity Health at a purchase price equal to the Redemption Price. All such purchases may be subject to conditions to the related Issuer’s obligation to purchase such Bonds and shall be subject to the condition that money for the payment of the purchase price therefor is available on the date set for such purchase. Notice of purchase having been given in the manner set forth in the related Bond Indenture, then, if sufficient money to pay the purchase price of such Bonds is held by the related Bond Trustee, the purchase price of such Bonds or portions thereof so called for purchase shall become due and payable on the date set for purchase, upon presentation and surrender of such Bonds to be purchased at the office or offices specified in such notice, and, in the case of Bonds presented by other than the Holder, together with a written instrument of transfer duly executed by the Holder or his duly authorized attorney. No purchased Bond shall be considered to be no longer Outstanding by virtue of its purchase and each such purchased Bond shall be registered in the name or at the direction of the applicable Issuer.

Mandatory Sinking Fund Redemption.

The Ohio Bonds. The Ohio Bonds are subject to redemption prior to their Maturity Date on any December 1 on or after December 1, 2041, in part (by lot) from Sinking Fund Installments, in the following amounts, on the following dates, at a Redemption Price without premium.

Sinking Fund Installment Dates (December 1)	Sinking Fund Installments
2041	\$7,455,000
2042	11,615,000
2043	17,390,000
2044	17,995,000
2045	18,625,000
2046*	14,165,000

* Maturity.

The Idaho Bonds. The Idaho Bonds are subject to redemption prior to their Maturity Date on any December 1 on or after December 1, 2046, in part (by lot) from Sinking Fund Installments, in the following amounts, on the following dates, at a Redemption Price without premium.

Sinking Fund Installment Dates (December 1)	Sinking Fund Installments
2046	\$5,115,000
2047	19,960,000
2048*	20,660,000

* Maturity.

Extraordinary Redemption. Each Series of Bonds is subject to redemption prior to its respective stated maturity, at the option of Trinity Health, as Obligated Group Agent, given to the applicable Bond Trustee at least 45 days prior to the date fixed for redemption (or such fewer number of days as is acceptable to the applicable Bond Trustee) in whole or in part (in such amounts as may be specified by Trinity Health, as Obligated Group Agent) on any date, from hazard insurance or condemnation proceeds received with respect to the facilities of any members of the Credit Group and deposited in the related Special Redemption Account of the related Redemption Fund, at a Redemption Price without premium.

Each Series of Bonds is also subject to redemption prior to its stated maturity, at the option of Trinity Health, as Obligated Group Agent, given to the applicable Bond Trustee at least 45 days prior to the date fixed for redemption (or such fewer number of days as is acceptable to such Bond Trustee), as a whole (but not in part) on any date at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium, if (i) any member of the Credit Group, by reason of final judicial, legislative or administrative action, either is legally required, by reason of being party to the related Financing Agreement or the Master Indenture or a member of the Credit Group or as a condition of continued eligibility for reimbursement under a federal or state program, to operate in any manner that such member of the Credit Group in good faith believes to be contrary to the Ethical and Religious Directives or (ii) any member of the Credit Group in good faith believes that there is a substantial threat of its being required to operate contrary to the Ethical and Religious Directives or the principles and beliefs of the Roman Catholic Church.

Notice of Redemption; Effect of Redemption; Rescission of Notice of Redemption. Notice of redemption will be mailed by the applicable Bond Trustee, not less than 30 days and not more than 60 days prior to the redemption date, to the respective holders of any Bonds designated for redemption at their addresses appearing on the bond registration books of such Bond Trustee. The failure by a Bond Trustee to mail notice of redemption to any one or more of the Holders of any Bonds designated for redemption shall not affect the sufficiency of the proceedings for the redemption of such Bonds with respect to the Holder or Holders to whom such notice was mailed. Notice of redemption having been given as described above and moneys for payment of the Redemption Price of the Bonds (or portions thereof) so called for redemption being held by the related Bond Trustee, on the date fixed for redemption designated in such notice, the Bonds (or portions thereof) so called for redemption shall become due and payable at the Redemption Price specified in such notice, interest on such Bonds shall cease to accrue from and after the redemption date, said Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the related Bond Indenture, and the Holders of said Bonds shall have no rights in respect thereof except to receive payment of said Redemption Price from funds held by such Bond Trustee for such payment. Any notice of optional or extraordinary optional redemption may be conditional and may be rescinded by written notice given to the applicable Bond Trustee by Trinity Health no later than five Business Days prior to the redemption date, in which case such Bond Trustee will give notice of such rescission as soon as practicable to the holders to whom notice of redemption was given.

REOFFERING OF THE BONDS

The Bonds are subject to mandatory tender on August 6, 2015 (a Conversion Date; see “DESCRIPTION OF THE BONDS – Tender of the Bonds” in the 2013 Official Statement) and will be reoffered in accordance with the Bond Indentures by the Remarketing Agent, pursuant to this Supplement.

RATINGS

In connection with the Conversion Date, the Credit Group has delivered notice from Moody's Investors Service, Inc. ("Moody's"), and Fitch Ratings ("Fitch") that such rating agencies have assigned their municipal bond ratings of "Aa3/VMIG 1" (stable outlook), and "AA/F1+" (stable outlook), respectively, to the Bonds on the Conversion Date. In addition, and in connection with the Conversion Date, the Credit Group expects to deliver notice from Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("Standard & Poor's") that such rating agency has assigned its municipal bond ratings of "AA-/A-1+" (stable outlook), to the Bonds on the Conversion Date. The ratings described above reflect only the views of such organizations, and any explanation of the significance of the ratings may be obtained only from Moody's, Standard & Poor's or Fitch. Certain information and materials not included in the 2013 Official Statement were furnished to the rating agencies by the Credit Group. Generally, rating agencies base their ratings on the information and materials furnished to them and on investigations, studies and assumptions made by the rating agencies.

There is no assurance that a particular rating will be maintained for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the rating agency originally establishing the rating, circumstances so warrant. The Remarketing Agent has undertaken no responsibility either to bring to the attention of the owners of the Bonds any proposed revision or withdrawal of the ratings of the Bonds or to oppose any such proposed revision or withdrawal. The Obligated Group Agent has, however, undertaken, as part of its continuing disclosure obligation (see "CONTINUING DISCLOSURE") to file with the MSRB all rating changes relating to the Bonds. There is no assurance that any of the ratings will continue for any given period of time or that any rating may not be lowered or withdrawn if, in the judgment of a rating agency, circumstances so warrant. Any such downward change in or withdrawal of the rating may have an adverse effect on the secondary market prices of the Bonds.

DOCUMENTS INCORPORATED BY REFERENCE

Trinity Health files periodic reports and other information with EMMA and are available to the public over the Internet on the website at www.emma.msrb.org.

This Supplement "incorporates by reference" the information Trinity Health files with EMMA, which means that important information is disclosed to you by referring you to those documents. The information incorporated by reference is an important part of this Supplement. The information incorporated by reference includes Trinity Health's annual report for the fiscal year ended June 30, 2014, Trinity Health's quarterly report for the nine months ended March 31, 2015, Trinity Health's quarterly report for the six months ended December 31, 2014, and Trinity Health's quarterly report for the three months ended September 30, 2014, in each case including the consolidated financial statements and Management Discussion and Analysis that are a part thereof.

Any statement incorporated or deemed to be incorporated by reference will be deemed to be modified or superseded for purposes of this Supplement to the extent that a statement contained in this Supplement modifies or supersedes a related statement in the 2013 Official Statement.

Reference also is made to Trinity Health's most recent Official Statement dated March 5, 2015 (the "2015 Official Statement"), which is made available through EMMA for a discussion of current bondholders' risks and information concerning Trinity Health made available in Appendix A to the 2015 Official Statement.

In the opinions of Hawkins Delafield & Wood LLP, Bond Counsel, and with respect to the Idaho Bonds only, Sherman & Howard L.L.C., under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. See “TAX MATTERS” herein.



CATHOLIC HEALTH EAST

\$87,245,000**COUNTY OF FRANKLIN, OHIO****Revenue Bonds****(CHE Trinity Health Credit Group)****Series 2013OH****\$45,735,000****IDAHO HEALTH FACILITIES AUTHORITY****Hospital Revenue Bonds****(CHE Trinity Health Credit Group)****Series 2013ID****Dated:** Date of Issuance**Due:** December 1, as shown on the inside cover hereof

The County of Franklin, Ohio Revenue Bonds (CHE Trinity Health Credit Group), Series 2013OH (the “Ohio Bonds”) and the Idaho Health Facilities Authority Hospital Revenue Bonds (CHE Trinity Health Credit Group), Series 2013ID (the “Idaho Bonds”) and, together with the Ohio Bonds, the “Bonds” and each a “Series” of Bonds) will be issued as fully registered bonds and initially will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for each Series of the Bonds. Purchases of beneficial interests in the Bonds will be made in book-entry-only form (without receipt of definitive Bonds) in initial denominations of \$100,000 and integral multiples of \$5,000 in excess thereof, and under limited circumstances, will be exchangeable for definitive Bonds, as more fully described herein. For so long as DTC or its nominee, Cede & Co., is the registered owner of a Series of the Bonds, (i) payments of the principal and purchase price of, premium, if any, and interest on such Series of Bonds will be made directly to Cede & Co. for payment to its participants for subsequent disbursement to the beneficial owners of such Bonds, and (ii) all notices, including any notice of redemption, shall be mailed only to Cede & Co. See APPENDIX H – “BOOK-ENTRY SYSTEM” herein.

Each Series of the Bonds will initially bear interest from the Date of Issuance in the Window Mode at a Window Rate, as described herein. The Initial Window Spread and Window Rate for each Series of the Bonds will be determined as described herein. This Official Statement only describes the terms and provisions of the Bonds and the documents relating thereto while the Bonds bear interest at a Window Rate. The interest rate to be borne by a Series of the Bonds may be changed, including to a rate other than a Window Rate. In the event of a change to a rate other than the Window Rate, a supplement to this Official Statement or a new offering or remarketing document will be delivered describing the new rate and the terms and provisions of the documents relating thereto. Interest accrued on each Series of the Bonds during each Interest Accrual Period will be payable in arrears on each Interest Payment Date commencing on December 5, 2013.

The Bonds are subject to optional, mandatory and extraordinary optional redemption prior to maturity and are subject to optional and mandatory tender, all as described herein. See “DESCRIPTION OF THE BONDS” herein.

From their date of delivery, the Purchase Price of any Bonds tendered or deemed tendered for purchase and not remarketed will not be supported by any form of liquidity agreement. Except as described herein, any Bonds that are not remarketed will be required to be purchased by Trinity Health Corporation (“Trinity Health”) from its own funds. Except as described herein, failure of Trinity Health to purchase any Bonds that are not remarketed shall constitute an Event of Default under the related Financing Agreement, as described herein. See “DESCRIPTION OF THE BONDS—Remarketing of Bonds” and “—Liquidity for Payment of the Purchase Price” herein.

Each Series of the Bonds is a special and limited obligation of the related Issuer, as described herein. The principal and purchase price of, premium, if any, and interest on each Series of the Bonds shall be payable solely from certain funds and accounts held under the related Bond Indenture, as described herein, and from certain payments to be made by Trinity Health pursuant to the related Financing Agreement, as described herein. The obligation of Trinity Health to make such payments with respect to a Series of Bonds is evidenced and secured by a separate Bond Obligation issued under and pursuant to the terms of the Master Indenture, as described herein. The Members of the Obligated Group are obligated to make payments on each Bond Obligation in amounts sufficient to permit the related Issuer to pay when due the principal and purchase price of, premium, if any, and interest on the related Series of Bonds. None of the Issuers, any state or any political subdivision thereof or any other public body shall be obligated to pay the principal of or premium, if any, or interest on any Series of the Bonds except from said revenues, and neither the faith and credit nor any taxing powers of the Issuers, any state, any political subdivision thereof or any other public body is pledged to the payment of the principal of or premium, if any, or interest on any Series of the Bonds. Neither the Bonds nor the interest thereon shall ever constitute an indebtedness of any Issuer within the meaning of any state constitutional or statutory debt limitation and shall neither constitute nor give rise to pecuniary liability of any Issuer.

This cover page contains certain information for quick reference only. It is not intended to be a summary of the security or terms of the Bonds offered hereby. Investors are instructed to read this entire Official Statement to obtain information essential to the making of an informed investment decision.

See inside cover hereof for

DESCRIPTION OF CERTAIN INITIAL TERMS OF THE BONDS

Each Series of the Bonds is offered when, as and if received by the Underwriters, subject to prior sale, to withdrawal or modification of the offer without notice, and to the approval of certain legal matters by counsel described herein under the caption “APPROVAL OF LEGALITY.” It is expected that the Bonds will be available for delivery through the facilities of DTC on or about October 30, 2013.

BofA Merrill Lynch**Goldman, Sachs & Co.**

Dated: October 15, 2013

† For an explanation of ratings, see “RATINGS” herein.

\$87,245,000
County of Franklin, Ohio
Revenue Bonds
(CHE Trinity Health Credit Group)
Series 2013OH

Maturity Date (December 1)	Initial Mandatory Tender Window	Initial Interest Payment Date	Price	CUSIP[†]
2046	210 days	December 5, 2013	100%	353202FK5

Merrill Lynch, Pierce, Fenner and Smith Incorporated
will be the initial Remarketing Agent for the Ohio Bonds.

\$45,735,000
Idaho Health Facilities Authority
Hospital Revenue Bonds
(CHE Trinity Health Credit Group)
Series 2013ID

Maturity Date (December 1)	Initial Mandatory Tender Window	Initial Interest Payment Date	Price	CUSIP[†]
2048	210 days	December 5, 2013	100%	45129UCB8

Merrill Lynch, Pierce, Fenner and Smith Incorporated
will be the initial Remarketing Agent for the Idaho Bonds.

[†] A registered trademark of The American Bankers Association. CUSIP is provided by Standard & Poor's CUSIP Service Bureau, a Standard & Poor's Financial Services LLC business. CUSIP numbers are provided for convenience of reference only. None of the Issuer, the Credit Group and the Underwriters assumes any responsibility for the accuracy of such numbers.

The information relating to the Issuers contained herein under the heading “THE ISSUERS” has been furnished by the Issuers, and each Issuer guarantees the accuracy and completeness only of such information as applicable to such Issuer. All other information contained herein has been obtained from the Corporation, CHE, Trinity Health, DTC and other sources (other than the Issuers) that are believed to be reliable. Such other information is not guaranteed as to accuracy or completeness by and is not to be relied upon or construed as a promise or representation by the Issuers. The Underwriters have provided the following sentence for inclusion in this Official Statement: *The Underwriters have reviewed the information in this Official Statement in accordance with and as part of their respective responsibilities to investors under the federal securities laws, as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.*

No dealer, broker, salesperson or other person has been authorized by the Issuers, the Corporation, CHE, Trinity Health, any other member of the Credit Group, or the Underwriters to give any information or to make any representations, other than those contained in this Official Statement, and, if given or made, such information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any statement nor any sale made hereunder shall create under any circumstances any implication that there has been no change in the affairs of the Issuers, the Corporation, CHE, Trinity Health, the other members of the Credit Group or DTC since the date hereof. This Official Statement is submitted in connection with the issuance of securities referred to herein and may not be used, in whole or in part, for any other purpose.

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

CAUTIONARY STATEMENTS REGARDING
FORWARD-LOOKING STATEMENTS IN
THIS OFFICIAL STATEMENT

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements.” Such statements generally are identifiable by the terminology used such as “plan,” “expect,” “predict,” “estimate,” “anticipate,” “budget” or other similar words. Such forward-looking statements include but are not limited to certain statements contained in the information under the captions “OUTSTANDING INDEBTEDNESS—Anticipated Financings,” “PLAN OF FINANCING,” and “BONDHOLDERS’ RISKS” in the forepart of this Official Statement and the statements under the captions “FINANCIAL AND OPERATING INFORMATION,” “MANAGEMENT’S DISCUSSION AND ANALYSIS OF RECENT FINANCIAL PERFORMANCE” and “OTHER INFORMATION” in APPENDIX A to this Official Statement. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The Credit Group does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur or fail to occur.

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\$87,245,000
County of Franklin, Ohio
Revenue Bonds
(CHE Trinity Health Credit Group)
Series 2013OH

\$45,735,000
Idaho Health Facilities Authority
Hospital Revenue Bonds
(CHE Trinity Health Credit Group)
Series 2013ID

INTRODUCTORY STATEMENT

The following introductory statement is subject in all respects to the more complete information set forth in this Official Statement, including the cover page, the inside cover page and the appendices (this “Official Statement”).

Purpose of Official Statement

The purpose of this Official Statement is to set forth information in connection with the offering of (i) the \$87,245,000 aggregate principal amount of Revenue Bonds (CHE Trinity Health Credit Group), Series 2013OH (the “Ohio Bonds”) of the County of Franklin, Ohio (the “Ohio Issuer”), acting by and through the County Hospital Commission of Franklin County, and (ii) the \$45,735,000 aggregate principal amount of Hospital Revenue Bonds (CHE Trinity Health Credit Group), Series 2013ID (the “Idaho Bonds” and, together with the Ohio Bonds, the “Bonds” and each a “Series” of the Bonds) of the Idaho Health Facilities Authority (the “Idaho Issuer” and, together with the Ohio Issuer, the “Issuers” and each an “Issuer”).

The Bonds

The Ohio Bonds. The Ohio Bonds will be issued pursuant to an Amended and Restated Indenture of Trust (Bond Indenture), dated as of June 1, 1998 (the “Amended and Restated Bond Indenture”), between the Ohio Issuer and U.S. Bank National Association, as successor bond trustee (the “Ohio Trustee”), as supplemented to date and by the Tenth Supplemental Bond Indenture, dated as of October 1, 2013 (the “Supplemental Bond Indenture” and, together with the Amended and Restated Indenture, the “Ohio Indenture”). The proceeds of the Ohio Bonds will be made available to Mount Carmel Health System (“MCHS”), an Ohio nonprofit corporation and a Designated Affiliate (as defined herein), pursuant to an Amended and Restated Agreement of Lease, dated as of June 1, 1998, between the Ohio Issuer and Trinity Health Corporation, an Indiana nonprofit corporation (“Trinity Health”), MCHS and Diley Ridge Medical Center, an Ohio nonprofit corporation (“Diley Ridge”), as supplemented to date and by an Eighth Supplemental Lease, dated as of October 1, 2013 (as supplemented, the “Ohio Lease”), among the Ohio Issuer, MCHS, Diley Ridge and Trinity Health. Pursuant to the Ohio Lease, the Ohio Issuer has leased certain hospital facilities (the “Leased Complex”) located in Franklin County, Ohio, from MCHS and Diley Ridge. The Leased Complex has been subleased by the Ohio Issuer to MCHS and Diley Ridge pursuant to an Amended and Restated Sublease, dated as of June 1, 1998, among the Ohio Issuer, Trinity Health, MCHS and Diley Ridge, as supplemented to date by an Eighth Supplemental Sublease, dated as of October 1, 2013 (as supplemented, the “Ohio Sublease”), among the Ohio Issuer, MCHS, Diley Ridge and Trinity Health. The proceeds of the Ohio Bonds will be used to (i) finance and refinance the costs of improvements to health care facilities owned and operated by MCHS in the County of Franklin, Ohio, and (ii) pay a portion of the costs of issuing the Ohio Bonds.

The Idaho Bonds. The Idaho Bonds will be issued pursuant to a Bond Indenture, dated as of October 1, 2013 (the “Idaho Indenture”), between the Idaho Issuer and The Bank of New York Mellon Trust Company, N.A., as bond trustee (the “Idaho Trustee”). The proceeds of the Idaho Bonds will be loaned by the Idaho Issuer to Trinity Health pursuant to the terms of a Loan Agreement, dated as of

October 1, 2013 (the “Idaho Loan Agreement”), between the Idaho Issuer and Trinity Health. The proceeds of such loan will be used to (i) finance or refinance the costs of construction and/or certain improvements and additions to health care facilities located in Idaho, owned or operated by Designated Affiliates and (ii) pay a portion of the costs of issuing the Idaho Bonds.

The Ohio Indenture and the Idaho Indenture, collectively, are referred to herein as the “Bond Indentures” and each a “Bond Indenture.” The Ohio Trustee and the Idaho Trustee, collectively, are referred to herein as the “Bond Trustees” and each a “Bond Trustee.” The Ohio Sublease and the Idaho Loan Agreement, collectively, are referred to herein as the “Financing Agreements” and each a “Financing Agreement.”

See “PLAN OF FINANCING” and “ESTIMATED SOURCES AND USES OF FUNDS” herein.

The Issuers

For a description of the Issuers, see “THE ISSUERS” herein.

Trinity Health and the CHE Trinity Health Credit Group

On May 1, 2013, CHE Trinity Inc., an Indiana nonprofit corporation (the “Corporation”), became the sole member of Trinity Health and Catholic Health East, a Pennsylvania nonprofit corporation (“CHE”), creating one of the largest health systems in the United States. The Corporation was established in January 2013 in contemplation of the consolidation. Prior to the consolidation, Trinity Health and CHE were each parents of multi-state Catholic health systems. Trinity Health was formed in 2000 through the consolidation of Holy Cross Health System Corporation, an Indiana nonprofit corporation, and Mercy Health Services, a Michigan nonprofit corporation. CHE was incorporated as a Pennsylvania nonprofit corporation in 1997 through the consolidation of a number of health facilities in the eastern and southern United States. The Corporation is headquartered in Livonia, Michigan.

On October 3, 2013, the Corporation, CHE and Trinity Health formed the CHE Trinity Health Credit Group (the “Credit Group”) pursuant to an amended and restated Master Trust Indenture, dated as of October 3, 2013 (the “Master Indenture”), with The Bank of New York Mellon Trust Company, N.A., as master trustee (the “Master Trustee”). The Credit Group consists of an Obligated Group (the “Obligated Group”), which is currently comprised of the Corporation, CHE and Trinity Health (each a “Member” and, collectively, the “Members”), and the Designated Affiliates. Trinity Health is the obligated group agent under the Master Indenture (the “Obligated Group Agent”). “Affiliates” are those entities that are controlled, directly or indirectly, by the Members of the Obligated Group. “Designated Affiliates” are those Affiliates which have been designated as such by the Members of the Obligated Group pursuant to the Master Indenture. As a result of the formation of the Credit Group, all of the outstanding obligations of CHE have been redeemed or replaced with the Obligations of the Obligated Group, as further described in “SECURITY FOR THE BONDS—Security for the Bonds—The Master Indenture; Restatement” herein.

The Credit Group does not include certain Affiliates that borrow on their own or are (or may become) members of a separate New York obligated group, but which are included in the Reporting Group (as defined below) and the System (as defined below). St. Peter’s Hospital of the City of Albany (“St. Peter’s”) currently is the sole member of an obligated group created under that certain Master Trust Indenture dated as of January 1, 2008, between St. Peter’s and Manufacturers and Traders Trust Company, as master trustee. St. Peter’s has received contingent approval from the New York State Department of Health to permit the entry into that obligated group of additional entities within St. Peter’s Health Care Services, Northeast Health, Inc. and Seton Health System, Inc. The entry of new obligated

group members has not occurred as of the date of this Official Statement because the definitive documentation related to such entry is currently under review by the New York State Department of Health.

The “Reporting Group” includes each Member of the Obligated Group, each Affiliate of any Member of the Obligated Group, each Designated Affiliate and each Affiliate of any Designated Affiliate (collectively, the “System Affiliates”), and any other Person required to be reported in such System Affiliates’ consolidated financial statements under generally accepted accounting principles. The “System” is comprised of all of the System Affiliates. The Reporting Group and the System each include New York entities and other entities that are legally prohibited from joining the Obligated Group.

The Members of the Obligated Group and certain of their Affiliates, including all of the current Designated Affiliates, are exempt from federal taxation under Section 501(a) of the Internal Revenue Code of 1986, as amended (the “Code”), as organizations described in Section 501(c)(3) of the Code.

For more information regarding the Credit Group, see “THE CHE TRINITY HEALTH CREDIT GROUP” and APPENDIX A – “INFORMATION CONCERNING CHE TRINITY HEALTH CREDIT GROUP—CHE TRINITY HEALTH CREDIT GROUP.”

Security for the Bonds

To evidence and secure the repayment obligations of Trinity Health under the Financing Agreements, the Obligated Group Agent, on behalf of the Obligated Group Members, will issue and deliver to the applicable Bond Trustee a separate promissory note (each, a “Bond Obligation” and collectively, the “Bond Obligations”), in a principal amount equal to the aggregate principal amount of the related Series of Bonds. Each Bond Obligation will secure the repayment obligation under the related Financing Agreement and, therefore, the related Series of Bonds. The Bond Obligations will be issued under the Master Indenture, as supplemented by Supplemental Indenture Number Three, dated as of October 30, 2013 (the “Supplement”), between the Obligated Group Agent, on behalf of the Obligated Group, and the Master Trustee. Each Bond Obligation will be a general, unsecured, joint and several obligation of the Members of the Obligated Group.

Pursuant to the Master Indenture, the Obligated Group has caused substantially all of the Designated Affiliates to grant to the Master Trustee security interests in their Pledged Property (as described herein and as defined in APPENDIX F hereto), in order to secure all Obligations issued under the Master Indenture, including the Bond Obligations. See “SECURITY FOR THE BONDS—Security for the Bonds—The Bond Obligations; Grant of Security Interest in Pledged Property” herein.

The terms of each Financing Agreement and Bond Obligation require payments by the Obligated Group sufficient to provide for the timely payment of the principal and purchase price of, premium, if any, and interest on the related Series of Bonds. Neither the Designated Affiliates nor the Affiliates will be obligated to make any debt service payments on the Bond Obligations. However, under the Master Indenture, the Obligated Group is obligated to cause its Designated Affiliates and to use reasonable efforts to cause its Affiliates, subject in each case to contractual, legal and organizational limitations, to pay, loan or otherwise transfer to the Obligated Group such moneys as are necessary to enable the Obligated Group to pay the principal and purchase price of, premium and interest with respect to all outstanding Obligations issued thereunder, including the Bond Obligations. See “SECURITY FOR THE BONDS—Factors Concerning the Enforceability of Obligations Under the Master Indenture” and “—Factors Concerning the Enforceability of the Pledge of Pledged Property” herein.

For a more complete description of the security for the Bonds, see “THE CHE TRINITY HEALTH CREDIT GROUP,” “OUTSTANDING INDEBTEDNESS” and “SECURITY FOR THE BONDS—Security for the Bonds—The Master Indenture; Restatement” herein.

Remarketing Agent

Trinity Health will appoint Merrill Lynch, Pierce, Fenner & Smith Incorporated as the initial remarketing agent for each Series of the Bonds (the “Remarketing Agent”). The Remarketing Agent may be removed or replaced at any time, subject to the terms and conditions of the related Bond Indenture and the related Remarketing Agreement, dated the date of issuance of the Bonds (each, a “Remarketing Agreement” and collectively, the “Remarketing Agreements”), each between Trinity Health and the Remarketing Agent.

Interest Rates

Each Series of Bonds will initially bear interest in the Window Mode at a Window Rate commencing on the date of their initial delivery (“Date of Issuance”) and ending on and including the last day of the initial Window Rate Period. The Bonds of each Series are subject to conversion to a Daily Mode, a Weekly Mode, a Flexible Mode, a Three Month LIBOR Indexed Mode, a Flexible Index Mode, an Index Mode, a FRN Rate Mode, a Term Rate Mode or a Fixed Rate Mode as described in the Bond Indentures. If a Series of Bonds is converted to a different Mode, interest will accrue at the rates determined and for the periods established pursuant to the related Bond Indenture. See “DESCRIPTION OF THE BONDS—Conversion of Bond to Other Modes” herein. In the event of a change to a Mode for a Series of Bonds other than the Window Mode, the Bonds of such Series will be subject to mandatory purchase on the Conversion Date and a supplement to this Official Statement or a new offering or remarketing document will be delivered describing the new Mode and the terms and provisions of the documents relating thereto.

Bondholders’ Risks

An investment in the Bonds involves the assumption of certain risks that relate primarily to the ability of the Credit Group to generate revenues from operations that will be sufficient to pay debt service on the Bonds and other Indebtedness of the Credit Group. The disclosure of risks contained herein under the caption “BONDHOLDERS’ RISKS,” is based upon the assessment of the Corporation’s management of the impact that such risks might have on the Credit Group, taken as a whole. In the event that the identity or composition of the Credit Group changes, the impact of such risks might differ from the current assessment of the Corporation’s management of the impact of such risks.

Other Financings

Concurrently with the issuance of the Bonds, it is expected that (i) Montgomery County, Maryland will issue a series of variable rate bonds (the “Maryland Bonds”) for the benefit of Trinity Health in the aggregate principal amount of \$103,910,000 and (ii) the Michigan Finance Authority will issue variable rate bonds in five separate series (collectively, the “Michigan Bonds”) for the benefit of Trinity Health in the aggregate principal amount of \$390,060,000. Four series of the Michigan Bonds (collectively, the “Private Placement Bonds”) are expected to be sold directly to separate commercial banks (each, a “Private Placement Purchaser” and collectively, the “Private Placement Purchasers”). The Maryland Bonds and the Michigan Bonds are collectively referred to herein as the “Other Series 2013 Bonds.” The Bonds and the Other Series 2013 Bonds are collectively referred to in this Official Statement as the “Series 2013 Bonds.”

Each series of the Other Series 2013 Bonds will be secured by a separate Obligation issued under the Master Indenture (collectively, the “Other Series 2013 Obligations”). An additional Obligation will be issued under the Master Indenture for the benefit of each Private Placement Purchaser to secure payment under the continuing covenant agreement with respect to such series of the Private Placement Bonds, other than the principal of, purchase price of and interest on such series of Private Placement Bonds (collectively, the “Private Placement Obligations”). The Other Series 2013 Obligations and the Private Placement Obligations will rank on a parity with all Obligations issued under the Master Indenture, including the Bond Obligations. The Bond Obligations, the Other Series 2013 Obligations and the Private Placement Obligations are collectively referred to in this Official Statement as the “Series 2013 Obligations.” See “PLAN OF FINANCING” herein.

The issuance of the Bonds is not dependent on the issuance of any of the Other Series 2013 Bonds.

Defined Terms

All capitalized terms used in this Official Statement, unless otherwise defined or the context otherwise indicates, have the respective meanings included in “DEFINITIONS OF CERTAIN TERMS” in APPENDIX E – “SUMMARY OF FINANCING DOCUMENTS” and “DEFINITIONS” in APPENDIX F – “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE” hereto.

THE ISSUERS

The Ohio Issuer

The Ohio Issuer is a county and political subdivision organized and existing under the laws of the state of Ohio, acting by and through the County Hospital Commission of Franklin County (the “Hospital Commission”). The Hospital Commission was created in 1955 pursuant to Section 339.14 of the Ohio Revised Code for the purpose, among others, of assisting in the construction of hospital facilities in Franklin County, Ohio. Pursuant to Section 339.15 and Chapter 140 of the Ohio Revised Code, the Issuer, acting by and through the Hospital Commission, is authorized to issue revenue bonds for the purpose of providing moneys to pay the costs of acquiring, constructing, improving, furnishing and equipping hospital facilities or refunding revenue bonds issued to pay such costs.

THE OHIO BONDS AND ALL PAYMENTS TO BE MADE BY THE OHIO ISSUER UNDER THE OHIO INDENTURE ARE NOT GENERAL OBLIGATIONS OF THE OHIO ISSUER BUT ARE SPECIAL REVENUE OBLIGATIONS PAYABLE SOLELY FROM THE PAYMENTS ON THE RELATED SERIES BOND OBLIGATION AND AS PROVIDED IN THE OHIO INDENTURE AND THE OHIO SUBLEASE. THE OHIO BONDS DO NOT CONSTITUTE A GENERAL OBLIGATION, DEBT OR BONDED INDEBTEDNESS OR LIABILITY OF THE OHIO ISSUER OR OF THE STATE OF OHIO OR ANY POLITICAL SUBDIVISION THEREOF UNDER THE CONSTITUTION OF THE STATE OF OHIO OR A PLEDGE OF THE FAITH AND CREDIT OF THE OHIO ISSUER, THE STATE OF OHIO OR ANY POLITICAL SUBDIVISION THEREOF. THE OHIO BONDS WILL NOT CONSTITUTE OR GIVE RISE TO A GENERAL OBLIGATION OR LIABILITY OF, OR A CHARGE AGAINST, THE GENERAL CREDIT OR TAXING POWERS OF THE STATE OF OHIO OR ANY POLITICAL SUBDIVISION THEREOF, AND THE HOLDER OR OWNER THEREOF DOES NOT HAVE THE RIGHT TO HAVE TAXES OR EXCISES LEVIED BY THE STATE OF OHIO OR ANY POLITICAL SUBDIVISION THEREOF FOR THE PAYMENT OF PRINCIPAL OF AND ANY PREMIUM AND INTEREST ON THE OHIO BONDS.

The Idaho Issuer

Organization. The Idaho Issuer, organized in 1972, is an independent public body politic and corporate constituting a public instrumentality of the State of Idaho. The Idaho Issuer was created by the Idaho Health Facilities Authority Act, constituting Chapter 134 of the Acts of 1972 of the State of Idaho, as amended, and Section 39 1441 et seq. of the Idaho Code, as amended (the “Idaho Act”). The purpose of the Idaho Act is to provide a measure of assistance and alternative methods to enable health institutions in Idaho to finance or refinance health facilities and to provide additional facilities for related health care purposes.

Members of the Idaho Issuer. The Idaho Act provides that the Idaho Issuer shall consist of seven members appointed to staggered five-year terms by the Governor of the State of Idaho. Members must be Idaho residents, and not more than four members may be of the same political party. The current members of the Idaho Issuer, the dates their current terms expire and their principal occupations are as follows:

Michael P. Wilson, Chairman. Mr. Wilson, a resident of Coeur d’Alene, Idaho, is a self-employed Business Consultant. He was first appointed in June 1998, and his term as a member expires July 1, 2018.

Ruth L. Keeth, Vice Chairman. Ms. Keeth a resident of Boise, Idaho, is a retired Senior Vice President and Manager of West One Bank Corporate Trust Department of Boise, Idaho. She was first appointed in January 1992, and her term as member expires July 1, 2015.

Fred D. Decker. Mr. Decker, a resident of Twin Falls, Idaho, is a retired partner in the law firm of Decker & Hollifield, P.A., Twin Falls, Idaho. He was first appointed in July 1973, and his term as a member expired July 1, 2013. No successor has yet been appointed by the Governor. Under the Idaho Act, a Member continues in office until his successor has been appointed and has qualified.

John “Rick” Katovich, MD. Dr. Katovich, a resident of Harrison, Idaho, is a physician, specializing in Family Practice in St. Maries, Idaho. He was first appointed in February 2000, and his term as a member expires July 1, 2014.

Tom Katsilometes. Mr. Katsilometes, a resident of Boise, Idaho, is a Commissioner of the Idaho State Tax Commission. He was first appointed in February 2000, and his term as a member expires July 1, 2014.

B.J. Swanson. Ms. Swanson, a resident of Troy, Idaho, is the Executive Director of the Latah Economic Development Council, Moscow, Idaho, and Chairman of the Board of the Gritman Medical Center, Moscow, Idaho. She was first appointed in October, 2012, and her term as a member expires July 1, 2016.

Thomas M. Zabala. Mr. Zabala, a resident of Boise, Idaho, is a principal and founding partner in the firm of ZGA Architects and Planners, Chartered. He was first appointed in April 2006, and his term as a member expires July 1, 2017.

Executive Staff. The Executive Director of the Idaho Issuer is Shelley Shannon. Ms. Shannon, a resident of Boise, Idaho, was appointed Executive Director on August 10, 2007. Prior to her appointment as Executive Director, Ms. Shannon served as Associate Executive Director of the Idaho Issuer since resigning as Bannock County Treasurer in 2001. She was formerly an Authority member from 1987 to 2000.

The Associate Executive Director and Controller of the Idaho Issuer is Gail L. Wees. Ms. Wees, a resident of Boise, Idaho, has worked for the Idaho Issuer since 1979 and has been Controller since 2003. She was appointed Associate Executive Director on August 10, 2007.

The mailing address of the Idaho Issuer and the office of the Executive Director is P.O. Box 8867, Boise, Idaho 83707-2867, and the Idaho Issuer's telephone number is (208) 342-8772.

Financial Advisor. Ponder & Co. serves as financial advisor to the Idaho Issuer in connection with the issuance of the Idaho Bonds.

Powers of the Idaho Issuer. Under the Idaho Act, the Idaho Issuer has the powers, among others, (i) to borrow money and to issue bonds, notes, bond anticipation notes or other obligations for any of its corporate purposes and to refund the same, (ii) to acquire, construct, reconstruct, renovate, improve, replace, maintain, repair, operate, lease as lessee or lessor and regulate any facility to be financed under the Idaho Act, to enter into contracts for any and all such purposes and for the management and operation of a facility or to designate a participating health institution as its agent to perform such acts, (iii) to lease to a participating health institution any or all of the facilities upon such terms and conditions as the Idaho Issuer shall deem proper, (iv) to fix and revise from time to time and charge and collect rates, rents, fees and charges for the use of and services furnished or to be furnished by facilities, (v) to mortgage all or any portion of the facilities and the site or sites thereof for the benefit of the holders of bonds issued to finance such facilities or any portion thereof, (vi) to make loans to any participating health institution, for the cost of the facilities in accordance with an agreement between the Idaho Issuer and such participating health institution, (vii) to make mortgage loans or other secured or unsecured loans to a participating health institution, to refund outstanding obligations, mortgages or advances issued, made or given by such institution for the cost of its facilities including the function to issue bonds and make loans to a participating health institution and to refinance outstanding obligations and indebtedness incurred for facilities undertaken and completed prior to or after the enactment of the Idaho Act, subject to certain conditions set forth in the Idaho Act, (viii) to do all things necessary and convenient to carry out the purposes of the Idaho Act and (ix) to charge to and equitably apportion among participating health institutions the administrative costs and expenses of the Idaho Issuer. The Idaho Issuer does not have the power to operate facilities as a business other than as a lessee or lessor.

The Idaho Issuer may impose upon any health institution applying to the Idaho Issuer for financial assistance an initial planning service fee and an annual planning service fee in amounts to be determined by the Idaho Issuer. These fees may be used to pay various expenses of the Idaho Issuer, including administrative expenses, and to provide reserves for unanticipated future expenses.

THE IDAHO BONDS ARE LIMITED OBLIGATIONS OF THE IDAHO ISSUER AND DO NOT CONSTITUTE A DEBT OR LIABILITY OF THE STATE OF IDAHO, ITS LEGISLATURE OR ANY OF ITS POLITICAL SUBDIVISIONS OR AGENCIES OTHER THAN THE IDAHO ISSUER TO THE EXTENT HEREIN DESCRIBED. THE IDAHO ISSUER IS NOT AUTHORIZED TO LEVY OR COLLECT ANY TAXES OR ASSESSMENTS TO PAY THE IDAHO BONDS OR FOR ANY OTHER PURPOSE. THE IDAHO ISSUER HAS NO TAXING POWER.

THE CHE TRINITY HEALTH CREDIT GROUP

Master Indenture

On October 3, 2013, the Corporation, CHE and Trinity Health formed the Credit Group under the Master Indenture. For further information regarding the corporate and credit consolidations of CHE and Trinity Health, see “SECURITY FOR THE BONDS—Security of the Bonds—The Master Indenture; Restatement” herein and APPENDIX A – “INFORMATION CONCERNING CHE TRINITY HEALTH CREDIT GROUP—CHE TRINITY HEALTH CREDIT GROUP.”

The Credit Group established under the Master Indenture is composed of the Members of the Obligated Group (currently consisting of the Corporation, CHE and Trinity Health) and their Designated Affiliates. As such, the Corporation, CHE and Trinity Health are currently the only entities contractually obligated to make payments on Obligations issued under the Master Indenture. The Master Indenture permits the Obligated Group Agent to require a Member of the Obligated Group to designate a Person that is an Affiliate as a Designated Affiliate, provided that the Obligated Group either (i) maintains, directly or indirectly, control of such Designated Affiliate to the extent required to cause such Designated Affiliate to comply with the terms of the Master Indenture that are applicable to it or (ii) has in effect contracts or other agreements that are sufficient to cause such Designated Affiliate to comply with the terms of the Master Indenture that are applicable to it.

As of October 3, 2013, there were 71 Designated Affiliates. See APPENDIX A – “INFORMATION CONCERNING CHE TRINITY HEALTH CREDIT GROUP—MEMBERS OF THE CHE TRINITY HEALTH CREDIT GROUP” for a list of the current Designated Affiliates.

The Obligated Group Agent, at any time and without satisfying any financial or other conditions, may declare that a Designated Affiliate shall no longer be a Designated Affiliate under the Master Indenture, as long as no event of default or no event that, with the passage of time or giving of notice or both, would constitute an event of default, has occurred and is continuing under the Master Indenture or would result from the withdrawal of such designation. Accordingly, there can be no assurance that the current Designated Affiliates will continue as such or that other organizations will or will not be so designated. The Obligated Group Members have covenanted in the Disclosure Agreement (as hereinafter defined) to include a current list of the Designated Affiliates in each Annual Report (as hereinafter defined) to be prepared by the Obligated Group Agent pursuant to the Disclosure Agreement. See “CONTINUING DISCLOSURE” herein.

Admissions to and Withdrawals from the Obligated Group

Other organizations may become Members of the Obligated Group, and Members (other than Trinity Health) may withdraw from the Obligated Group in accordance with the provisions of the Master Indenture, without satisfying any financial conditions. See APPENDIX F – “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE—COVENANTS.”

Designated Affiliates

On a pro-forma basis, the Obligated Group Members and the Designated Affiliates generated, for the twelve months ended June 30, 2013, approximately 80.6% of the total unrestricted revenue and 102.3% of the excess of revenue over expenses of the combined results of operations of the System and, at June 30, 2013, owned, in the aggregate, approximately 81.4% of the System’s total assets and 83.9% of the combined unrestricted cash and investments of the System.

In any Fiscal Year in which the Credit Group shall not represent at least 70% of the total operating revenues of the System, as determined based upon the financial statements of the Reporting Group for the most recently completed Fiscal Year, the audited financial statements of the Reporting Group shall be accompanied by (i) a consolidating or combining statement of financial position for the Credit Group and (ii) a consolidating or combining statement of operations for the Credit Group, both of which statements may be unaudited.

Any Designated Affiliate whose total revenues for any fiscal year exceed 5% of the combined total revenues of the for such fiscal year is a “Material Designated Affiliate” under the Master Indenture. As of October 3, 2013, five of the Designated Affiliates were Material Designated Affiliates. The current Members of the Obligated Group have covenanted and any future Members of the Obligated Group will covenant in the Master Indenture to cause the Material Designated Affiliates to comply with certain covenants that otherwise are not applicable to Designated Affiliates that are not Material Designated Affiliates. See “SECURITY FOR THE BONDS—Security for the Bonds—Financial Covenants; No Limitations on Additional Indebtedness or Transfers of Property” herein for a description of certain of the covenants that are applicable to all Designated Affiliates and others that are applicable only to Material Designated Affiliates.

Designated Affiliates and Affiliates Not Liable on Obligations

The Bond Obligations will be general, joint and several obligations of the Members of the Obligated Group, and none of the Designated Affiliates or the Affiliates will be obligated to pay any debt service thereon. However, the current Members of the Obligated Group have covenanted and any future Members of the Obligated Group will covenant to cause their respective Designated Affiliates and to use reasonable efforts to cause their respective Affiliates, subject in each case to contractual, legal and organizational limitations, to pay, loan or otherwise transfer to the Obligated Group such amounts as are necessary, in the aggregate, to enable the Obligated Group Members to pay principal of, premium and interest with respect to any Obligation issued pursuant to the Master Indenture, including the Bond Obligations. See “SECURITY FOR THE BONDS—Security for the Bonds—The Bond Obligations; Grant of Security Interest in Pledged Property” and “—Factors Concerning the Enforceability of Obligations Under the Master Indenture” herein.

None of the New York Affiliates is a Designated Affiliate. Revenues from the New York Affiliates are therefore not available to support payment of any Obligations issued under the Master Indenture, including the Bond Obligations.

Covenants of the Obligated Group

Certain covenants in the Master Indenture apply only to the Corporation, CHE, Trinity Health and any future Members of the Obligated Group. The Corporation, CHE and Trinity Health, and any such future Members, are obligated not only to comply with certain other covenants but also to cause their respective Designated Affiliates (or, in some instances, only their Material Designated Affiliates) to comply with such covenants. In addition, the Corporation, CHE and Trinity Health, and any such future Members are obligated to use reasonable efforts to cause those of their respective Affiliates that are not Designated Affiliates to comply with such provisions. See “SECURITY FOR THE BONDS—Security for the Bonds—Financial Covenants; No Limitations on Additional Indebtedness or Transfers of Property” herein.

No Limitation on Incurrence of Debt or Transfer of Assets

The Master Indenture does not limit the ability of any Obligated Group Member, any Designated Affiliate or any Affiliate to incur Indebtedness or to sell, lease or otherwise dispose of its assets, except that, in the case of any Obligated Group Member, the Master Indenture limits the ability of an Obligated Group Member to sell or convey substantially all of its assets. See “SECURITY FOR THE BONDS—Security for the Bonds—Financial Covenants; No Limitations on Additional Indebtedness or Transfers of Property” herein.

OUTSTANDING INDEBTEDNESS

Outstanding Parity Indebtedness

As of June 30, 2013, Obligations in the aggregate principal amount of approximately \$3.8 billion, securing bonds previously issued for the benefit of CHE, Trinity Health and their affiliates were outstanding. Each of CHE and Trinity Health also has issued Obligations under the Master Indenture to banks providing liquidity or credit facilities for certain of these revenue bonds in order to evidence and secure its obligations under the agreements entered into with such banks with respect to such liquidity or credit facilities. As of June 30, 2013, the aggregate outstanding principal amount of bonds supported by approximately \$1.9 billion of liquidity or credit facilities was approximately \$1.0 billion (which is included in the amount referred to in the first sentence of this paragraph). In addition, each of Trinity Health and CHE also have issued Obligations under the Master Indenture to swap counterparties to evidence and secure the Obligated Group’s obligations under those swap arrangements. At June 30, 2013, the notional amount of those swap arrangements for Trinity Health was approximately \$1.6 billion and for CHE was approximately \$0.9 billion. For more information regarding such swap arrangements, see “BONDHOLDERS’ RISKS—Risks Related to Interest Rate Swap Agreements” herein and APPENDIX A – “INFORMATION CONCERNING CHE TRINITY HEALTH CREDIT GROUP—FINANCIAL AND OPERATING INFORMATION—Interest Rate Swap Agreements.” Certain of these Obligations may be cancelled in connection with the implementation of the financing plan described under the caption “PLAN OF FINANCING” below.

Other Outstanding Indebtedness

As of June 30, 2013, Trinity Health was obligated on approximately \$168 million of additional Long-Term Indebtedness and \$369 million of commercial paper, and CHE was obligated on approximately \$532 million of additional Long-Term Indebtedness, none of which is secured by any Obligations. For a discussion on market risks in connection with commercial paper, see “BONDHOLDERS’ RISKS—Significant Risk Areas Summarized—Market Risk in Connection with Commercial Paper” herein.

Anticipated Financings

The Obligated Group expects to incur additional Indebtedness in the future, which Indebtedness may or may not be secured by Obligations issued under the Master Indenture. There is no limit on the amount of Indebtedness that may be incurred by a Member of the Obligated Group under the Master Indenture. See APPENDIX A – “INFORMATION CONCERNING CHE TRINITY HEALTH CREDIT GROUP—MANAGEMENT’S DISCUSSIONS AND ANALYSIS OF RECENT FINANCIAL PERFORMANCE—Capital Budget.”

PLAN OF FINANCING

General

The issuance of the Bonds is a component of the Obligated Group's financing plan (the "Plan of Finance"), which involves the issuance of the Series 2013 Bonds in an expected amount of \$626,950,000. The proceeds of the Series 2013 Bonds, together with other available funds, are expected to be used to (i) finance or refinance the costs of the acquisition, construction and equipping of health care facilities located in Idaho, Maryland, Michigan, Ohio, California, Delaware, Florida, Illinois, Indiana, Iowa and Pennsylvania and owned and operated by Trinity Health or its Designated Affiliates (collectively, the "Projects"), (ii) redeem certain bonds previously issued by certain conduit issuers for the benefit of CHE and its affiliates (collectively, the "Prior Bonds"), and (iii) pay certain costs of issuing the Series 2013 Bonds.

Each series of the Series 2013 Bonds will bear interest at variable rates established in accordance with the related bond indenture. To evidence and secure the obligations of the Obligated Group to pay the principal and purchase price of, premium, if any, and interest on each series of the Series 2013 Bonds, the Obligated Group Agent will issue the related Series 2013 Obligation under the Master Indenture in a principal amount equal to the principal amount of the related series of the Series 2013 Bonds. Each series of the Private Placement Bonds will be directly purchased by a separate Private Placement Purchaser pursuant to the terms of a Continuing Covenant Agreement, each dated as of October 1, 2013 (each, a "Covenant Agreement" and, collectively, the "Covenant Agreements"), between Trinity Health and the applicable Private Placement Purchaser. A Private Placement Obligation will also be issued under the Master Indenture for the benefit of each Private Placement Purchaser to secure the obligations of the Corporation under the related Covenant Agreement. The Other Series 2013 Obligations and the Private Placement Obligations will rank on a parity with all the Obligations issued under the Master Indenture, including the Bond Obligations.

Under the Covenant Agreements, Trinity Health has agreed to comply with certain financial and other covenants solely for the benefit of the Private Placement Purchasers, which covenants are in addition to, and in certain cases may be more restrictive than, the covenants in the Master Indenture.

Upon the occurrence of certain events (whatever the reason for such event and whether voluntary, involuntary, or effected by operation of law), an "event of default" will exist under the Covenant Agreements, unless waived by the applicable Private Placement Purchasers, thereby permitting any Private Placement Purchaser to exercise various remedies, including but not limited to: (i) declare the outstanding amount of all obligations under the related Covenant Agreement to be immediately due; (ii) deliver a notice that an event of default has occurred and is continuing under the Covenant Agreements and directing the Bond Trustee to accelerate or redeem the Private Placement Bonds; or (iii) pursue Master Indenture remedies which may include acceleration of the Private Placement Obligations. This may result in the holders of the Private Placement Bonds receiving payment prior to holders of the Bonds.

The primary components of the Plan of Finance are described in this section. However, the Plan of Finance may be revised by the Obligated Group from time to time in response to market developments and other factors subsequent to the date of this Official Statement or the issuance of the Bonds.

Projects

General. A portion of the proceeds of the Series 2013 Bonds will be used to finance and refinance the costs of the Projects, as described below.

Ohio Bonds. A portion of the proceeds of the Ohio Bonds will be used to finance and refinance the costs of improvements to health care facilities located in Ohio owned and operated by a Designated Affiliate.

Idaho Bonds. A portion of the proceeds of the Idaho Bonds will be used to finance or refinance the costs of construction and/or certain improvements and additions to health care facilities located in Idaho and owned or operated by Designated Affiliates.

Maryland Bonds. A portion of the proceeds of the Maryland Bonds will be used to finance or refinance the costs of construction and/or certain improvements and additions to health care facilities located in Maryland and owned or operated by a Designated Affiliate.

Michigan Bonds. A portion of the proceeds of the Michigan Bonds will be used to finance or refinance (including the repayment of outstanding commercial paper indebtedness) the costs of construction and/or certain improvements and additions to health care facilities located in Michigan, California, Delaware, Florida, Illinois, Indiana, Iowa and Pennsylvania and owned or operated by Designated Affiliates.

Redemption of Prior Bonds

A portion of the proceeds of the Michigan Bonds, together with other available funds, will be used refund on a current basis each series of the Prior Bonds on the expected redemption date, as set forth in the following table.

Series	Outstanding Par Amount	Expected Redemption Date
Special Care Facilities Financing Authority of the City of Daphne - Villa Mercy, Revenue Bonds, Series 1997 (Mercy Medical Project)	\$20,100,000	November 6, 2013
Special Care Facilities Financing Authority of the City of Daphne - Villa Mercy Revenue Bonds, Series 2000 (Mercy Medical Project)	13,600,000	November 6, 2013
City of Miami, Florida, Health Facilities Authority, Health System Revenue Bonds, Catholic Health East Issue, Series 2003B	27,925,000	November 15, 2013
Delaware Health Facilities Authority, Health System Revenue Bonds, Catholic Health East Issue, Series 2003D	16,560,000	November 15, 2013

A portion of the proceeds of the Michigan Bonds will be irrevocably deposited in a separate escrow fund for each series of Prior Bonds to be refunded. The funds deposited in each escrow fund, together with an initial cash deposit (if any), will be sufficient to pay, when due, the related series of Prior Bonds at a redemption price of 100% of the principal amount thereof, plus interest to and including the expected redemption date. No funds deposited into any escrow fund will be available to make payments on the Bonds or the Other Series 2013 Bonds.

Remarketings

Concurrently with the issuance of the Bonds, CHE has determined to terminate the letters of credit supporting two series of variable rate bonds previously issued for the benefit of CHE and certain of its affiliates (collectively, the “CHE Bonds”) and currently outstanding in the aggregate principal amount of \$88,890,000. In connection with the cancellation of each such letter of credit, each series of such bonds will be subject to mandatory tender for purchase on or around the Date of Issuance, and will be remarketed by the applicable remarketing agent. Following the remarketing of such CHE Bonds and the concurrent termination of each letter of credit, payment of the purchase price of any such CHE Bond

tendered or deemed tendered for purchase and not remarketed will not be directly supported by any form of liquidity agreement or letter of credit. Any such CHE Bond not remarketed will be required to be purchased by CHE from its own funds. Effective October 3, 2013, Obligations were issued under the Master Indenture to secure the repayment of the CHE Bonds in exchange for obligations previously issued under the CHE Master Indenture.

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds related to each Series of the Bonds and the Other Series 2013 Bonds (with all amounts rounded to the nearest whole dollar).

Sources of Funds	The Bonds		The Other Series 2013 Bonds		Total
	Ohio Bonds	Idaho Bonds	Maryland Bonds	Michigan Bonds	
Par Amount of Bonds	\$87,245,000	\$45,735,000	\$103,910,000	\$390,060,000	\$626,950,000
Release of Restricted Funds related to Prior Bonds				5,637,238	5,637,238
Equity Contribution				2,592,000	2,592,000
Total Sources of Funds⁽¹⁾	\$87,245,000	\$45,735,000	\$103,910,000	\$398,289,238	\$635,179,238
Uses of Funds					
Project Costs ⁽²⁾	\$86,347,993	\$45,122,087	\$103,142,213	\$318,670,978	\$553,283,270
Refunding Costs ⁽³⁾				78,185,000	78,185,000
Issuance Costs ⁽⁴⁾	897,007	612,913	767,787	1,433,260	3,710,968
Total Uses of Funds⁽¹⁾	\$87,245,000	\$45,735,000	\$103,910,000	\$398,289,238	\$635,179,238

⁽¹⁾ Totals may not sum due to rounding.

⁽²⁾ It is anticipated that approximately \$270 million will be repaid under Trinity Health's existing taxable commercial paper program with the proceeds of the Series 2013 Bonds.

⁽³⁾ Includes the refunding of the Prior Bonds. Excludes interest costs associated with the refunding of the Prior Bonds. The Corporation will contribute the amounts needed to pay interest on the Prior Bonds on the date of closing.

⁽⁴⁾ Includes legal, printing, Issuers' and rating agency fees, Underwriters' discount, and other miscellaneous fees and expenses.

SECURITY FOR THE BONDS

Security for the Bonds

General. Each Series of the Bonds is a limited obligation of the related Issuer, payable from payments required to be paid under the related Financing Agreement, from payments required to be made by the Obligated Group on the related Bond Obligation and from other funds held under the related Bond Indenture. In each Financing Agreement, Trinity Health agrees to make payments to the related Issuer, which payments, in the aggregate, are required to be payable at such times and in such amounts sufficient, together with other available funds, for the payment in full of all amounts payable with respect to the related Series of Bonds, including the total interest payable on such Series of Bonds to their respective dates of maturity, the principal amount and purchase price of such Series of Bonds, any redemption premium thereon and certain other fees and expenses, less any amounts available for such payments, as provided in the related Bond Indenture. Each Series of the Bonds is also payable from bond proceeds and investment earnings thereon, in the manner and to the extent set forth in the related Bond Indenture.

The Master Indenture; Restatement. At the time of the creation of the Corporation and the consolidation of Trinity Health and CHE, Trinity Health and several of its affiliates were part of the "Credit Group" under the Master Trust Indenture (Amended and Restated), dated as of July 1, 1998 (the "Trinity Master Indenture"), between Trinity Health and the Master Trustee, and CHE and 59 of its affiliates were obligated group members under an amended and restated master trust indenture, dated as of January 1, 1998, amended and restated as of September 30, 2006 (the "CHE Master Indenture"),

among CHE, such other obligated group members and the Master Trustee. Effective October 3, 2013, (i) the Trinity Master Indenture was amended and restated (as amended and restated, the “Master Indenture”), (ii) the Corporation and CHE became parties to and Obligated Group Members under the Master Indenture, (iii) the CHE affiliates (other than Mercy Hospital and Mercy Health System of Maine) which had been obligated group members under the CHE Master Indenture became Designated Affiliates under the Master Indenture, (iv) holders of obligations previously issued under the CHE Master Indenture received replacement Obligations under the Master Indenture to replace those previously issued CHE obligations, and (v) there were no obligations remaining outstanding under the CHE Master Indenture and the CHE Master Indenture was discharged (collectively, the “Credit Consolidation”). For further information regarding the Credit Consolidation, see APPENDIX A – “INFORMATION CONCERNING CHE TRINITY HEALTH CREDIT GROUP—CHE TRINITY HEALTH CREDIT GROUP—History” and “—The Credit Group.”

The changes to the Master Indenture effected as part of the Credit Consolidation generally consist of the following:

- (i) Addition of definitions to clarify the existing definitions of “Balloon Indebtedness” and “Variable Rate Indebtedness”;
- (ii) Modification of definition of “Debt Service Requirements” to clarify various assumptions;
- (iii) Clarification that financial reporting and testing under the Master Indenture will be maintained on a Reporting Group basis (unless at the time of delivery of the annual financial report and in any Fiscal Year in which the Credit Group shall not represent at least 70% of the total operating revenues of the System, as determined based upon the financial statements of the Reporting Group for the most recently completed Fiscal Year, the financial report shall be accompanied by (a) a consolidating or combining statement of financial position for the Credit Group and (b) a consolidating or combining statement of operations for the Credit Group, both of which statements may be unaudited);
- (iv) Addition of provisions related to “Excluded Swap Obligations” consistent with the requirements of the Commodity Exchange Act (7 U.S.C. §1 et seq.), as amended from time to time, and any successor statute, including any rule or regulation promulgated thereunder, any order of the CFTC relating thereto, or the application or official interpretation of any of the foregoing;
- (v) Addition of a provision to allow substitution of Obligations (with respect to prior obligations issued by Trinity Health and CHE, substitution of obligations had been permitted under the related bond indentures); and
- (vi) Modification to the definition of “Credit Group” to exclude Affiliates in order to accommodate the affiliation with the New York RHMs.

Under the Master Indenture, only the Corporation, CHE and Trinity Health and future Members of the Obligated Group, if any, will be obligated to make payments on the Bond Obligations. However, under the Master Indenture, each Member of the Obligated Group is obligated to cause its respective Designated Affiliates and to use reasonable efforts to cause their Affiliates, subject in each case to contractual, legal and organizational limitations, to pay, loan or otherwise transfer to the Obligated Group such moneys as are necessary to enable the Obligated Group to pay principal of, premium and interest

with respect to Obligations issued thereunder, including the Bond Obligations. This agreement is subject to contractual, legal and organizational limitations that may render a Member of the Obligated Group unable to cause a Designated Affiliate or an Affiliate to make such payments or transfer such amounts. The Master Indenture does not contain any specific requirements for the type of powers a Member of the Obligated Group or any such future Members must have over the Designated Affiliates or Affiliates or the type of contractual rights or form of contract a Member of the Obligated Group or any such future Members must have with the Designated Affiliates or Affiliates. Accordingly, no assurance can be given that the Obligated Group will be able to exercise such powers over the Designated Affiliates or Affiliates. See “—Factors Concerning the Enforceability of Obligations Under the Master Indenture” below.

Certain provisions of the Master Indenture are summarized in APPENDIX F to this Official Statement.

The Bond Obligations; Grant of Security Interest in Pledged Property. Concurrently with the issuance of the Bonds and to secure Trinity Health’s obligation to make payments pursuant to the related Financing Agreements, Trinity Health, as Obligated Group Agent, on behalf of the Members of the Obligated Group, will issue and deliver the related Bond Obligation to the related Bond Trustee. Each Bond Obligation will jointly and severally obligate the current Obligated Group Members and any future Obligated Group Member to make payments to the related Bond Trustee in such amounts and prior to such times as such Bond Trustee is required to make debt service payments on the related Series of Bonds. Each Bond Obligation will secure the repayment obligation under the related Financing Agreement and, therefore, the related Series of Bonds. The Bond Obligations will be general, joint and several obligations of each Member of the Obligated Group and equally and ratably secured under the Master Indenture, together with all other Obligations issued under the Master Indenture, by a security interest (which security interest has been assigned to the Master Trustee) in all Pledged Property now owned or hereafter acquired by the Obligated Group Members and the Designated Affiliates, representing when combined with the then-current Members of the Obligated Group not less than 85% of the consolidated net revenues of the Credit Group. “Pledged Property” generally consists of the following from the Members of the Obligated Group and each Designated Affiliate (collectively, the “Debtor”): all receipts, revenues, income and other moneys received by or on behalf of the Debtor, including, without limitation, revenues derived from the operation of all Facilities of the Debtor, and all rights to receive the same, whether in the form of accounts, health-care-insurance receivables, contract rights, chattel paper, instruments or other rights, and the proceeds thereof, and any insurance thereon, whether now existing or hereafter acquired by the Debtor. Gifts, grants, donations and contributions, designated at the time of making by the donor or maker as being for certain specific purposes (including for any charitable purpose), and the income derived therefrom, to the extent required by such designation, are excluded from Pledged Property, and in the event that any organizational, legal or contractual obligations of the Debtor affecting any of the property described above prohibit it from granting a lien on or a security interest in such property, then such property shall also be excluded from Pledged Property, all as more fully described in APPENDIX F hereto. Affiliates are not members of the Credit Group and therefore not subject to the aforementioned pledge of Pledged Property. In addition, as described in APPENDIX A hereto, the revenues, excess of revenues over expenses and assets of the Credit Group account for less than all of such items of the members of the Reporting Group.

Except as otherwise described herein, the Bond Obligations are not secured by a pledge, grant or mortgage of, or interest in, any other property of the Obligated Group or any Designated Affiliate. See “—Factors Concerning the Enforceability of the Pledge of Pledged Property” below for a description of, among other matters, possible instances in which such security interest may not have priority or may not be enforceable.

Financial Covenants; No Limitations on Additional Indebtedness or Transfers of Property.

The Master Indenture imposes certain limited restrictions upon the Members of the Obligated Group for the benefit of the holders of the Obligations (including the Bond Obligations). These covenants relate to the following matters, among others: (i) the admission of a Member into and the withdrawal of a Member from the Obligated Group, (ii) limitations on mergers involving a current Member of the Obligated Group or any such future Member, (iii) limitations on sales of all or substantially all of the assets of any current Member of the Obligated Group or any such future Member and (iv) limitations on the creation of Liens by any current Member of the Obligated Group, any such future Member and any Material Designated Affiliate in order to secure their respective Indebtedness, including (in the case of the creation of Liens) certain financial restrictions. (Affiliates and Designated Affiliates that are not Material Designated Affiliates are not subject to the aforementioned covenants respecting limitations on the creation of Liens, and Affiliates and Designated Affiliates are not subject to the aforementioned covenant respecting limitations on mergers.) However, the Master Indenture includes no financial covenants that must be satisfied in the case of a merger involving any current Member of the Obligated Group or any such future Members of the Obligated Group, the sale of all or substantially all of the assets of any such Members or the admission of a Member into or the withdrawal of a Member from the Obligated Group. See APPENDIX A – “INFORMATION CONCERNING CHE TRINITY HEALTH CREDIT GROUP—CHE TRINITY HEALTH CREDIT GROUP—History” for a discussion of the pending merger of the Corporation, CHE, and Trinity Health.

Additionally, the Master Indenture includes no restrictions on the designation or the discontinuation of the designation of a Designated Affiliate by a Member of the Obligated Group, other than restrictions applicable upon the occurrence of an event of default under the Master Indenture or the occurrence of an event that, with the passage of time or the giving of notice or both, would constitute an event of default under the Master Indenture.

The Master Indenture does not limit the amount of debt that may be incurred by the members of the Credit Group or restrict the ability of the members of the Credit Group to transfer property (other than all or substantially all of the assets of any current Member of the Obligated Group or any future Members of the Obligated Group), including cash, marketable securities or receivables, to anyone, including to organizations that are not Affiliates. Pursuant to the Master Indenture, the current Members of the Obligated Group, any future Members of the Obligated Group and any Material Designated Affiliates (the financial statements of which are not consolidated into those of Trinity Health) are required, among other things, to prepare certain audited and unaudited financial statements and to cause their respective Designated Affiliates to comply with and to use reasonable efforts to cause their respective Affiliates to comply with recommendations relating to rates, fees and charges made by any Consultant that Trinity Health, as Obligated Group Agent, is required to retain in the event that the Historical Debt Service Coverage Ratio of the Reporting Group for any Fiscal Year is less than 1.10 to 1.00. For the fiscal year ended June 30, 2013, this Ratio was 4.85 to 1.00.

Certain Amendments of the Master Indenture Without Consent. The Master Indenture may be amended without the consent of or notice to the holders of the Obligations to make any changes thereto (other than changes resulting in (i) an extension of the stated maturity or reduction of the principal amount of or reduction in the rate or extension of the time of paying of interest on or reduction of any premium payable on the redemption of, any Obligation, (ii) a reduction of the aggregate principal amount of Obligations the holders of which are required to consent to any Supplemental Master Indenture requiring the consent of holders of the Obligations at the time outstanding which would be affected by the action to be taken, (iii) the creation of any Lien ranking prior to or on a parity with the Lien of the Master Indenture with respect to the trust estate, if any, subject to the Master Indenture or the termination of the Lien of the Master Indenture on any Property at any time subject thereto or the deprivation of the holder of any Obligation of the security afforded by the Lien of the Master Indenture, except as otherwise

thereby permitted, or (iv) modifications of the rights, duties or immunities of the Master Trustee, without the written consent of the Master Trustee), as long as the Historical Debt Service Coverage Ratio of the Credit Group for the immediately preceding Fiscal Year was not less than 1.50 to 1.00. No such amendment may, however, (a) lower the Historical Debt Service Coverage Ratio required to be maintained by the Credit Group below 1.10 to 1.00 or (b) increase the percentages set forth in subparagraphs (h) and (m) of the definition of “Permitted Encumbrances” (as set forth in the Master Indenture and summarized in APPENDIX F hereto), which subparagraphs prescribe the extent to which the current Members of the Obligated Group, any future Members of the Obligated Group and any Material Designated Affiliates may create Liens on accounts receivable and other property of such persons to secure Indebtedness, or otherwise alter the covenants in the Master Indenture relating to limitations on Liens on Property of Members of the Obligated Group and Material Designated Affiliates. See APPENDIX F – “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE—SUPPLEMENTAL MASTER INDENTURES.”

Bond Trustees as Holders of the Bond Obligations. Under the Master Indenture, each Bond Trustee is the holder of the related Bond Obligation. Each Bond Trustee may and, at the direction of the related Issuer, shall exercise any and all of the rights granted to the holders of Obligations under the Master Indenture, including the right to consent to amendments of the Master Indenture and the right, under certain circumstances, to direct the Master Trustee to exercise remedies and grant waivers upon the occurrence of an event of default thereunder.

Permitted Encumbrances and Senior Indebtedness. Pursuant to the Master Indenture, each Member of the Obligated Group agrees that it will not and that it will not permit any of its Material Designated Affiliates to create or incur or permit to be created or incurred or to exist any Lien on any of their Property to secure Indebtedness, except for Permitted Encumbrances. Permitted Encumbrances include, among other things, (i) Liens on Property existing as of the effective date of the Master Indenture, (ii) Liens on Property existing on the date an entity becomes a Obligated Group Member, (iii) Liens on Property existing on the date an entity becomes a Designated Affiliate, but only if, at the time such entity became a Designated Affiliate, such entity constitutes a Material Designated Affiliate, and (iv) any other Liens on Property securing Indebtedness, provided that the aggregate Book Value (or at the option of Trinity Health, Current Value) of the Credit Group’s Property subject to Liens securing Indebtedness does not exceed 25% of the combined value of the total net assets of the Credit Group (as shown on the financial statements for the Credit Group for the most recently completed fiscal year). See subparagraph (m) in APPENDIX F – “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE—DEFINITIONS—Permitted Encumbrances” and “—COVENANTS—Liens on Property.”

The Bond Indentures, the Financing Agreements and the Bond Obligations. Each Series of Bonds is a special and limited obligations of the related Issuer, payable solely from Revenues (as defined below) pledged under the applicable Bond Indenture for such payment. “Revenues” consist primarily of payments required to be made by Trinity Health under each Financing Agreement. The related Issuer will assign its right, title and interest in the related Financing Agreements (except for the right to receive administrative fees and expenses to the extent payable to such Issuer, the right of such Issuer to be indemnified, and the obligation of Trinity Health to make payments pursuant to the Tax Certificate and Agreement) to the applicable Bond Trustee.

The obligation of Trinity Health to make payments under each of the applicable Financing Agreements at the times and in the amounts necessary to pay the principal and purchase price of, premium, if any, and interest on the related Series of Bonds is the general, unsecured obligation of Trinity Health, which obligation is evidenced and secured by the related Bond Obligation. Upon the issuance of the Bonds, the Corporation, CHE and Trinity Health will be the only Members of the Obligated Group.

THE BONDS DO NOT REPRESENT OR CONSTITUTE A DEBT OF THE ISSUERS, THE STATES OF OHIO OR IDAHO OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE PROVISIONS OF THE CONSTITUTION OR STATUTES OF THE STATES OF OHIO OR IDAHO OR A PLEDGE OF THE FAITH AND CREDIT OF THE ISSUERS, THE STATES OF OHIO OR IDAHO OR ANY POLITICAL SUBDIVISION THEREOF, AND THE BONDS DO NOT GRANT TO THE OWNERS OR THE HOLDERS THEREOF ANY RIGHT TO HAVE THE ISSUERS, THE STATES OF OHIO OR IDAHO OR ANY POLITICAL SUBDIVISION THEREOF LEVY ANY TAXES OR APPROPRIATE FUNDS FOR THE PAYMENT OF THE PRINCIPAL THEREOF OR PREMIUM, IF ANY, AND INTEREST THEREON.

Each Bond Indenture and Financing Agreement may be amended from time to time, in certain circumstances without the consent of the applicable Bondholders. Such amendments could be substantial and result in the modification, waiver or removal of any existing covenant or restriction contained in a Bond Indenture or Financing Agreement. See APPENDIX E – “SUMMARY OF FINANCING DOCUMENTS—BOND INDENTURES—Particular Covenants—Amendment of Idaho Bond Indenture” and “Amendment of Ohio Sublease” and “—BOND INDENTURES—Amendments to Idaho Bond Indenture Permitted” and “Amendments to Ohio Bond Indenture Permitted.”

Replacement Master Indenture

Each Bond Indenture provides that the related Bond Obligation will be surrendered by the related Bond Trustee and delivered to the Master Trustee for cancellation upon satisfaction of certain requirements that include receipt by such Bond Trustee and the applicable Issuer of (i) a request from Trinity Health requesting such surrender and delivery and stating that Trinity Health has become a member of an obligated group under a replacement master indenture (other than the Master Indenture) and that a replacement obligation is being issued to such Bond Trustee under such replacement master indenture (the “Replacement Master Indenture”); (ii) a properly executed replacement obligation issued under the Replacement Master Indenture with the same tenor and effect as the related Bond Obligation delivered for cancellation; (iii) written confirmation from each rating agency then rating the applicable Series of Bonds that the replacement of such Bond Obligation will not, by itself, result in a reduction in the then-current ratings on such Series of Bonds; and (iv) certain opinions of counsel described in such Bond Indenture and in the Master Indenture.

Factors Concerning the Enforceability of Obligations Under the Master Indenture

The Members of the Obligated Group do not have sufficient assets or revenues of their own to pay debt service on the Obligations issued under the Master Indenture, including the Bond Obligations. The Obligated Group is dependent on the Designated Affiliates and Affiliates to provide it with revenues sufficient to meet such debt service obligations, and only the Members of the Obligated Group are under any legal obligation to make such debt service payments under the Master Indenture. In addition, as provided in the Master Indenture, the ability of the other members of the Credit Group to transfer funds to the Members of the Obligated Group in amounts sufficient to enable the current Members and any future Members to meet their debt service obligations is subject to contractual and organizational limitations.

In calculating the Historical Debt Service Coverage Ratio under the Master Indenture, the accounts of the members of the Reporting Group will be combined, notwithstanding uncertainties as to the ability of the Obligated Group Members to compel the Designated Affiliates and other Affiliates to provide funds to the current Members of the Obligated Group and to any future Members of the Obligated Group for the payment of debt service on the Obligations, including the Bond Obligations.

The joint and several obligation described herein of each Member of the Obligated Group to pay debt service on the Bond Obligations may not be enforceable against a Member, and the ability of Designated Affiliates or other Affiliates to transfer funds to the Members of the Obligated Group for the purpose of paying debt service on the Bond Obligations may be limited or proscribed, to the extent that (i) such payments will be made on an Obligation issued for the benefit of an entity other than such Member, Designated Affiliate or Affiliate and for a purpose that is not consistent with the charitable purposes of the organization from which such payment or transfer is requested; (ii) the transfer of funds from a Designated Affiliate or other Affiliate to provide for such payment or the payment of such Obligation by another Member of the Obligated Group may violate charitable trust principles, which vary from jurisdiction to jurisdiction, that are applicable to such Designated Affiliate, other Affiliate or Member; (iii) such payment is requested to be made from any property that is donor restricted or that is subject to a direct or express trust that does not permit the use of such property for such payments or transfers; (iv) such payments would result in the cessation or discontinuation of any material portion of the health care or related services previously provided by the organization from which such payment or transfer is requested; or (v) such payment is made from the proceeds of any loan violating applicable usury laws. The ability of the Obligated Group to cause its Designated Affiliates and its Affiliates to transfer funds to the Obligated Group for the purpose of paying debt service on the Bond Obligations additionally may be limited by contractual and organizational limitations imposed on the Designated Affiliates or Affiliates, as the case may be. Due to the absence of clear legal precedent in this area, the extent to which the property of any future Member of the Obligated Group, the Designated Affiliates or the Affiliates may be applied or transferred to the Members of the Obligated Group as described above cannot be determined.

In addition to the limitations on enforceability described in the immediately preceding paragraph, a future Member of the Obligated Group may not be required to make payments on an Obligation, and neither a Designated Affiliate nor an Affiliate may be required to transfer funds to the current Members of the Obligated Group or to any future Member of the Obligated Group for the purpose of making debt service payments on an Obligation, in either case, if such Obligation is issued by or for the benefit of another organization, to the extent that any such payment or transfer would render such Member, Designated Affiliate or Affiliate insolvent or would conflict with, not be permitted by or be subject to recovery for the benefit of other creditors of such Member, Designated Affiliate or Affiliate under applicable fraudulent conveyance, bankruptcy, insolvency, moratorium or other similar laws affecting the enforcement of creditors' rights. There is no clear legal precedent as to whether such payments or transfers may be voided by a trustee in bankruptcy in the event of a bankruptcy of such Member, Designated Affiliate or Affiliate or by third party creditors in an action brought pursuant to fraudulent conveyance statutes of the states in which such Member, Designated Affiliate or Affiliate is incorporated or doing business. Under the United States Bankruptcy Code, a trustee in bankruptcy and, under fraudulent conveyance statutes of the states in which the Members of the Obligated Group, Designated Affiliates and Affiliates are incorporated or doing business, a creditor of a guarantor may avoid any obligation incurred by a guarantor, if, among other bases therefor, (i) the guarantor has not received fair consideration or reasonably equivalent value in exchange for the guaranty, and (ii) the guarantor is insolvent or the guaranty renders the guarantor insolvent, as defined in the United States Bankruptcy Code or fraudulent conveyance statutes of such states, or the guarantor is undercapitalized.

Application by courts of the tests of "insolvency," "reasonably equivalent value" and "fair consideration" has resulted in a conflicting body of case law. It is possible that, in an action to compel any Member of the Obligated Group to pay debt service on an Obligation issued by or for the benefit of another organization or to compel a Designated Affiliate or Affiliate to transfer funds for such purposes, a court might not enforce such Obligation in the event that it is determined that such Member, Designated Affiliate or Affiliate is analogous to a guarantor, that fair consideration or reasonably equivalent value for such guaranty was not received and that the incurrence of such obligation has rendered or will render such

Member, Designated Affiliate or Affiliate insolvent or that such Member, Designated Affiliate or Affiliate is or will thereby become undercapitalized.

In addition to the foregoing, common law authority and authority under various state statutes authorize courts to terminate the existence of a nonprofit corporation or to supervise its affairs on various grounds, including a finding that such corporation has insufficient assets to carry out its stated charitable purposes or has taken some action that either renders it unable to carry out such purposes or has violated such purposes. Such court action may arise on the court's own motion or pursuant to a petition of the Attorney General of a particular state 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 the funds of charitable trusts to their intended charitable uses.

The practical ability of a Bond Trustee to enforce its rights and remedies against Trinity Health under the related Financing Agreement and Bond Obligation (as assignee of the applicable Issuer) and of the Master Trustee to enforce its rights and remedies against the Members of the Obligated Group under the Master Indenture will depend upon the exercise of various remedies specified by such documents, which in many instances may require judicial actions that are often subject to discretion and delay or that otherwise may not be readily available or may be limited. See “—Security for the Bonds—The Master Indenture; Restatement” above.

Factors Concerning the Enforceability of the Pledge of Pledged Property

Member and Designated Affiliate Exceptions. The enforceability of the pledge by a Member or a Designated Affiliate of its Pledged Property may be limited by certain factors, including: (i) if the purpose for which the pledge was made is inconsistent with the charitable purposes of such Member or Designated Affiliate, (ii) the transfer of funds from a Member or a Designated Affiliate or other Affiliate to provide for such payment or the payment of such Obligation by another Member may violate charitable trust principles that are applicable to such Designated Affiliate, other Affiliate or Member, which may vary from jurisdiction to jurisdiction, (iii) donor-restrictions or direct, express or charitable trust principles that do not permit or limit the payment, loan or transfer of such property, (iv) such payment, loan or transfer would result in the cessation or discontinuation of any material portion of the health care or related services provided by such Member or Designated Affiliate or (v) such payment is made from the proceeds of any loan violating applicable usury laws.

Market Exceptions. The effectiveness of the security interest in the Pledged Property of the Obligated Group may also be limited by a number of additional factors, including: (i) provisions prohibiting the direct payment of amounts due to health care providers from the Medicaid and Medicare programs to persons other than such providers; (ii) the absence of an express provision permitting assignment of receivables due under the contracts between a Member or a Designated Affiliate and third-party payors, and present or future legal prohibitions against such assignment; (iii) certain judicial decisions which cast doubt on the right of the Master Trustee, in the event of the bankruptcy of a Member, a Designated Affiliate or other Affiliate to collect and retain accounts receivable from Medicare, Medicaid and other governmental programs; (iv) commingling of proceeds of accounts receivable with other moneys of the Obligated Group not 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 or equitable or other rights impressed or conferred thereon 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, the Financing Agreements or the covenant relating to Pledged Property that is earned by a Member or a Designated Affiliate during the pendency of such proceedings; (ix) rights of third parties in Pledged Property converted to cash and not in the possession of the Master Trustee; and (x) claims that

might arise if appropriate financing or continuation statements are not filed in accordance with the Uniform Commercial Code, as from time to time in effect.

DESCRIPTION OF THE BONDS

This Official Statement summarizes certain terms and provisions of the Bonds only while such Bonds bear interest in the Window Mode. If a Series of Bonds is converted to a Mode other than a Window Mode, Trinity Health will supplement this Official Statement or deliver a new offering document or remarketing document describing such new Mode and the terms and provisions of the documents relating thereto.

The following is a summary of certain provisions of the Bonds. Reference is made to the Bonds for the complete text thereof and to the Bond Indentures for a more detailed description of such provisions. The discussion herein is qualified by such reference. See APPENDIX E – “SUMMARY OF FINANCING DOCUMENTS.”

General

Each Series of Bonds will be dated the Date of Issuance and will be issued initially in the Window Mode. The Window Rate and the Window Spread for each Series of Bonds will be determined as described herein. The Bonds will be issued as fully registered bonds without coupons in initial denominations of \$100,000 and integral multiples of \$5,000 in excess thereof, subject to the book-entry procedures described herein.

Interest on each Series of Bonds shall be calculated on the basis of a 365-366 day year for the actual number of days elapsed and shall become due and payable on the first Thursday of each calendar month, or if the first Thursday is not a Business Day, the next succeeding Business Day (each, an “Interest Payment Date”), of each year to and including the Maturity Date, in an amount equal to all interest which has accrued during the period commencing on the last Interest Payment Date to which interest has been paid (or, if no interest has been paid from the Date of Issuance) to, but not including, the next Interest Payment Date on which interest is to be paid. Payment of interest on each Bond shall be made to the owner of record of such Bond on the last Business Day before an Interest Payment Date. In no event shall any Bond bear interest at a rate per annum in excess of the Maximum Rate.

At the option of Trinity Health and upon certain conditions provided in the Bond Indentures, all or a portion of the Bonds of a Series may be converted to any other Interest Rate Mode. The Bonds are subject to mandatory tender in the event of any such conversion. See “—Conversion of Bonds to Other Modes” and “—Tender of the Bonds—Mandatory Tender for Purchase on Mandatory Purchase Date” below. Merrill Lynch, Pierce, Fenner and Smith Incorporated has been appointed as the Remarketing Agent for each Series of the Bonds.

Interest on the Bonds

Determination of Window Rate. During each Window Rate Period, each Series of Bonds shall bear interest at the Window Rate, which shall be determined by the related Window Calculation Agent each Thursday (or if such day is not a Business Day, then on the next succeeding Business Day) and shall be equal to the SIFMA Index on such day plus the Window Spread. The Window Calculation Agent shall furnish each Window Rate so determined to the applicable Bond Trustee, the applicable Remarketing Agent, the applicable Issuer and Trinity Health by Electronic Means no later than the Business Day next succeeding the date of determination. The first Window Rate for each Window Rate Period shall be determined on or prior to the first day of such Window Rate Period, shall apply to the period commencing

on the first day of such Window Rate Period and ending on and including the next succeeding Wednesday and shall be equal to the SIFMA Index as of the first day of such Window Rate Period (or, if the first day of such Window Rate Period is not a Thursday, the SIFMA Index as of the Thursday preceding the first day of such Window Rate Period) plus the Window Spread. Thereafter, each Window Rate shall apply to the period commencing on and including Thursday and ending on and including the next succeeding Wednesday, unless such Window Rate Period ends on a day other than Wednesday, in which event the last Window Rate for such Window Rate Period shall apply to the period commencing on and including the Thursday preceding the last day of such Window Rate Period and ending on and including the last day of such Window Rate Period.

Change in Window Spread. During each Window Rate Period, a Remarketing Agent may (i) with the consent of Trinity Health, increase the Window Spread effective as of any Window Optional Tender Date during each Remarketing Window, any Window Mandatory Tender Date or any other Mandatory Tender Date for all of the Bonds of the related Series that occurs pursuant to the provisions of the related Bond Indenture described in the Section below entitled “—Tender of the Bonds—Optional and Mandatory Tender During Window Rate Period,” during such Window Rate Period, or (ii) reduce the Window Spread effective as of any Window Mandatory Tender Date or any other Mandatory Tender Date for all of the Bonds of the related Series that occurs pursuant to the related Bond Indenture during such Window Rate Period.

The sum of the SIFMA Index plus the revised Window Spread shall be equal to the rate of interest per annum determined by the applicable Remarketing Agent (based on an examination of tax exempt obligations comparable, in the judgment of such Remarketing Agent, to the related Series of Bonds and known by the Remarketing Agent to have been priced or traded under then prevailing market conditions) to be the minimum interest rate which, if borne by such Bonds, would enable such Remarketing Agent to sell all of the Bonds of such Series on the effective date of the revised Window Spread at a price (without regard to accrued interest) equal to the principal amount thereof, but not greater than the Maximum Rate. The Maximum Rate for the Bonds, other than Liquidity Facility Bonds, is an annual rate equal to the lower of 12% or the highest rate allowed by law.

A revised Window Spread shall apply to all Bonds of a Series bearing interest at a Window Rate as of the effective date of the revised Window Spread. The Remarketing Agent shall give notice of the revised Window Spread to the applicable Bond Trustee by Electronic Means not later than the second Business Day after the effective date of such revised Window Spread. The applicable Bond Trustee shall give notice of such revised Window Spread by first-class mail to the Holders, not later than the second Business Day after receiving notice of such Window Spread from the related Remarketing Agent.

Alternate Rates. If (i) the Remarketing Agent or Window Calculation Agent, as applicable, fails or is unable to determine the interest rate or Interest Period for a Series of Bonds, (ii) the method by which such Remarketing Agent or Window Calculation Agent, as applicable, determines the interest rate or Interest Period with respect to such Series of Bonds is held to be unenforceable by a court of law of competent jurisdiction, or (iii) if the Remarketing Agent suspends its remarketing effort in accordance with the applicable Remarketing Agreement; then the Window Rate for such subsequent Interest Period shall be equal to 85% of the interest rate on 30 day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in The Wall Street Journal on the day such Window Rate would otherwise be determined as provided in the related Bond Indenture for such Window Rate Period, plus the Window Spread. If the period during which the interest rate or Interest Period is not determined because of the circumstances described in (i), (ii) or (iii) above is longer than 30 consecutive days, the interest rate on the Bonds commencing on the 31st day of such period until the end of such period shall equal the Maximum Rate. These provisions shall continue to apply until such time as the applicable Remarketing Agent or Window Calculation Agent shall again make such determinations. In

the case of clause (ii) above, the applicable Remarketing Agent or Window Calculation Agent shall again make such determination at such time as there is delivered to such Remarketing Agent or Window Calculation Agent, as applicable, an opinion of Bond Counsel to the effect that there are no longer any legal prohibitions against such determinations.

Conversion of Bonds to Other Modes

At the option of Trinity Health, a Series of Bonds in the Window Mode may be converted to any other Mode. No later than the seventh Business Day before the notice to Holders of the Bonds is required to be sent, Trinity Health will give written notice to the Notice Parties of its intention to effect a change in the Mode to another Mode, and, if the change is to a Term Rate Mode, the length of the initial Interest Period.

A Series of the Bonds may be converted on any Interest Payment Date (the “Conversion Date”) to bear interest in a Flexible Mode, a Daily Mode, a Weekly Mode, a Term Rate Mode, a Fixed Rate Mode, a Three Month LIBOR Indexed Mode, a Flexible Index Mode, an Index Mode or a FRN Rate Mode. Notice of the proposed change in Interest Rate Mode shall be given by the Tender Agent to the Owners of the applicable Series of Bonds not later than the 20th day next preceding the Conversion Date.

Upon such conversion, the Bonds will be subject to mandatory tender for purchase, as described below under “—Tender of the Bonds—Mandatory Tender for Purchase.” The following items are required to be delivered to the applicable Bond Trustee, the applicable Paying Agent and the applicable Remarketing Agent (and, in the case of a change to the Fixed Rate Mode, the applicable Issuer, Trinity Health, and the applicable Credit Facility Provider, if any) on or prior to the Conversion Date:

- (i) a Favorable Opinion of Bond Counsel dated the Conversion Date;
- (ii) if there is to be a Liquidity Facility or an Alternate Liquidity Facility or a Credit Facility or an Alternate Credit Facility delivered in connection with such change, the following items: (a) such facility, (b) a Favorable Opinion of Bond Counsel, (c) an Opinion of Counsel for the provider of the Alternate Credit Facility or Alternate Liquidity Facility and (d) if applicable or not waived, written evidence of the provision for the purchase from the prior Credit Facility or Liquidity Facility Provider, of all Bonds owned by such provider, if any, at a price equal to the principal amount thereof plus accrued and unpaid interest, and payment of all amounts due under the related reimbursement agreement on or before the effective date of such new Credit Facility, Alternate Letter of Credit, Liquidity Facility or Alternate Liquidity Facility; and
- (iii) a Rating Confirmation Notice, or if the Conversion Date is a Mandatory Purchase Date, a notice from the Rating Agencies of the rating(s) to be assigned the Bonds on such Conversion Date.

In the event that the conditions for a proposed conversion to a new Mode are not met, (i) such new Mode shall not take effect on the proposed Conversion Date, notwithstanding any prior notice to the Holders of such conversion, and (ii) the Bonds shall remain in the Window Mode and (iii) the Bonds shall not be subject to mandatory purchase.

Notwithstanding anything herein to the contrary, Trinity Health may rescind any election by it to change an Interest Rate Mode prior to the Conversion Date by giving written notice thereof to the Notice Parties prior to 10:00 a.m. on the Business Day preceding such Conversion Date.

Tender of the Bonds

Mandatory Tender for Purchase on Mandatory Purchase Date. The Bonds of each Series shall be subject to mandatory purchase on each of the following dates (each, a “Mandatory Purchase Date”):

- (i) any Conversion Date;
- (ii) the effective date of a Credit Facility or Liquidity Facility issued or delivered with respect to a Series of Bonds; and
- (iii) a Window Mandatory Tender Date (as defined herein).

The Tender Agent shall give notice of such mandatory purchase by mail to the Owners of the applicable Bonds subject to mandatory purchase no less than 20 days prior to the Mandatory Purchase Date described in (i) and (ii) above. In connection with any mandatory purchase of Bonds on the Mandatory Purchase Date as described in (iii) above, the related Bond Trustee shall give notice of a mandatory purchase by first-class mail to the Owners not later than the second Business Day after receiving notice of such Window Mandatory Tender Date from the related Remarketing Agent. From and after the Purchase Date, no further interest on the Bonds shall be payable to the registered owners thereof, provided that there are sufficient funds available on the Purchase Date to pay the purchase price. See “— Liquidity for Payment of the Purchase Price” below.

Optional and Mandatory Tender During Window Rate Period. During any Window Rate Period, a Beneficial Owner may, at its option, tender a Bond or any portion thereof in an Authorized Denomination (provided that the amount of any such Bond not to be purchased shall also be in an Authorized Denomination) for purchase by delivering an irrevocable written notice (a “Window Optional Tender Notice”) to the Tender Agent for delivery of Bonds, to the applicable Bond Trustee and to the applicable Remarketing Agent on any Business Day. A Window Optional Tender Notice shall state the principal amount of such Bond and the principal amount thereof to be purchased. The giving of a Window Optional Tender Notice by a Beneficial Owner shall constitute the irrevocable tender for purchase of such Bond on the Window Optional Tender Date for such Bond, if any, designated by the Remarketing Agent pursuant to the provisions of the Bond Indentures described in the subsequent paragraph (a “Window Optional Tender Notice”), regardless of whether such Bond is delivered to the Tender Agent for purchase on such Tender Date.

If a Remarketing Agent identifies a purchaser for such Bond during the period beginning on the Business Day such Window Optional Tender Notice is received by such Remarketing Agent and ending on the 30th day (or, if the 30th day is not a Business Day, the next succeeding Business Day) after such Window Optional Tender Notice is received by such Remarketing Agent (a “Remarketing Window”), such Remarketing Agent shall give notice thereof by Electronic Means to the Tender Agent, who shall give notice by Electronic Means to the tendering Owner, the applicable Bond Trustee, the applicable Issuer and Trinity Health that a purchaser has been identified. Such notice shall designate the Window Optional Tender Date for such Bond, which shall be the last day of the Remarketing Window or any Business Day that is at least seven days after such notice is received by the tendering Owner.

The Tender Agent shall purchase such Bond pursuant to the applicable Bond Indenture on the Window Optional Tender Date at the Purchase Price, but only with remarketing proceeds on deposit in the related Remarketing Proceeds Account. If sufficient remarketing proceeds are not available for the purchase of such Bond on the Window Optional Tender Date, then the applicable Remarketing Agent’s designation of a Window Optional Tender Date for such Bond shall be deemed to be rescinded, such Bond shall not be tendered or deemed tendered or required to be purchased on such date and no Event of

Default shall occur pursuant to the related Bond Indenture. The Remarketing Agent shall give notice of such rescission by Electronic Means to the tendering Owner, the Tender Agent, the applicable Bond Trustee, the applicable Issuer and Trinity Health as soon as practicable and in any event not later than the next succeeding Business Day.

If for any reason a Bond for which a Window Optional Tender Notice has been delivered is not purchased by the last day of the Remarketing Window, then (i) all Bonds bearing interest at a Window Rate shall be subject to mandatory purchase on the last day of the Mandatory Tender Window (or, if the last day is not a Business Day, the next succeeding Business Day) after such Window Optional Tender Notice is received by the applicable Remarketing Agent (a “Window Mandatory Tender Date”) at the Purchase Price, payable in immediately available funds, and (ii) such Remarketing Agent shall give notice of such Window Mandatory Tender Date to the applicable Bond Trustee by Electronic Means not later than the second Business Day after the end of the Remarketing Window. The failure to pay the Purchase Price of all tendered Bonds when due and payable on a Window Mandatory Tender Date shall constitute an Event of Default pursuant to the applicable Bond Indenture. Notwithstanding the foregoing provisions of the Bond Indentures described in this paragraph, a Series of Bonds shall not be subject to mandatory purchase on a Window Mandatory Tender Date if they are otherwise subject to mandatory purchase on a Mandatory Purchase Date after the last day of the Remarketing Window and before such Window Mandatory Tender Date.

The “Mandatory Tender Window” for a Series of the Bonds is (i) a period of 210 days, beginning on the Business Day a Window Optional Tender Notice is received by the Remarketing Agent, or (ii) a period of such other number of days specified by the Remarketing Agent, with the consent of Trinity Health, in a written notice to the applicable Issuer, Bond Trustee, Tender Agent, Liquidity Facility Provider (if any) and Credit Facility Provider (if any). Any change in the Mandatory Tender Window shall become effective only on a Window Mandatory Tender Date or any other Mandatory Purchase Date for all of the Bonds of the applicable Series that occurs during such Window Rate Period pursuant to the provisions of the related Bond Indenture.

Tenders of the Bonds Are Subject to DTC Procedures. For so long as the Bonds are registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), the tender option rights of holders of Bonds may be exercised only by DTC by giving notice of its election to tender Bonds or portions thereof at the times and in the manner described above and delivery of Bonds required to be tendered for purchase shall be effected by the transfer on the applicable Purchase Date of a book-entry credit to the account of the Tender Agent of a beneficial interest in such Bonds. See “—Book-Entry System” herein and APPENDIX H – “BOOK-ENTRY SYSTEM” hereto.

Source of Funds for Purchase of Bonds. Except as set forth in the Bond Indentures, the Tender Agent shall purchase tendered Bonds of a Series from the tendering Owners at the applicable Purchase Price by wire transfer in immediately available funds. Funds for the payment of such Purchase Price shall be derived solely from the following sources in the order of priority indicated and none of the Tender Agent, the related Bond Trustee or the related Remarketing Agent shall be obligated to provide funds from any other source:

- (i) immediately available funds on deposit in the related Remarketing Proceeds Account derived from the remarketing of tendered Bonds;
- (ii) immediately available funds on deposit in the related Liquidity Facility Purchase Account drawn under the applicable Liquidity Facility (if any); and
- (iii) moneys of Trinity Health on deposit in the related Trinity Health Purchase Account.

Insufficient Funds for Tenders. If moneys sufficient to pay the Purchase Price of all tendered Bonds of a Series to be purchased on any Purchase Date are not available (i) no purchase shall be consummated on such Purchase Date; (ii) all tendered Bonds of such Series shall be returned to the holders thereof; and (iii) all remarketing proceeds shall be returned to the applicable Remarketing Agent for return to the persons providing such moneys. The failure to purchase all Bonds of a Series tendered for purchase shall constitute an Event of Default under the related Financing Agreement; provided however if sufficient remarketing proceeds are not available for the purchase of Bonds of a Series in the Window Mode tendered on a Window Optional Tender Date, then the designation of a Window Optional Tender Date for such Bonds shall be deemed to be rescinded, such Bonds shall not be tendered or deemed tendered or required to be purchased on such date and no Event of Default shall occur. All Bonds of a Series shall bear interest at the Maximum Rate during the period of time from and including the applicable Purchase Date to (but not including) the date that the Purchase Price of all such tendered Bonds has been paid to the owners thereof (the “Delayed Remarketing Period”). Trinity Health may direct the conversion of the tendered Bonds to a different Interest Rate Mode during the Delayed Remarketing Period. The related Bond Trustee shall give five Business Days’ notice of such conversion to the Holders of the Bonds to be converted. During the Delayed Remarketing Period, the applicable Bond Trustee may, upon direction of Trinity Health, apply amounts on deposit in the applicable Redemption Fund to the redemption of such Tendered Bonds, as a whole or in part, on any Business Day during the Delayed Remarketing Period, at a Redemption Price, without premium. During the Delayed Remarketing Period, the related Bond Trustee after receiving at least two Business Days’ notice shall give five Business Days’ notice of such redemption to the Holders of the Bonds to be redeemed. During the Delayed Remarketing Period, interest on all Bonds shall be paid to the Holders thereof (i) the first Business Day of each calendar month occurring during the Delayed Remarketing Period and (ii) on the last day of the Delayed Remarketing Period.

Remarketing of Bonds

Each Remarketing Agent shall use its best efforts, subject to the terms and conditions of the related Remarketing Agreement, to offer for sale:

- (i) all of the Bonds of the related Series or portions thereof as to which notice of optional tender has been given;
- (ii) all Bonds of the related Series or portions thereof as to which a Window Optional Tender Notice has been given; and
- (iii) all of the Bonds of the related Series required to be purchased on (a) any Conversion Date and (b) a Window Mandatory Tender Date.

Notwithstanding the above, each Remarketing Agent may sell any Bonds owned by it at a price that is more or less than the Purchase Price. Each Remarketing Agent will not remarket Bonds to the Issuers or Trinity Health or any affiliate of either of them; provided that a Remarketing Agent may sell any Bonds it owns to the Issuers or Trinity Health. In connection with the remarketing of any Bonds of a Series with respect to which notice of redemption or notice of mandatory purchase has been given, the related Remarketing Agent will notify each person to which such Bonds are remarketed of such notice of redemption or notice of mandatory purchase.

Anything in the Bond Indentures to the contrary notwithstanding, if there shall have occurred and be continuing a Credit Provider Failure or a Liquidity Provider Failure, a Remarketing Agent shall not remarket any Bonds. All other provisions of the Bond Indentures, including without limitation, those

relating to the setting of interest rates and Interest Periods and mandatory and optional purchases, shall remain in full force and effect during the continuance of such Event of Default.

Liquidity for Payment of the Purchase Price

Funds for the purchase of Bonds of a Series that have been tendered for purchase, whether at the option of the Holders or pursuant to the mandatory tender requirements described herein, will be provided, first, from the proceeds of the remarketing of such Bonds and then, to the extent remarketing proceeds are insufficient to provide all funds required to purchase such Bonds, from funds provided by Trinity Health. See “INTRODUCTORY STATEMENT—Security for the Bonds” above. **The obligation to purchase the Bonds of a Series upon optional or mandatory tender is not supported by any liquidity agreement. Except as discussed above under “—Tender of the Bonds—Insufficient Funds for Tenders,” the failure to purchase all Bonds of a Series tendered for purchase shall constitute an Event of Default under the related Financing Agreement.** See APPENDIX A – “INFORMATION CONCERNING CHE TRINITY HEALTH CREDIT GROUP—FINANCIAL AND OPERATING INFORMATION—Liquidity and Capital Resources.”

Redemption

Optional Redemption. Bonds in the Window Mode are subject to redemption prior to their Maturity Date, at the option of Trinity Health, in whole or in part, on any Business Day at the Redemption Price, without premium.

Purchase in Lieu of Redemption. Unless otherwise provided in a Supplemental Bond Indenture, whenever Bonds of a Series are subject to redemption, they may instead be purchased at the option of Trinity Health at a purchase price equal to the Redemption Price. All such purchases may be subject to conditions to the related Issuer’s obligation to purchase such Bonds and shall be subject to the condition that money for the payment of the purchase price therefor is available on the date set for such purchase. Notice of purchase having been given in the manner set forth in the related Bond Indenture, then, if sufficient money to pay the purchase price of such Bonds is held by the related Bond Trustee, the purchase price of such Bonds or portions thereof so called for purchase shall become due and payable on the date set for purchase, upon presentation and surrender of such Bonds to be purchased at the office or offices specified in such notice, and, in the case of Bonds presented by other than the Holder, together with a written instrument of transfer duly executed by the Holder or his duly authorized attorney. No purchased Bond shall be considered to be no longer Outstanding by virtue of its purchase and each such purchased Bond shall be registered in the name or at the direction of the applicable Issuer.

Mandatory Sinking Fund Redemption.

The Ohio Bonds. The Ohio Bonds are subject to redemption prior to their Maturity Date on any December 1 on or after December 1, 2041, in part (by lot) from Sinking Fund Installments, in the following amounts, on the following dates, at a Redemption Price without premium.

Sinking Fund Installment Dates (December 1)	Sinking Fund Installments
2041	\$7,455,000
2042	11,615,000
2043	17,390,000
2044	17,995,000
2045	18,625,000
2046	14,165,000†

† Maturity.

The Idaho Bonds. The Idaho Bonds are subject to redemption prior to their Maturity Date on any December 1 on or after December 1, 2046, in part (by lot) from Sinking Fund Installments, in the following amounts, on the following dates, at a Redemption Price without premium.

Sinking Fund Installment Dates (December 1)	Sinking Fund Installments
2046	\$5,115,000
2047	19,960,000
2048	20,660,000†

† Maturity.

Extraordinary Redemption. Each Series of Bonds is subject to redemption prior to its respective stated maturity, at the option of Trinity Health, as Obligated Group Agent, given to the applicable Bond Trustee at least 45 days prior to the date fixed for redemption (or such fewer number of days as is acceptable to the applicable Bond Trustee) in whole or in part (in such amounts as may be specified by Trinity Health, as Obligated Group Agent) on any date, from hazard insurance or condemnation proceeds received with respect to the facilities of any members of the Credit Group and deposited in the related Special Redemption Account of the related Redemption Fund, at a Redemption Price without premium.

Each Series of Bonds is also subject to redemption prior to its stated maturity, at the option of Trinity Health, as Obligated Group Agent, given to the applicable Bond Trustee at least 45 days prior to the date fixed for redemption (or such fewer number of days as is acceptable to such Bond Trustee), as a whole (but not in part) on any date at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium, if (i) any member of the Credit Group, by reason of final judicial, legislative or administrative action, either is legally required, by reason of being party to the related Financing Agreement or the Master Indenture or a member of the Credit Group or as a condition of continued eligibility for reimbursement under a federal or state program, to operate in any manner that such member of the Credit Group in good faith believes to be contrary to the Ethical and Religious Directives or (ii) any member of the Credit Group in good faith believes that there is a substantial threat

of its being required to operate contrary to the Ethical and Religious Directives or the principles and beliefs of the Roman Catholic Church.

Notice of Redemption; Effect of Redemption; Rescission of Notice of Redemption. Notice of redemption will be mailed by the applicable Bond Trustee, not less than 30 days and not more than 60 days prior to the redemption date, to the respective holders of any Bonds designated for redemption at their addresses appearing on the bond registration books of such Bond Trustee. The failure by a Bond Trustee to mail notice of redemption to any one or more of the Holders of any Bonds designated for redemption shall not affect the sufficiency of the proceedings for the redemption of such Bonds with respect to the Holder or Holders to whom such notice was mailed. Notice of redemption having been given as described above and moneys for payment of the Redemption Price of the Bonds (or portions thereof) so called for redemption being held by the related Bond Trustee, on the date fixed for redemption designated in such notice, the Bonds (or portions thereof) so called for redemption shall become due and payable at the Redemption Price specified in such notice, interest on such Bonds shall cease to accrue from and after the redemption date, said Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the related Bond Indenture, and the Holders of said Bonds shall have no rights in respect thereof except to receive payment of said Redemption Price from funds held by such Bond Trustee for such payment. Any notice of optional or extraordinary optional redemption may be conditional and may be rescinded by written notice given to the applicable Bond Trustee by Trinity Health no later than five Business Days prior to the redemption date, in which case such Bond Trustee will give notice of such rescission as soon as practicable to the holders to whom notice of redemption was given.

Disclosure Concerning Sales of the Bonds by the Remarketing Agent

The Remarketing Agent is Paid by Trinity Health. The Remarketing Agent's responsibilities include determining the interest rate from time to time and remarketing Bonds that are optionally or mandatorily tendered by the owners thereof (subject, in each case to the terms of the applicable Remarketing Agreement), all as further described in this Official Statement. The Remarketing Agent has been appointed by Trinity Health and is paid by Trinity Health for its services. As a result, the interests of the Remarketing Agent may differ from those of existing holders and potential purchasers of Bonds.

The Remarketing Agent Routinely Purchase Bonds for its Own Account. The Remarketing Agent is permitted, but not obligated, to purchase tendered Bonds for its own account. The Remarketing Agent, in its sole discretion, routinely acquires tendered bonds for its own inventory in order to achieve a successful remarketing of the Bonds (i.e., because there otherwise are not enough buyers to purchase the Bonds) or for other reasons. However, the Remarketing Agent is not obligated to purchase Bonds, and may cease doing so at any time without notice. The Remarketing Agents may also make a market in the Bonds by routinely purchasing and selling Bonds other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales may be at or below par. However, the Remarketing Agent is not required to make a market in the Bonds. The Remarketing Agent may also sell any Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the Bonds. The purchase of Bonds by the Remarketing Agent may create the appearance that there is greater third party demand for the Bonds in the market than is actually the case. The practices described above also may reduce the supply of Bonds that may be tendered in a remarketing.

Bonds May be Offered at Different Prices on any Date. The Remarketing Agent is required to determine on the Rate Determination Date the applicable rate of interest that, in its judgment, is the lowest rate that would permit the sale of the Bonds at par plus accrued interest, if any, on the Rate Determination Date. The interest rate will reflect, among other factors, the level of market demand for the

Bonds (including whether the Remarketing Agent is willing to purchase Bonds for its own account). Each Remarketing Agreement requires that the Remarketing Agent use its best efforts to sell tendered Bonds at par, plus accrued interest. There may or may not be Bonds tendered and remarketed on a Rate Determination Date, the Remarketing Agent may or may not be able to remarket any Bonds tendered for purchase on such date at par and the Remarketing Agent may sell Bonds at varying prices to different investors on such date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third party buyers for all of the Bonds at the remarketing price. In the event the Remarketing Agent owns any Bonds for its own account, the Remarketing Agent may, in its sole discretion in a secondary market transaction outside the tender process, offer the Bonds on any date, including the Rate Determination Date, at a discount to par to some investors.

The Ability to Sell the Bonds other than through Tender Process May Be Limited. While the Remarketing Agent may buy and sell Bonds, it is not obligated to do so and may cease doing so at any time without notice. Thus, investors who purchase the Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their Bonds other than by tendering the Bonds in accordance with the tender process.

A Remarketing Agent May Be Removed, Resign or Cease Remarketing the Bonds, Without a Successor Being Named. Under certain circumstances the Remarketing Agent may be removed or have the ability to resign or cease its remarketing efforts, without a successor having been named, subject to the terms of the applicable Bond Indenture and the applicable Remarketing Agreement. In the event there is no Remarketing Agent for a Series of Bonds, the related Bond Trustee may assume such duties as described in the related Bond Indenture.

Book-Entry System

Each Series of Bonds will be issued only in book-entry form in initial denominations of \$100,000 and integral multiples of \$5,000 in excess thereof and, when issued, will be issued as fully registered bonds registered in the name of Cede & Co. or such other name as may be requested by an authorized representative of DTC, as nominee of DTC. DTC will act as securities depository for the Bonds. Except as described in APPENDIX H, Beneficial Owners of the Bonds will not receive or have the right to receive definitive Bonds. For so long as any purchaser is the Beneficial Owner of a Bond, such purchaser must maintain an account with a broker or dealer who is or acts through a Direct Participant to receive payment of the principal of and interest and premium on such Bond. See APPENDIX H – “BOOK-ENTRY SYSTEM.”

So long as a Series of Bonds is held in the book-entry system, the principal and purchase price of and interest and premium on such Bonds will be paid through the facilities of DTC (or a successor securities depository). Otherwise, the principal and purchase price of or premium on such Bonds is payable upon surrender thereof at the designated office of the related Bond Trustee; and interest on such Bonds is payable by check of such Bond Trustee mailed on the Interest Payment Date for such Bonds to such Holder at the address of such Holder as it appears on the registration books maintained by such Bond Trustee or at such other address furnished in writing by such Holder to the Bond Trustee prior to the last Business Day before an Interest Payment Date (the “Record Date”) for such Bonds. In the case of any Holder of such Bonds of a Series in an aggregate principal amount of \$1,000,000 or more as of the close of business of the related Bond Trustee on the Record Date for a particular Interest Payment Date, interest on such Bonds is payable by wire transfer sent on the Interest Payment Date for such Bonds to such Holder to an account within the continental United States of America as specified in writing by such Holder to such Bond Trustee prior to such Record Date.

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

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ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth, for each of the Credit Group's fiscal years ending June 30, the estimated amounts required to be made available for the payment of principal due on each Series of the Bonds, at a maturity or by mandatory sinking fund redemption, for the payment of interest on each Series of the Bonds and for the total debt service on the Bonds. The following table also includes the estimated debt service due on the Other Series 2013 Bonds and all bonds previously issued for the benefit of Trinity Health, CHE and their affiliates that will be outstanding after the issuance of Series 2013 Bonds and the redemption of the Prior Bonds. All amounts have been rounded to the nearest whole dollar.

Fiscal Year Ending June 30,	The Bonds					Other Series 2013 Bonds			
	Ohio Bonds		Idaho Bonds		Total Debt Service	Maryland Bonds ⁽¹⁾	Michigan Bonds ⁽¹⁾	Other Debt Service ⁽¹⁾⁽²⁾⁽³⁾	Total Debt Service ⁽¹⁾⁽²⁾⁽³⁾
	Principal	Interest ⁽¹⁾	Principal	Interest ⁽¹⁾					
2014	-	\$1,534,058	-	\$804,174	\$2,338,232	\$1,827,084	\$6,858,555	\$246,085,253	\$257,109,123
2015	-	2,617,350	-	1,372,050	3,989,400	3,117,300	11,701,800	245,270,228	264,078,728
2016	-	2,617,350	-	1,372,050	3,989,400	3,117,300	11,701,800	245,077,371	263,885,871
2017	-	2,617,350	-	1,372,050	3,989,400	3,117,300	11,701,800	245,125,474	263,933,974
2018	-	2,617,350	-	1,372,050	3,989,400	3,117,300	11,701,800	246,718,718	265,527,218
2019	-	2,617,350	-	1,372,050	3,989,400	3,117,300	11,701,800	246,745,869	265,554,369
2020	-	2,617,350	-	1,372,050	3,989,400	3,117,300	11,701,800	246,916,207	265,724,707
2021	-	2,617,350	-	1,372,050	3,989,400	3,117,300	11,701,800	249,540,199	268,348,699
2022	-	2,617,350	-	1,372,050	3,989,400	3,117,300	11,701,800	245,294,703	264,103,203
2023	-	2,617,350	-	1,372,050	3,989,400	3,117,300	11,701,800	245,545,385	264,353,885
2024	-	2,617,350	-	1,372,050	3,989,400	3,117,300	11,701,800	244,670,844	263,479,344
2025	-	2,617,350	-	1,372,050	3,989,400	3,117,300	11,701,800	246,607,952	265,416,452
2026	-	2,617,350	-	1,372,050	3,989,400	3,117,300	11,701,800	247,418,647	266,227,147
2027	-	2,617,350	-	1,372,050	3,989,400	3,117,300	11,701,800	247,332,050	266,140,550
2028	-	2,617,350	-	1,372,050	3,989,400	3,117,300	11,701,800	246,555,565	265,364,065
2029	-	2,617,350	-	1,372,050	3,989,400	3,117,300	11,701,800	246,215,208	265,023,708
2030	-	2,617,350	-	1,372,050	3,989,400	3,117,300	22,246,225	214,003,785	243,356,710
2031	-	2,617,350	-	1,372,050	3,989,400	3,117,300	34,518,300	201,693,707	243,318,707
2032	-	2,617,350	-	1,372,050	3,989,400	3,117,300	15,990,025	220,201,225	243,297,950
2033	-	2,617,350	-	1,372,050	3,989,400	3,117,300	13,538,050	222,904,672	243,549,422
2034	-	2,617,350	-	1,372,050	3,989,400	3,117,300	13,337,600	220,303,719	240,748,019
2035	-	2,617,350	-	1,372,050	3,989,400	3,117,300	31,136,400	205,490,738	243,733,838
2036	-	2,617,350	-	1,372,050	3,989,400	3,117,300	62,727,075	173,904,288	243,738,063
2037	-	2,617,350	-	1,372,050	3,989,400	3,117,300	62,727,425	173,909,606	243,743,731
2038	-	2,617,350	-	1,372,050	3,989,400	3,117,300	62,737,675	173,892,088	243,736,463
2039	-	2,617,350	-	1,372,050	3,989,400	3,117,300	62,741,250	173,889,094	243,737,044
2040	-	2,617,350	-	1,372,050	3,989,400	3,117,300	66,671,875	173,817,369	247,595,944
2041	-	2,617,350	-	1,372,050	3,989,400	36,154,200	33,708,150	173,742,813	247,594,563
2042	\$7,455,000	2,505,525	-	1,372,050	11,332,575	71,425,550	-	164,834,256	247,592,381
2043	11,615,000	2,219,475	-	1,372,050	15,206,525	-	-	17,885,200	33,091,725
2044	17,390,000	1,784,400	-	1,372,050	20,546,450	-	-	12,542,000	33,088,450
2045	17,995,000	1,253,625	-	1,372,050	20,620,675	-	-	12,467,625	33,088,300
2046	18,625,000	704,325	-	1,372,050	20,701,375	-	-	12,387,125	33,088,500
2047	14,165,000	212,475	\$5,115,000	1,295,325	20,787,800	-	-	12,299,750	33,087,550
2048	-	-	19,960,000	919,200	20,879,200	-	-	12,209,625	33,088,825
2049	-	-	20,660,000	309,900	20,969,900	-	-	12,120,625	33,090,525
TOTAL	\$87,245,000	\$80,882,333	\$45,735,000	\$47,234,199	\$261,096,532	\$190,456,634	\$664,465,605	\$6,525,618,978	\$7,641,637,749

⁽¹⁾ Assumes that interest on all variable rate bonds is payable at a rate of 3.0% per annum. Trinity Health and CHE have entered into interest rate swap agreements with respect to certain outstanding indebtedness. Debt service requirements in the table do not account for any payments received or made by or on behalf of Trinity Health or CHE under such interest rate swap agreement. Actual interest rates may vary from assumed interest rates.

⁽²⁾ Does not include debt service payments on the Prior Bonds. See "PLAN OF FINANCING" herein.

⁽³⁾ Excludes debt service associated with \$191 million of indebtedness including Obligations under Term Loans and other, Capital Leases and Other and Mortgages that are not secured under the Master Indenture. See APPENDIX A – "INFORMATION CONCERNING CHE TRINITY HEALTH CREDIT GROUP-FINANCIAL AND OPERATING INFORMATION-Capitalization."

PENDING LITIGATION

The Ohio Issuer

There is no pending litigation served upon the Ohio Issuer or, to the knowledge of the Ohio Issuer, threatened against the Ohio Issuer restraining or enjoining the issuance or sale of the Ohio Bonds or contesting the validity of the Ohio Bonds, the Ohio Indenture, the Ohio Lease, the Ohio Sublease or the powers of the Ohio Issuer or the creation, organization or existence of the Ohio Issuer or the title of any of the present members or officers of the Ohio Issuer to their respective offices or affecting the pledge or application of any moneys or security provided for the payment of the Ohio Bonds.

The Ohio Issuer from time to time may be involved in litigation relating to other bonds or obligations of the Ohio Issuer. Such bonds or obligations are payable from sources of revenue separate and distinct from those for the Ohio Bonds, and disclosure of any such litigation, therefore, is not considered to be a material fact with respect to such Ohio Bonds.

The Idaho Issuer

There is no pending litigation served upon the Idaho Issuer or, to the knowledge of the Idaho Issuer, threatened against the Idaho Issuer restraining or enjoining the issuance or sale of the Idaho Bonds or contesting the validity of the Idaho Bonds, the Idaho Indenture, the Idaho Loan Agreement or the powers of the Idaho Issuer or the creation, organization or existence of the Idaho Issuer or the title of any of the present members or officers of the Idaho Issuer to its offices or affecting the pledge or application of any moneys or security provided for the payment of the Idaho Bonds.

The Idaho Issuer from time to time may be involved in litigation relating to other bonds or obligations of the Idaho Issuer. Such bonds or obligations are payable from sources of revenue separate and distinct from those for the Idaho Bonds, and disclosure of any such litigation, therefore, is not considered to be a material fact with respect to such Idaho Bonds.

Trinity Health and the Other Members of the Credit Group

Trinity Health has advised that there is no controversy or litigation of any nature now pending against it or any other member of the Credit Group or, to the knowledge of its officers, threatened, seeking to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds, any proceedings of Trinity Health or any other member of the Credit Group taken concerning the issuance or sale thereof, the pledge or application of any moneys or security provided for the payment of the Bonds.

As with most health care providers, Trinity Health and the other members of the Credit Group are subject to certain legal actions that, in whole or in part, are not or may not be covered by insurance because of the type of action or amount or types of damages requested (e.g., punitive damages), because of a reservation of rights by an insurance carrier, or because the action has not proceeded to a stage that permits full evaluation. There are certain legal actions currently pending against members of the Credit Group known to management of the Corporation and for which insurance coverage is uncertain for the above reasons. Management of the Corporation does not anticipate that any such suits will ultimately result in punitive damage awards or judgments in excess of applicable insurance limits, or if such awards or judgments were to be entered, that they would have a material adverse impact on the operations or financial condition of the Credit Group, taken as a whole. See APPENDIX A – “INFORMATION CONCERNING CHE TRINITY HEALTH CREDIT GROUP—OTHER INFORMATION—Litigation Affecting the System.”

CONTINUING DISCLOSURE

The Obligated Group

Pursuant to an Amended and Restated Continuing Disclosure Agreement with The Bank of New York Mellon Trust Company, National Association, as Dissemination Agent, dated as of October 3, 2013 (the “Disclosure Agreement”), the Obligated Group Agent, for the benefit of the Holders and beneficial owners of the Bonds, has covenanted to provide annually certain financial statements and updated financial information and operating data (collectively, the “Annual Report”) in accordance with Rule 15c2-12 (the “Rule”) promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended.

The financial statements included in each Annual Report will consist of the financial statements required to be prepared under the Master Indenture and shall include consolidated information for the Credit Group. If any such audited financial statements are not available at the time the Obligated Group Agent is required by the Disclosure Agreement to provide the Annual Report, the Obligated Group Agent will file such financial statements in unaudited form and will file such financial statements in audited form promptly upon their becoming available. All such financial statements will be prepared in accordance with generally accepted accounting principles.

The other information included in each Annual Report will consist of (i) all quantitative financial information and operating data for the relevant fiscal year with respect to the Obligated Group and the Designated Affiliates of the general type included in APPENDIX A to this Official Statement under the captions “CHE TRINITY HEALTH CREDIT GROUP—Overview—Designated Affiliates,” “—Utilization Trends,” “FINANCIAL AND OPERATING INFORMATION—Sources of Net Patient Service Revenue Before Provision for Bad Debt—General,” and “—Capitalization”; (ii) a calculation of the Historical Debt Service Coverage Ratio for the relevant fiscal year; and (iii) a current list of Designated Affiliates. Pursuant to the Disclosure Agreement, the Obligated Group Agent will file the Annual Report with the Municipal Securities Rulemaking Board (the “MSRB”) through its electronic municipal market access system (referred to as “EMMA”) within 150 days after the end of each fiscal year, commencing with the fiscal year ending June 30, 2014.

The Disclosure Agreement also requires the Obligated Group Agent to file with the MSRB through EMMA notice not in excess of 10 business days of the occurrence of any of the following events:

- (i) Principal and interest payment delinquencies on the Bonds of any Series;
- (ii) Non-payment related defaults under any Financing Agreements or any Bond Indenture, if material;
- (iii) Unscheduled draws on debt service reserves, if any, securing a Series of the Bonds reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements for a Series of the Bonds, if any, reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers securing a Series of the Bonds, or their failure to perform;
- (vi) Adverse tax opinions the issuance by the Internal Revenue Service (the “IRS”) of proposed or final determinations of taxability, Notices of Proposed Issue (IRS

Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of a Series of Bonds, or other material events affecting the tax-exempt status of a Series of Bonds;

- (vii) Modifications to rights of the Holders of any Series of the Bonds, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) Defeasances of a Series of the Bonds;
- (x) Release, substitution or sale of property, if any, securing repayment of a Series of Bonds, if material;
- (xi) Changes in any ratings affecting a Series of Bonds;
- (xii) Bankruptcy, insolvency, receivership, or similar event involving a Member of the Obligated Group;
- (xiii) Consummation of a merger, consolidation, or acquisition involving a Member of the Obligated Group or the sale of all or substantially all of the assets of a Member of the Obligated Group (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to the terms of such agreement, if material; and
- (xiv) Appointment of a successor or additional trustee, or the change of name of a Bond Trustee, if material.

In addition to the Annual Report, the Obligated Group Agent will file with the MSRB through EMMA quarterly unaudited financial information for the first three quarters of each fiscal year not later than 90 days after the end of each such quarter. The unaudited financial information will include a consolidated balance sheet and a consolidated statement of operations presented on a basis substantially consistent with the format of the respective financial statements included in APPENDIX B and APPENDIX C to this Official Statement. Quarterly information will be conveyed to such owners via mail, facsimile, electronic transfer or such other alternate means of communication acceptable to the Obligated Group Agent. Beneficial owners of the Bonds should direct their requests for such quarterly financial information to the Director, Debt Management and Capital Markets, at (734) 343-1971. The Obligated Group Agent also will provide such unaudited financial information at the same time as its filing with the MSRB to any beneficial owner of the Bonds who requests such information within 75 days after the end of each such quarter (such request to remain in effect for subsequent filings until changed or revoked by such owner).

These covenants (except the covenant as to quarterly financial information) have been made in order to assist the Underwriters in complying with the Rule.

The Issuers

The Issuers have determined that no financial or operating data concerning them are material to any decision to purchase, hold or sell the Bonds, and will not provide any such data. The Obligated Group Agent, on behalf of itself and the other Obligated Group Members, has undertaken all

responsibilities for any continuing disclosure to Holders of the Bonds as described above, and none of the Issuers shall have any liability to the Holders or any other person with respect to such disclosures.

BONDHOLDERS' RISKS

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

The operations and financial condition of the Credit Group may be affected by factors other than those described below. No assurance can be given as to the nature of such factors or the potential effects thereof upon the Credit Group. This discussion is not intended to be comprehensive or definitive, but rather to summarize certain matters that could affect payment of the Bonds. Investors should recognize that the discussion below does not cover all such risks, that payment provisions for, and regulations and restrictions on, hospitals change frequently and that additional material payment limitations and regulations or restrictions may be created, implemented or expanded while the Bonds are Outstanding.

General

Except as noted under "SECURITY FOR THE BONDS," each Series of Bonds is payable solely from payments made pursuant to the related Financing Agreement and funds provided under the related Bond Obligation and the related Bond Indenture. No representation or assurance can be made that revenues will be realized by the Members of the Obligated Group, or other future Members of the Obligated Group, in amounts sufficient to pay principal and the purchase price of, premium, if any, and interest on the Bonds.

The System is subject to a wide variety of federal and state regulatory actions and legislative and policy changes by those governmental and private agencies that administer Medicare, Medicaid and other payors and are subject to actions by, among others, the Centers for Medicare & Medicaid Services ("CMS") of the U.S. Department of Health and Human Services ("DHHS"), The Joint Commission, the National Labor Relations Board and other federal, state and local government agencies. The future financial condition of the System could be adversely affected by, among other things, changes in the method and amount of payments to the System by governmental and nongovernmental payors, the financial viability of these payors, increased competition from other health care entities, the costs associated with responding to governmental audits, inquiries and investigations, demand for health care, other forms of care or treatment, changes in the methods by which employers purchase health care for employees, capability of management, changes in the structure of how health care is delivered and paid for (e.g., accountable care organizations and other health reform payment mechanisms), future changes in the economy, demographic changes, availability of physicians, nurses and other health care professionals, and malpractice claims and other litigation. These factors and others may adversely affect payment by Trinity Health under the Financing Agreement and, consequently, on the Bonds. In addition, the tax-exempt status of each Member of the Obligated Group and, therefore, of the Bonds, could be adversely affected by, among other things, an adverse determination by a governmental entity, non-compliance with governmental regulations or legislative changes.

Significant Risk Areas Summarized

Certain of the primary risks associated with the operations of Trinity Health and the other Credit Group members are briefly summarized in general terms below and are explained in greater detail in

subsequent sections. The occurrence of one or more of these risks could have a material adverse effect on the financial condition and results of operations of the members of the Credit Group and, in turn, the ability of Trinity Health and the other Members of the Obligated Group to make payments under the Financing Agreements and the Bond Obligations.

General Economic Conditions, Bad Debt, Indigent Care and Investment Performance. Health care providers are affected by the economic environment in which they operate. To the extent that employers reduce their workforces or budgets for employee health care coverage or private and public insurers seek to reduce payments to health care providers or curb utilization of health care services, health care providers may experience decreases in insured patient volume and reductions in payments for services. In addition, to the extent that state, county or city governments are unable to provide a safety net of medical services, pressure is applied to local health care providers to increase free care. Furthermore, economic downturns and lower funding of Medicare and state Medicaid and other federal and state health care programs may increase the number of patients who are unable to pay for their medical and hospital services. These conditions may give rise to increases in health care providers' uncollectible accounts, or "bad debt," and, consequently, to reductions in operating income. Declines in investment portfolio values may reduce or eliminate non-operating revenues. Losses in pension and benefit funds may result in increased funding requirements. Potential failure of lenders, insurers or vendors may negatively affect the results of operations and the overall financial condition of health care providers. Philanthropic support may also decrease or be delayed. For a discussion of these risks with regard to the Obligated Group, in particular Trinity Health's and CHE's recent results of operations and changes in unrestricted net assets and performance of Trinity Health's and CHE's investments, see APPENDIX A – "INFORMATION CONCERNING CHE TRINITY HEALTH CREDIT GROUP—FINANCIAL AND OPERATING INFORMATION."

Federal Health Care Reform. The ACA (as defined herein) was enacted in March 2010 contains extensive provisions and calls for the development of regulations that will take effect and be implemented over the course of the next eight years. The ACA addresses almost all aspects of hospital and provider operations, health care delivery and reimbursement. These changes are projected to result in lower hospital and provider reimbursement, utilization changes, increased government enforcement and the necessity for health care providers to assess, and potentially alter, their business strategy and practices, among other consequences. See "—Health Care Reform" below.

Nonprofit Health Care Environment. The significant tax benefits received by nonprofit, tax-exempt hospitals may cause the business practices of such hospitals to be subject to scrutiny of public officials and the press, and to legal challenges of the ongoing qualification of such organizations for tax-exempt status. Practices that have been examined, criticized or challenged have included pricing practices, billing and collection practices, charitable care and executive compensation. Challenges to entitlement to exemption of property from real property taxation have succeeded from time to time. Multiple governmental authorities, including state attorneys general, the IRS, Congress and state legislatures have held hearings and carried out audits regarding the conduct of tax-exempt organizations, including tax-exempt hospitals. These efforts will likely continue in the future. Citizen organizations, such as labor unions and patient advocates, have also focused public attention on the activities of tax-exempt hospitals and raised questions about their practices. Proposals to increase the regulatory requirements for nonprofit hospitals' retention of tax-exempt status, such as by establishing a minimum level of charity care, have also been introduced repeatedly in Congress. Significant changes in the obligations of nonprofit, tax-exempt hospitals and challenges to or loss of the tax-exempt status of nonprofit hospitals generally or to the Members of Obligated Group in particular could have a material adverse effect on the Credit Group.

Rate Pressure from Insurers and Purchasers. Certain health care markets, including many communities in which the Credit Group members operate, are strongly affected by large health insurers and, in some cases, by major purchasers of health services. In those areas, health insurers may have significant influence over the rates, utilization and competition of hospitals and other health care providers. Rate pressure imposed by health insurers or other major purchasers, including managed care payors, as well as from state agencies, may have a material adverse impact on health care providers, particularly if major purchasers put increasing pressure on payors to restrain rate increases. Business failures by health insurers also could have a material adverse impact on contracted hospitals and other health care providers in the form of payment shortfalls or delay, and continuing obligations to care for managed care patients without receiving payment. In addition, disputes with non-contracted payors may result in an inability to collect billed charges from these payors.

Capital Needs vs. Capital Capacity. Hospital and other health care operations are capital intensive. Regulation, technology and expectations of physicians and patients require constant and often significant capital investment. Total capital needs may exceed capital capacity.

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

State Medicaid Programs. While state Medicaid programs are rarely as important to hospitals and other health care provider financial results as the Medicare program, they nevertheless constitute an important payor source to many hospitals and other health care providers. These programs often pay hospitals and other health care providers at levels that are substantially below the actual cost of the care provided. As Medicaid is partially funded by states, adverse financial conditions within a state may cause lower funding levels and/or payment delays. This could have a material adverse impact on hospitals and other health care providers.

Increasing Consumer Choice. Hospitals and other health care providers face increased pressure to be transparent and provide information about cost and quality of services. As consumers and others make choices about where to receive health care services based upon reports about cost and quality, certain hospitals and other health care providers could realize a loss of business.

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

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

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

Violations and Sanctions. The government and/or private “whistleblowers” often pursue aggressive investigative and enforcement actions. The government has a wide array of civil, criminal, monetary and other penalties, including the suspension of essential hospital and other health care provider payments from the Medicare or Medicaid programs, or exclusion from those programs. Aggressive investigation tactics, negative publicity and threatened penalties can be, and often are, used to force health care providers to enter into monetary settlements in exchange for releases of liability for past conduct, as well as agreements imposing prospective restrictions and/or mandated compliance requirements on health care providers. Such negotiated settlement terms may have a materially adverse impact on hospital and other health care provider operations, financial condition, results of operations and reputation. Multi-million dollar fines and settlements for alleged intentional misconduct, fraud or false claims are not uncommon in the health care industry. These risks are generally uninsured. Government enforcement and private whistleblower suits may increase in the hospital and health care sector. Many large hospital and other health care provider systems are likely to be adversely affected.

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

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

Proliferation of Competition. Hospitals face competition from specialty providers of care and ambulatory care facilities. This competition may cause hospitals to lose essential inpatient or outpatient market share. Competition may be focused on services or payor classifications where hospitals realize their highest margins, thus negatively affecting programs that are economically important to hospitals. Specialty hospitals may attract specialists as investors and may seek to treat only profitable classifications of patients, leaving full-service hospitals with higher acuity and lower paying patient populations. These new sources of competition may have a material adverse impact on hospitals, particularly where principal physician admitters may curtail their use of a hospital service in favor of a competitor’s facilities.

Labor Costs and Disruption. The delivery of health care services is labor intensive. Labor costs, including salary, benefits and other liabilities associated with the workforce, have a significant impact on hospital and health care provider operations and financial condition. Hospital and health care employees are increasingly organized in collective bargaining units and may be involved in work actions of various kinds, including work stoppages and strikes. Overall costs of the hospital workforce and turnover are

high. Pressure to recruit, train and retain qualified employees is expected to accelerate. These factors may materially increase hospital costs of operation. Workforce disruption may negatively affect hospital revenues and reputation. See APPENDIX A – “INFORMATION CONCERNING CHE TRINITY HEALTH CREDIT GROUP—OTHER INFORMATION—Employees.”

Pension and Benefit Funds. As large employers, hospitals and other health care providers may incur significant expenses to fund pension and benefit plans for employees and former employees, and to fund required workers’ compensation benefits. Plans are often underfunded, or may become underfunded and funding obligations in some cases may be erratic or unanticipated and may require significant commitments of available cash needed for other purposes. See APPENDIX A – “INFORMATION CONCERNING CHE TRINITY HEALTH CREDIT GROUP—MANAGEMENT’S DISCUSSION AND ANALYSIS OF RECENT FINANCIAL PERFORMANCE—Retirement Plan Investments and Related Investments.”

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

Market Risk in Connection with Variable Rate Demand Bonds. As of June 30, 2013, Trinity Health had approximately \$900 million principal amount outstanding of variable rate demand bonds and CHE had approximately \$191 million principal amount outstanding of variable rate demand bonds. If these variable rate bonds cannot be remarketed following their tender, or converted to another interest rate mode, each of Trinity Health and CHE will be required to pay the purchase price of tendered and unremarketed bonds with funds provided under liquidity or credit facilities or its own funds. In addition, the interest rates on such bonds from time to time has fluctuated significantly and may increase the cost of capital for Trinity Health and CHE.

Market Risk in Connection with Commercial Paper. Similar to the situation affecting variable rate bonds, the market for commercial paper was adversely affected by the effects of the recent years’ recession and disruption in the credit markets. As of June 30, 2013, Trinity Health was obligated on approximately \$354 million of additional Long-Term Indebtedness and \$369 million of commercial paper, and CHE was obligated on approximately \$186 million of additional Long-Term Indebtedness, none of which were secured by any Obligations. To date, Trinity Health and CHE have each been able to successfully roll their commercial paper, but there is no assurance that they will be able to do so in the future. Any such failure would have a negative impact on the financial condition of Trinity Health and CHE, including their ability to provide their own liquidity for variable rate debt. See APPENDIX A – “INFORMATION CONCERNING CHE TRINITY HEALTH CREDIT GROUP—FINANCIAL AND OPERATING INFORMATION—Liquidity and Capital Resources—Commercial Paper Program.”

Interest Rate Swaps and Hedge Risk. Interest rate swaps, which are relatively common in connection with certain recently issued tax-exempt bonds, have experienced negative trading patterns, causing many to cease to function effectively to hedge interest rate exposure. Some swap counterparties have ceased to exist and others have suffered repeated rating downgrades and negative market perception. Further, certain swap arrangements may not be terminable except upon the payment of termination fees by the borrowing party, which may be substantial in amount. In the interim, negative mark-to-market valuation of certain swap arrangements must be recorded on a borrower’s balance sheet. These factors may have a material adverse impact on hospitals and health systems involved in such financial arrangements. For a discussion of the interest rate swap agreements that the Obligated Group Members have entered into, see APPENDIX A – “INFORMATION CONCERNING CHE TRINITY HEALTH

CREDIT GROUP—FINANCIAL AND OPERATING INFORMATION—Interest Rate Swap Agreements.” For a discussion of risks related to interest rate swap agreements, see “—Risks Related to Interest Rate Swap Agreements” herein.

Construction Risks. Construction projects are subject to a variety of risks, including but not limited to delays in issuance of required building permits or other necessary approvals or permits, including environmental approvals, strikes, shortages of materials and labor, and adverse weather conditions. Such events could delay project completion and use. Cost overruns may occur due to change orders, delays in the construction schedule, scarcity of building materials and labor, and other factors. Cost overruns could cause the costs of any project to exceed available funds. See APPENDIX A – “INFORMATION CONCERNING CHE TRINITY HEALTH CREDIT GROUP—MANAGEMENT’S DISCUSSION AND ANALYSIS OF RECENT FINANCIAL PERFORMANCE—Capital Budget.”

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

Impact of Market Turmoil and General Economic Factors

The disruption of the credit and financial markets in the last several years resulted in volatility in the securities markets, significant losses in investment portfolios, increased business failures and consumer and business bankruptcies. In response to this disruption of the credit and financial markets, federal legislation was enacted, including the Recovery Act, the Dodd-Frank Act and the BCA (each defined below).

The health care sector has been adversely affected by the disruption of the credit and financial markets. Patient service revenues and inpatient volumes have not increased as historic trends would otherwise indicate. Unemployment rates are higher than historic norms, and relatively higher than national rates in certain market areas in which Credit Group members own and operate health care facilities. Reduced employment and personal income have resulted in 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 recession has also increased stresses on the budgets of states in which Credit Group members are located, which could potentially result in reductions in Medicaid payment rates or increases in Medicaid eligibility standards, and delays of payment of amounts due under Medicaid and other state or local payment programs.

In July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) was enacted in an effort to stabilize the credit and financial markets. Additional legislation is under active consideration by Congress and regulatory action is being considered by various federal agencies and the Federal Reserve Board and foreign governments which are intended to increase the regulation of financial institutions and domestic and global credit and securities markets. The effects of these legislative, regulatory and other governmental actions, including the Dodd-Frank Act, upon the Credit Group members and, in particular upon their access to capital markets and their investment portfolios, cannot be predicted.

Federal Government Shutdown and Debt Limit Increase

Effective October 1, 2013, the federal government furloughed more than 800,000 federal workers and shut down many operations of the federal government (the “Shutdown”) due to the failure of Congress to pass, and the President to sign, a continuing resolution appropriating funds for the operation

of the federal government. To date, Corporation management is not aware of any negative impacts of the Shutdown on the operations of the Credit Group members or on the receipt of reimbursement from the federal government for health care services delivered to Medicare or Medicaid beneficiaries.

In addition, the federal government has estimated that it will reach its Congressionally approved federal debt limit on or about October 17, 2013. A failure by Congress to increase the federal debt limit may impact the federal government's ability to incur additional debt and to satisfy its obligations relating to the Medicare and Medicaid programs.

Corporation management is unable to determine at this time what impact the Shutdown or the failure to increase the federal debt limit may have on the operations of the Credit Group, although it may be material.

Federal Budget Cuts

The Budget Control Act of 2011 (the "BCA") mandated significant reductions and spending caps on the federal budget for fiscal years 2012-2021. The BCA also created a Joint Select Committee on Deficit Reduction (the "Super Committee") to develop a plan to further reduce the federal deficit by \$1.5 trillion on or before November 23, 2011. If the Super Committee failed to act, the BCA provided that a 2% reduction in Medicare spending, among other reductions, would be triggered to take effect on January 2, 2013. The American Taxpayer Relief Act of 2012 postponed this scheduled reduction until March 1, 2013. On March 1, 2013, after the failure by Congress to act on the fiscal year 2013 budget, the President issued a sequestration order of \$85 billion for the remainder of fiscal year 2013. The order specified the various programs from which cuts are to be made, amounting to \$42.667 billion reduction in defense spending and an equal reduction in nondefense spending. The sequestration includes 2% cuts to Medicare, 5.1% cuts to other non-exempt nondefense mandatory programs, and 7.9% cuts to non-exempt defense mandatory programs. The Department of Health and Human Services has confirmed that the 2% reduction to Medicare providers and insurers will be for services provided on or after April 1, 2013. Any cuts resulting from the sequestration process will likely have an adverse effect on the financial condition of the Credit Group, which could be material.

Health Care Reform

The Patient Protection and Affordable Care Act ("ACA") was enacted in March 2010. This legislation addresses almost all aspects of hospital and provider operations and health care delivery, and is changing how health care services are covered, delivered, and reimbursed. These changes will result in new payment models with the risk of lower hospital reimbursement from Medicare, utilization changes, increased government enforcement and the necessity for health care providers to assess, and potentially alter, their business strategy and practices, among other consequences. While many providers may receive reduced payments for care, millions of previously uninsured Americans may have coverage. Requirements for state "health information exchanges" could fundamentally alter the health insurance market and negatively impact hospital providers enabling insurers to aggressively negotiate rates. Federal deficit reduction efforts will likely curb federal Medicare and Medicaid spending further to the detriment of hospitals, physicians and other health care providers. In June 2012, the Supreme Court upheld most provisions of the ACA, while limiting the power of the federal government to penalize states for refusing to expand Medicaid.

As a result of the ACA, substantial changes have occurred and are anticipated in the United States health care system. The ACA will affect the delivery of health care services, the financing of health care costs, reimbursement of health care providers and the legal obligations of health insurers, providers, employers and consumers. These provisions are slated to take effect at specified times over

approximately the next decade, and, therefore, the full consequences of the ACA on the health care industry will not be immediately realized. The ramifications of the ACA may also become apparent only following implementation or through later regulatory and judicial interpretations. Such interpretations are expected to cause third-party payors and health care suppliers and vendors to impose new and additional contractual terms and conditions, which may have an adverse effect on health care providers. In addition, the uncertainties regarding the implementation of the ACA create unpredictability for the strategic and business planning efforts of health care providers, which in itself constitutes a risk.

The changes in the health care industry brought about by the ACA may have both positive and negative effects, directly and indirectly, on the nation's hospitals and other health care providers, including the Credit Group members. For example, the projected increase in the numbers of individuals with health care insurance occurring as a consequence of Medicaid expansion, creation of health insurance exchanges, subsidies for insurance purchase and the penalty on certain individuals who do not purchase insurance could result in lower levels of bad debt and increased utilization or profitable shifts in utilization patterns for hospitals. A negative impact to the hospital industry overall will likely result from scheduled cumulative reductions in Medicare payments; such reductions are substantial. The ACA's cost-cutting provisions to the Medicare program include reduction in Medicare market basket updates to hospital reimbursement rates under the inpatient prospective payment system, as well as additional reductions to or elimination of Medicare reimbursement for certain patient readmissions and hospital-acquired conditions. Industry experts also expect that government cost reduction actions may be followed by private insurers and payors. Because a significant portion of net patient service revenue of the Credit Group is from Medicare spending, the reductions may have a material impact, and could offset any positive effects of the ACA. See also “—Patient Service Revenues—Medicare” below and APPENDIX A – “INFORMATION CONCERNING CHE TRINITY HEALTH CREDIT GROUP—FINANCIAL AND OPERATING INFORMATION—Sources of Net Patient Service Revenue Before Provision for Bad Debt.”

Health care providers could be further subjected to decreased reimbursement as a result of implementation of recommendations of the Independent Payment Advisory Board (“IPAB”). The ACA directs the IPAB to make recommendations to reduce Medicare cost growth if such growth exceeds legislated targets. The IPAB's recommended reductions, beginning in 2015, will be automatically implemented unless Congress adopts alternative legislation that meets equivalent savings targets. While hospitals are largely exempted from the recommendations from the IPAB, the impact on providers may filter up to hospitals, and industry experts also expect that government cost reduction actions may be followed by private insurers and payors.

The ACA will also create state “health insurance exchanges” designed to provide consumers with improved access to health insurance. Beginning January 1, 2015, health insurers participating in the health insurance exchanges will be allowed to contract only with hospitals that have implemented programs designed to ensure patient safety and enhance the quality of care. The health insurance exchanges may have positive impact for hospitals by increasing the availability of health insurance to individuals who were previously uninsured. Conversely, employers or individuals may shift their purchase of health insurance to new plans offered through the exchanges, which may or may not reimburse providers at rates equivalent to rates the providers currently receive. The exchanges could alter the health insurance markets in ways that cannot be predicted, and exchanges might, directly or indirectly, take on a rate-setting function that could negatively impact providers. Exchanges also increase the number of people paying for their own insurance, resulting in more co-pays and deductibles, which hospitals may or may not be able to collect, as well as unpaid premium liability, which many private insurers and third party payers are passing on to hospitals. There can be no assurance that the newly insured patients will be able to make the required premium payments.

The ACA will likely affect some health care organizations differently from others, depending, in part, on how each organization adapts to the ACA's emphasis on directing more federal health care dollars to integrated provider organizations and providers with demonstrable achievements in quality care. The ACA proposes a value-based purchasing system for hospitals under which a percentage of payments will be contingent on satisfaction of specified performance measures related to common and high-cost medical conditions, such as cardiac, surgical and pneumonia care. The ACA also funds various demonstration programs and pilot projects and other voluntary programs to evaluate and encourage new provider delivery models and payment structures, including "accountable care organizations" and bundled provider payments. The outcomes of these projects and programs, including the likelihood of being made permanent or expanded or their effect on health care organizations' revenues or financial performance cannot be predicted.

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

Management of the Corporation has analyzed the ACA and will continue to do so in order to assess the effects of the legislation and evolving regulations on current and projected operations, financial performance and financial condition. However, management of the Corporation cannot predict with any reasonable degree of certainty or reliability any interim or ultimate effects of the legislation. See "STRATEGIC INITIATIVES" in APPENDIX A discussion of the impact of Health Care Reform.

Nonprofit Health Care Environment

All of the members of the Credit Group are nonprofit corporations, exempt from federal income taxation as organizations described in Section 501(c)(3) of the Code. As nonprofit tax-exempt organizations, such Credit Group members are subject to federal, state and local laws, regulations, rulings and court decisions relating to their organization and operation, including their operation for charitable purposes. At the same time, certain members of the Credit Group conduct large-scale, complex business transactions and are often 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 a complex, multi-state, health care organization.

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

penalties, could have a material adverse effect on the Credit Group. These challenges or examinations include the following, among others:

Congressional Hearings. Senate and House committees have conducted several nationwide investigations of hospital billing and collection practices and prices charged to uninsured patients and have considered reforms to the nonprofit sector, including proposed reform in the area of tax-exempt health care organizations, as part of health care reform generally. See “*IRS Examination of Compensation Practices*,” “*Community Benefit Initiatives*” and “*Challenges to Real Property Tax Exemption*” below.

IRS Bond Examinations. IRS officials have recently indicated that more resources will be invested in audits of tax-exempt bonds in the charitable organization sector with specific review of private use. A schedule to the revised Form 990 return (Schedule K), effective for the 2009 tax year and thereafter, is intended to address what the IRS believes is significant noncompliance with recordkeeping and record retention requirements. Schedule K also requires tax-exempt organizations to report on the investment and use of bond proceeds to address IRS concerns regarding compliance with arbitrage rebate requirements and the private use and research use of bond-financed facilities.

IRS Examination of Compensation Practices. For nearly the past decade, the IRS has been concerned about executive compensation practices of tax-exempt hospitals. In 2004, the IRS began a new program to measure compliance by tax-exempt organizations with requirements that they not pay excessive compensation and benefits to their officers and other insiders. In February 2009, the IRS issued its Hospital Compliance Project Final Report (the “IRS Final Report”) that examined tax-exempt organizations’ practices and procedures with regard to compensation and benefits paid to their officers and other defined “insiders.” The IRS Final Report indicates that the IRS will continue to heavily scrutinize executive compensation arrangements, practices and procedures of tax-exempt hospitals and other tax-exempt organizations and, in certain circumstances, may conduct further investigations or impose fines on tax-exempt organizations.

Community Benefit Initiatives. The IRS has also undertaken a community benefit initiative directed at hospitals. The IRS Final Report determined that the reporting of community benefit by nonprofit hospitals varied widely, both as to types of programs and expenditures classified as community benefit and the measurement of community benefits. As a result, the IRS issued the revised Form 990 that includes Schedule H, effective for tax years beginning after March 23, 2010, which is designed to provide uniformity regarding types of programs and expenditures reported as community benefit by nonprofit hospitals. As the IRS collects and reviews information from hospitals about the level and types of community benefit provided, the IRS may issue a more stringent interpretation of community benefit. Findings from Schedule H reports may also revive proposals in Congressional committees which, from time to time, have been made to codify the requirements for hospitals’ tax-exempt status, including requirements to conduct a regular community needs analysis and to provide minimum levels of charity care. Additionally, the ACA contains new requirements for nonprofit hospitals in order to maintain their tax-exempt status, which includes a requirement to conduct a community health needs assessment, among other requirements. See “—Tax-Exempt Status and Other Tax Matters—Maintenance of the Tax-Exempt Status of Benefitting Affiliates” below.

Challenges to Real Property Tax Exemptions. Recently, the real property tax exemptions afforded to certain nonprofit health care providers by state and local taxing authorities have been challenged on the grounds that the health care providers were not engaged

in sufficient charitable activities. These challenges have been based on a variety of grounds, including allegations of aggressive billing and collection practices and excessive financial margins. Several of these disputes have been determined in favor of the taxing authorities or have resulted in settlements. While the Corporation is not aware of any current challenge to the tax exemption afforded to any material real property of the Credit Group members, there can be no assurance that these types of challenges will not occur in the future.

Indigent Care. Tax-exempt health care providers often treat large numbers of indigent patients who are unable to pay in full for their medical care. These hospitals and health care providers may be susceptible to economic and political changes that could increase the number of indigents or their responsibility for caring for this population. General economic conditions affect the number of employed individuals who have health coverage and the ability of patients to pay for their care. Similarly, changes in governmental policy, which may result in coverage exclusions under local, county, state and federal health care programs (including Medicare and Medicaid) may increase the frequency and severity of indigent treatment by such hospitals and other health care providers. It also is possible that future legislation could require that tax-exempt hospitals and other health care providers maintain minimum levels of indigent care as a condition to federal income tax exemption or exemption from certain state or local taxes.

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

Compensation Initiatives. New York State recently has adopted limits on executive compensation, which require that hospitals receiving state funds follow a specific process in setting compensation. If levels of compensation exceed the guidelines, and/or if the process is not followed, hospitals could be subject to penalties. However, hospitals may seek waivers from the New York State Department of Health.

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

Patient Service Revenues

Net patient revenues realized by the Credit Group are derived from a variety of sources and will vary among the individual facilities owned and operated by the Credit Group members and also among the various market areas and regions in which the facilities are located. Certain facilities and regions may

realize substantially more revenues from private payment programs, such as managed care organizations, than do others.

A substantial portion of the net patient service revenues of the Credit 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, state Medicaid programs and private health plans and insurers, including health maintenance organizations and preferred provider organizations. Many of those programs make payments to members of the Credit Group in amounts that may not reflect the direct and indirect costs of the Members of providing services to patients.

The financial performance of the Credit 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 their patients.

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 eligible elderly persons, disabled persons and persons with end-stage renal disease. Medicare Part A covers inpatient hospital services, skilled nursing care and some home health care, and Medicare Part B covers hospital outpatient 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.

Medicare. Medicare is the federal health insurance system under which physicians, hospitals and other health care providers or suppliers are paid for services provided to eligible elderly persons, disabled persons and persons with end-stage renal disease. The Credit Group depends significantly on Medicare as a source of revenue. Because of this dependence, changes in the Medicare program may have a material adverse effect on the Credit Group.

Medicare is administered by CMS, which delegates to the states the process for certifying hospitals to which CMS will make payment. In order to achieve and maintain Medicare certification, certain health care providers, including hospitals must meet CMS's "Conditions of Participation" on an ongoing basis, as determined by their state and/or ongoing compliance with the standards of a chosen accreditation program, such as The Joint Commission or the Healthcare Facilities Accreditation Program. The requirements for Medicare certification are subject to change, and, therefore, it may be necessary for hospitals to effect changes from time to time in their facilities, equipment, personnel, billing, policies and services.

As the population ages, more people will become eligible for the Medicare program. Current projections indicate that demographic changes and continuation of current cost trends will exert significant and negative forces on the overall federal budget. The ACA institutes multiple mechanisms for reducing the costs of the Medicare program, including the following:

Value-Based Purchasing Program. Beginning in federal fiscal year 2013, Medicare inpatient payments to hospitals will be determined, in part, based on a program under which value-based incentive payments are made in a fiscal year to hospitals that meet certain performance standards during that fiscal year. The program is funded through the reduction of hospital inpatient care payments by 1%, progressing to 2% by federal fiscal year 2017. This reduction may be offset by incentive payments commencing in federal fiscal year 2013 for hospitals that meet or exceed certain quality standards.

Market Basket Reductions. Generally, Medicare payment rates to hospitals are adjusted annually based on a “market basket” of estimated cost increases. In recent years, market basket adjustments for inpatient hospital care have averaged approximately 2% to 4% annually. The ACA required automatic 0.25% reductions in the “market basket” for federal fiscal years 2010 and 2011, and calls for reductions in the annual “market basket” update amount ranging from 0.10% to 0.75 % each year through federal fiscal year 2019.

Market Productivity Adjustments. Beginning in federal fiscal year 2012 and thereafter, the ACA provides for “market basket” adjustments based on overall national economic productivity statistics calculated by the Bureau of Labor Statistics. This adjustment is currently anticipated to result in an approximately 1% additional reduction to the “annual market basket” update.

Hospital Acquired Conditions. Beginning in federal fiscal year 2015, Medicare inpatient payments to hospitals that are in the top quartile nationally for frequency of certain “hospital-acquired conditions” identified by CMS will be reduced by 1% of what would otherwise be payable to each hospital for the applicable federal fiscal year.

Readmission Rate Penalty. Beginning in federal fiscal year 2013, Medicare inpatient payments to those hospitals with excess readmissions compared to the national average for three patient conditions (acute myocardial infarction, pneumonia and heart failure) are reduced based on the dollar value of that hospital’s percentage of excess preventable Medicare readmissions within 30 days of discharge, for certain medical conditions. The maximum penalty is 1% in fiscal year 2013, increasing to 3% in fiscal year 2015.

Medicare DSH Payments. Beginning in federal fiscal year 2014, hospitals receiving supplemental “DSH” payments from Medicare (i.e., those hospitals that care for a disproportionate share of low-income Medicare beneficiaries) are slated to have their DSH payments reduced by 75%, although a portion of this reduction potentially will be offset by new, additional payments based on the volume of uninsured and uncompensated care provided by each such hospital. Separately, beginning in federal fiscal year 2014, Medicaid DSH allotments to each state will also be reduced, based on a methodology to be determined by DHHS, accounting for statewide reductions in uninsured and uncompensated care. See also “*Disproportionate Share Payments*” below.

From October 1, 2010 through September 30, 2019, payments under the Medicare Advantage programs will be 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, depending on the contractual arrangement between the Medicare Advantage program and the provider. All or any of these outcomes could have a disproportionately negative effect upon those providers with relatively high dependence upon Medicare Advantage program revenues.

Components of the American Recovery and Reinvestment Act of 2009 (the “Recovery Act”), provided for Medicare and Medicaid incentive payments that began in 2011 to hospital providers meeting designated deadlines for the installation and use of electronic health information systems. For those hospital providers failing to meet a 2016 deadline, Medicare payments will be significantly reduced.

For the fiscal years ended June 30, 2012 and 2013, Medicare payments represented approximately 37.7% and 38.0%, respectively, of the Credit Group (not including CHE or its subsidiaries) net patient service revenue before provision for bad debt expense. For the fiscal years ended December 31, 2011 and 2012, Medicare payments represented approximately 49.9% and 50.8%, respectively, of net patient service revenue of CHE and its subsidiaries before provision for bad debt expense. See APPENDIX A – “INFORMATION CONCERNING CHE TRINITY HEALTH CREDIT GROUP—FINANCIAL AND OPERATING INFORMATION—Sources of Net Patient Service Revenue Before Provision for Bad Debt.”

Hospital Inpatient Reimbursement. Hospitals are generally paid for inpatient services provided to Medicare beneficiaries based on established categories of treatments or conditions known as diagnosis related groups (“DRGs”). The actual cost of care, including capital costs, may be more or less than the DRG rate. DRG rates are subject to adjustment by CMS, including reductions mandated by the ACA and the BCA and are subject to federal budget considerations. There is no guarantee that DRG rates, as they change from time to time, will cover actual costs of providing services to Medicare patients. For information regarding the impact of the ACA on payments to hospitals for inpatient services, see “*Medicare—Market Basket Reductions*” above.

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

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

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

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

Sustainable Growth Rate Formula. The sustainable growth rate (“SGR”) formula, a limit on the growth of Medicare payments for physician services, is linked to changes in the U.S. Gross Domestic Product over a ten-year period. SGR targets are compared to actual expenditures in order to determine subsequent physician fee schedule updates. Use of the SGR in determining physician fee schedule updates has been widely criticized as an unworkable formula. Each year since 2003, Congress has provided temporary relief from scheduled “negative” updates that would have reduced physician payments. In 2012, Congress intervened again to avoid the accumulated effect of Congressional override of scheduled “negative” updates. Those interventions expired on January 1, 2013, the date on which

Congress approved the Taxpayer Relief Act, which further delays a 27% cut to the SGR formula for another year. This intervention was funded by \$30 billion in other health care funding cuts.

Medicaid. Medicaid is a program of medical assistance, funded jointly by the federal government and the states, for certain low-income and needy individuals and their dependents. Under Medicaid, the federal government provides limited funding to states that have medical assistance programs that meet federal standards. Each state determines the type, amount, duration and scope of services, sets the payment rates for services, and administers its own programs. Attempts to balance or reduce the federal and state budgets will likely negatively impact spending for Medicaid and other state health care program spending.

The ACA requires Medicaid to be expanded to all individuals under the age of 65 with income less than 144% of the federal poverty limit, effective in 2014. To fund this expansion, the ACA provides that the federal government will fund 100% of the costs of this expansion from 2014 through 2016, decreasing to 90% of the costs of this expansion in 2020 and thereafter. In June 2012, the Supreme Court held that the federal government cannot withhold existing federal funds for states that refuse to expand Medicaid as required by the ACA. As of March 13, 2013, approximately half of states had indicated that they would expand Medicaid, with the remainder declining to participate in the expansion, or remaining undecided.

Federal and state governments continue to consider changes to Medicaid funding, particularly in light of the budget challenges facing many states. Certain additional proposals being examined may ultimately result in reduced federal Medicaid funding to the states, which could adversely impact amounts received by the Credit Group members.

While management of the Corporation cannot predict the effect of these changes to the Medicaid program on operations, results from operations or financial condition of the Credit Group, historically Medicaid has reimbursed at rates below the cost of care. Therefore, increases in the overall proportion of Medicaid patients poses a financial risk to the Credit Group. It is uncertain to what extent this risk may be mitigated if the increased Medicaid utilization replaces previously uncompensated care.

For the fiscal years ended June 30, 2012 and 2013, the Credit Group (not including CHE or its subsidiaries) received approximately 10.6% and 12.1%, respectively, of net patient service revenues from state Medicaid programs before provision for bad debt expense. For the fiscal years ended December 31, 2011 and 2012, CHE and its subsidiaries received approximately 18.7% and 19.5%, respectively, of net patient service revenues from state Medicaid programs. See APPENDIX A – “INFORMATION CONCERNING CHE TRINITY HEALTH CREDIT GROUP—FINANCIAL AND OPERATING INFORMATION—Sources of Net Patient Service Revenue Before Provision for Bad Debt.”

Certain states selectively contract with general acute care hospitals to provide services to participants in the Medicaid program of such state and may not provide payment to hospitals that do not have such a contract. Payment under such contracts may not cover the cost of providing such services or may be reduced by such states. Reductions in payments by state Medicaid programs or loss of such contracts could materially adversely affect the financial condition of the Credit Group.

Medicare and Medicaid Audits. Hospitals that participate in the Medicare and Medicaid programs are subject from time to time to audits and other investigations relating to various aspects of their operations and billing practices, as well as to retroactive audit adjustments to reimbursements claimed under these programs. Medicare and Medicaid regulations also provide for withholding reimbursement payments in certain circumstances. New billing rules and reporting requirements for which there is no clear guidance from CMS or state Medicaid agencies could result in claims submissions

being considered inaccurate. The penalties for violations may include an obligation to refund money to the Medicare or Medicaid program, payment of criminal or civil fines and, for serious or repeated violations, exclusion from participation in federal health programs.

Authorized by the Health Insurance Portability and Accountability Act of 1996 (“HIPAA”), the Medicare Integrity Program (“MIP”) was established to deter fraud and abuse in the Medicare program. Funded separately from the general administrative contractor program, the MIP allows CMS to enter into contracts with outside entities and insure the “integrity” of the Medicare program. These entities, Medicare zone program integrity contractors (“ZPICs”), formerly known as program safeguard contractors, are contracted by CMS to review claims and medical charts, both on a prepayment and post-payment basis, conduct cost report audits and identify cases of suspected fraud. ZPICs have the authority to deny and recover payments as well as to refer cases to the Office of Inspector General. ZPICs have the ability to compile claims data from multiple sources in order to analyze the complete claims histories of beneficiaries for inconsistencies.

Medicare audits may result in reduced reimbursement or repayment obligations related to past alleged overpayments and may also delay Medicare payments to providers pending resolution of the appeals process. The ACA explicitly gives DHHS the authority to suspend Medicare and Medicaid payments to a provider or supplier during a pending investigation of fraud. The ACA also amended certain provisions of the FCA (as defined herein) to include retention of overpayments as a false claim. It also added provisions respecting the timing of the obligation to identify, report and reimburse overpayments. The effect of these changes on existing programs and systems of the Credit Group members cannot be predicted.

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

Disproportionate Share Payments. The federal Medicare and Medicaid programs each provide additional payment for hospitals that serve a disproportionate share of certain low-income patients. Certain facilities of the Credit Group members qualify as disproportionate share hospitals and are expected to qualify from time to time in future years, but there can be no assurance that such facilities will qualify for disproportionate share status in the future. The ACA substantially reduces Medicare and Medicaid payments to disproportionate share hospitals. There can be no assurance that payments to disproportionate share hospitals will not be further decreased or eliminated in the future or that any of the Credit Group’s facilities will continue to qualify for disproportionate share status. See “*Medicare*” above.

State Children’s Health Insurance Program. The State Children’s Health Insurance Program (“SCHIP”) is a federally funded insurance program for families which are financially ineligible for Medicaid, but cannot afford commercial health insurance. The CMS administers SCHIP, but each state creates its own program based upon minimum federal guidelines. SCHIP insurance is provided through private health plans contracting with the state.

Each state must periodically submit its SCHIP plan to CMS for review to determine if it meets the federal requirements. If it does not meet the federal requirements, a state can lose its federal funding for the program.

State and Local Budgets. The states in which Credit Group members operate recently have incurred severe financial challenges, including erosion of general fund tax revenues, falling real estate values, slowing economic growth, and higher unemployment, each of which may continue to worsen or resist improvement over the coming years. In some states, these factors have resulted in a shortfall between revenue and spending demands.

The financial challenges facing these states may negatively affect hospitals in a number of ways, including elimination or reduction of health care safety net programs (causing a greater number of indigent, uninsured or underinsured patients) and reductions in Medicaid reimbursement rates. The financial challenges may also result in a greater number of indigent, uninsured or underinsured patients who are unable to pay for their care or access primary care facilities, a greater number of individuals who qualify for Medicaid and reductions in Medicaid reimbursement rates. See “—Significant Risk Areas Summarized—General Economic Conditions, Bad Debt, Indigent Care and Investment Performance” and “—Nonprofit Health Care Environment” above.

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

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

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

Some HMOs employ a “capitation” payment method under which health care organizations are paid a predetermined periodic rate for each enrollee in the HMO who is “assigned” or otherwise directed to receive care from a particular organization. The health care organization may assume financial risk for the cost and scope of institutional care given. If payment is insufficient to meet the health care organization’s actual costs of care, or if utilization by such enrollees materially exceeds projections, the financial condition of the health care organization could erode rapidly and significantly.

Often, HMO contracts are enforceable for a stated term, regardless of losses by the health care organization and may require health care organizations to care for enrollees for a certain time period, regardless of whether the HMO is able to pay the health care organization. As with other large health care systems, the Designated Affiliates and Affiliates from time to time have disputes with HMOs, PPOs and other managed care payors concerning payment and contract interpretation issues. Such disputes may result in mediation, arbitration or litigation. Management of the Corporation expects that these types of issues ultimately will be resolved, sometimes through renegotiation or termination of the contract.

Defined broadly, for the fiscal year ended June 30, 2013, private health and managed care payments (excluding capitated Medicare and Medicaid contracts) constituted approximately 45.6% of the net patient service revenues of the Credit Group (excluding CHE and its subsidiaries). Defined broadly, for the fiscal year ended December 31, 2012, private health and managed care payments (excluding capitated Medicare and Medicaid contracts) constituted approximately 28.0% of the net patient service revenues of CHE and its subsidiaries. However, there is no assurance that the affected Designated Affiliates or Affiliates or any future Designated Affiliates or Affiliates will maintain managed care contracts or obtain other similar contracts in the future. See APPENDIX A – “INFORMATION CONCERNING CHE TRINITY HEALTH CREDIT GROUP—FINANCIAL AND OPERATING INFORMATION—Sources of Net Patient Service Revenue Before Provision for Bad Debt.”

Failure to maintain contracts could have the effect of reducing a health care organization’s market share and net patient service revenues. Conversely, participation may result in lower net income if participating organizations are unable to adequately contain their costs. In part to reduce costs, health plans are increasingly implementing, and offering to purchasing employers, tiered provider networks, which involve classification of a plan’s network providers into different tiers based on care quality and cost. With tiered benefit designs, plan enrollees are generally encouraged, through incentives or reductions in copayments or deductibles, to seek care from providers in the top tier. Classification of a provider in a non-preferred or lower tier by a significant payor may result in a material loss of volume. The new demands of dominant health plans and other shifts in the managed care industry may also reduce patient volume and revenue. Thus, managed care poses one of the most significant business risks (and opportunities) the Credit Group faces.

State Laws

States also regulate the delivery of health care services. Much of the regulation is centered on 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. For example, a number of states have enacted laws mandating minimum 48-hour hospital stays for women after delivery; laws prohibiting “gag clauses” (contract provisions that 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 layperson 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 any increase in state oversight, the Credit Group members could become subject to a variety of state health care laws and regulations affecting health care providers. In addition, the Credit Group members could be subject to state laws and regulations prohibiting, restricting, or otherwise governing PPOs, third party administrators, physician-hospital organizations, independent practice associations or other intermediaries, fee-splitting, the “corporate practice of medicine,” selective contracting, “any willing provider” laws and “freedom of choice” laws, coinsurance and deductible amounts, insurance agency and brokerage, quality assurance, utilization review, and credentialing activities, provider and patient grievances, mandated benefits, rate increases, “fraud and abuse laws” and many other practices.

Dependence Upon Third-Party Payors

The Credit Group members’ ability to develop and expand their services and, therefore, profitability, is dependent upon their ability to enter into contracts with third-party payors at competitive rates. There can be no assurance that they will be able to attract third-party payors, and where they do, no assurance can be given that they will be able to contract with such payors on advantageous terms. The

inability of the Credit Group members to contract with a sufficient number of such payors on advantageous terms could have a material adverse effect on the Credit Group members' future operations and financial results.

Regulatory Environment

Negative Rankings Based on Clinical Outcomes, Cost, Quality, Patient Satisfaction and Other Performance Measures. Health plans, Medicare, Medicaid, employers, trade groups and other purchasers of health services, private standard-setting organizations and accrediting agencies increasingly are using statistical and other measures in efforts to characterize, publicize, compare, rank and change the quality, safety and cost of health care services provided by hospitals and other health care providers. The ACA shifts payments from paying for volume to paying for value, based on various health outcome measures. Published rankings such as “score cards,” “pay for performance” and other financial and non-financial incentive programs are being introduced to affect the reputation and revenue of hospitals, the members of their medical staffs and other providers and to influence the behavior of consumers and providers such as certain members of the Credit Group. Currently prevalent are measures of quality based on clinical outcomes of patient care, reduction in costs, patient satisfaction and investment in health information technology. Measures of performance set by others that characterize a hospital or other provider negatively may adversely affect its reputation and financial condition.

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

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

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

The ACA authorizes the Secretary of DHHS to exclude a provider's participation in Medicare and Medicaid, as well as suspend payments to a provider pending an investigation or prosecution of a credible allegation of fraud against the provider.

False Claims Act. The federal False Claims Act (“FCA”) makes it illegal to knowingly submit or present a false, fictitious or fraudulent claim to the federal government. A person may be charged with knowledge of the falsity of a claim based not only on actual knowledge but also based on deliberate ignorance or reckless disregard of the relevant facts. Due to the broad range of conduct covered by the statute, FCA investigations and cases are common and may cover a range of activity from intentionally

inflated billings, to highly technical billing infractions, to allegations of inadequate care. Damages under the FCA may include “treble damages” (i.e., damages up to three times the amount of the false claims) plus civil monetary penalties of up to \$11,000 per false claim. As a result, violation or alleged violations of the FCA frequently result in settlements that require multi-million dollar payments and corporate integrity agreements. The FCA also permits individuals to initiate civil actions on behalf of the government in lawsuits called “qui tam” actions. Qui tam plaintiffs, or “whistleblowers,” can share in the damages recovered by the government or recover independently if the government does not participate. The FCA has become one of the government’s primary weapons against health care fraud. FCA violations or alleged violations could lead to settlements, fines, exclusion or reputation damage that could have a material adverse impact on a hospital.

Under the ACA, the FCA has been expanded to include overpayments that are discovered by a health care provider and are not promptly refunded to the applicable federal health care program, even if the claims relating to the overpayment were initially submitted without any knowledge that they were false. This expansion of the FCA exposes hospitals and other health care providers to liability under the FCA for a considerably broader range of claims than in the past.

Anti-Kickback Law. The federal “Anti-Kickback Law” is a criminal statute that prohibits anyone from soliciting, receiving, offering or paying any remuneration, directly or indirectly, overtly or covertly, in cash or in kind, in return for a referral (or to induce a referral) for any item or service that is paid by any federal or state health care program. The Anti-Kickback Law potentially applies to many common health care transactions between persons and entities with which a hospital does business, including hospital-physician joint ventures, medical director agreements, physician recruitment agreements, physician office leases and other transactions.

Violations or alleged violations of the Anti-Kickback Law may result in settlements that require multi-million dollar payments and onerous corporate integrity agreements. The Anti-Kickback Law can be prosecuted either criminally or civilly. A criminal violation may be prosecuted as felony, subject to a fine of up to \$250,000 for each act (which may be each item or each bill sent to a federal program), imprisonment and/or exclusion from the Medicare and Medicaid programs. In addition, civil monetary penalties of \$10,000 per item or service in noncompliance (which may be each item or each bill sent to a federal program) or an “assessment” of three times the amount claimed may be imposed. In addition, violations of the Anti-Kickback Law are increasingly being prosecuted under the FCA, triggering the FCA penalties discussed above. The IRS has taken the position that hospitals which are in violation of the Anti-Kickback Law may also be subject to revocation of their tax status.

The Credit Group has in place policies and a corporate compliance program (the “Compliance Program”) that management believes will effectively reduce its exposure for Anti-Kickback Law and FCA violations. See APPENDIX A – “INFORMATION CONCERNING CHE TRINITY HEALTH CREDIT GROUP—OTHER INFORMATION—Compliance Matters.” However, because the government’s enforcement efforts presently are widespread within the industry, there can be no assurance that the Compliance Program will significantly reduce or effectively eliminate the Credit Group’s exposure.

Stark Law. The federal “Stark” statute prohibits the referral by a physician of Medicare and Medicaid patients for certain designated health services (including inpatient and outpatient hospital services, clinical laboratory services, and radiation and other imaging services) to entities with which the referring physician has a financial relationship unless that relationship fits within a Stark exception. It also prohibits a hospital furnishing the designated services from billing Medicare, or any other payor or individual for services performed pursuant to a prohibited referral. The government does not need to prove that the entity knew that the referral was prohibited to establish a Stark violation. If certain

technical requirements of an exception are not satisfied, many ordinary business practices and economically desirable arrangements between hospitals and physicians constitute “financial relationships” within the meaning of the Stark statute, thus triggering the prohibition on referrals and billing. Most providers of designated health services with physician relationships have exposure to liability under the Stark statute.

Medicare may deny payment for all services performed based on a prohibited referral and a hospital that has billed for prohibited services may be obligated to refund the amounts collected from the Medicare program. For example, if an office lease between a hospital and a large group of heart surgeons is found to violate the Stark statute, the hospital could be obligated to repay CMS for the payments received from Medicare for all of the heart surgeries performed by all of the physicians in the group for the duration of the noncompliance with the Stark law exception, a potentially significant amount. As a result, even relatively minor, technical violations of the law may trigger substantial refund obligations. Moreover, if the violations of the Stark statute were knowing, the government may also seek civil monetary penalties of up to \$15,000 per claim, and in some cases, a hospital may be excluded from the Medicare and Medicaid programs. In addition, violations of the Stark statute are increasingly being prosecuted under the FCA, triggering the FCA penalties discussed above. Potential repayments to CMS, settlements, fines or exclusion for a Stark violation or alleged violation could have a material adverse impact on a hospital.

CMS has established a voluntary self-disclosure program under which hospitals and other entities may report Stark violations and seek a reduction in potential refund obligations. However, the program is relatively new and therefore it is difficult to determine at this point in time whether it will provide significant monetary relief to hospitals that discover inadvertent Stark law violations. Certain members of the Credit Group may make self-disclosures under this program as appropriate from time to time.

State “Fraud” and “False Claims” Laws. Hospital providers in the states in which the members of the Credit Group operate health facilities also are subject to a variety of state laws related to false claims (similar to the FCA or that are generally applicable false claims laws), anti-kickback (similar to the federal Anti-Kickback Law or that are generally applicable anti-kickback or fraud laws), and physician referral (similar to the Stark statute). These prohibitions while similar in public policy and scope to the federal laws have not in all instances been avidly enforced to date. However, in the future they could pose the possibility of material adverse impact for the same reasons as the federal statutes. See “*False Claims Act*,” “*Anti-Kickback Law*” and “*Stark Law*” above.

Antitrust. Antitrust liability may arise in a wide variety of circumstances, including medical staff privilege disputes, payor contracting, physician relations, joint ventures, merger, affiliation and acquisition activities, certain pricing or salary setting activities, as well as other areas of activity. The application of the federal and state antitrust laws to health care is evolving (especially as the ACA is implemented), and therefore not always clear. Currently, the most common areas of potential liability are joint action among providers with respect to payor contracting and medical staff credentialing disputes. From time to time, the members of the Credit Group are or may be involved with all of the types of activities described above, and none of the members of the Credit Group can predict when or to what extent liability, if any, may arise. Liability in any of these or other trade regulation areas may be substantial, depending upon the facts and circumstances of each case.

Violation of the antitrust laws could result in criminal and/or civil enforcement proceedings by federal and state agencies, as well as actions by private litigants. In certain actions, private litigants may be entitled to treble damages, and in others, governmental entities may be able to assess substantial monetary fines.

Review of Outlier Payments. 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. Management of the Corporation does not believe that any potential review of the Credit Group members would materially adversely affect the Credit Group's results of operations.

Patient Records and Patient Confidentiality. 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 penalties range from \$1,000 to \$1,500,000 per claim, depending on the nature of the conduct underlying the violation, with a maximum penalty of \$1,500,000 per year for each type of violation. The criminal penalties include imprisonment for up to 10 years.

HIPAA provides sanctions for health care fraud and applies to all health care benefit programs, whether public or private. HIPAA also provides for punishment of a health care provider for knowingly and willfully embezzling, stealing, converting or intentionally misapplying any money, funds, or other assets of a health care benefit program. A health care provider convicted of health care fraud could be subject to mandatory exclusion from Medicare.

The HITECH Act. Provisions in the Health Information Technology for Economic and Clinical Health Act (the "HITECH Act"), enacted as part of the Recovery Act, increase the maximum civil monetary penalties for violations of HIPAA and grant enforcement authority of HIPAA to state attorneys general. The HITECH Act also (i) extends the reach of HIPAA beyond "covered entities," (ii) imposes a breach notification requirement on HIPAA covered entities, (iii) further limits certain uses and disclosures of individually identifiable health information, and (iv) restricts covered entities' marketing communications. Management of the Corporation does not anticipate that compliance with the HITECH Act will have a material adverse effect on the operations of the Credit Group members.

The breach notification obligation, in particular, may expose covered entities such as hospitals to heightened liability. Under the HITECH Act, in the event of a data privacy breach, covered entities are required to notify affected individuals and the federal government. If more than 500 individuals are affected by the breach, (i) the covered entity must also notify the media and (ii) the federal government posts a description of the breach on its website. These reporting obligations increase the risk of government enforcement as well as class action lawsuits, especially if large numbers of individuals are affected by a breach.

The HITECH Act also established programs under Medicare and Medicaid to provide incentive payments for the "meaningful use" of certified electronic health record ("EHR") technology. Beginning in 2011, the Medicare and Medicaid EHR incentive programs provide incentive payments to eligible professionals and eligible hospitals for demonstrating meaningful use of certified EHR technology. Health care providers demonstrate their meaningful use of EHR technology by meeting objectives specified by CMS for using health information technology and by reporting on specified clinical quality measures. Beginning in 2015, hospitals and physicians who have not satisfied the performance and

reporting criteria for demonstrating meaningful use will have their Medicare payments significantly reduced. For information concerning the Corporation's electronic health record system, see APPENDIX A – "INFORMATION CONCERNING TRINITY HEALTH CREDIT GROUP—STRATEGIC INITIATIVES INFORMATION—Physician Alignment and Integration."

Security Breaches and Unauthorized Releases of Personal Information. Federal, state and local authorities are increasingly focused on the importance of protecting the confidentiality of individuals' personal information, including patient health information. Many states 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 incidents 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 consequently damage a health care provider's reputation and materially adversely affect business operations.

International Classification of Diseases, 10th Revision Coding System. In 2009, CMS published the final rule adopting the International Classification of Diseases, 10th Revision coding system ("ICD-10"), requiring health care organizations to implement ICD-10 no later than October 2013. In August 2012, DHHS issued a rule delaying this compliance deadline until October 2014. ICD-10 provides a common approach to the classification of diseases and other health problems, allowing the United States to align with other nations to better share medical information, diagnosis, and treatment codes. In order to implement the ICD-10, staff will need to be retrained, processes redesigned, and computer applications modified as the current available codes and digit size will dramatically increase. Additionally, there is a potential for temporary coding and payment backlog, as well as potential increases in claims errors. Finally, this may result in lower payments from, and the need for renegotiation of rates with, third party payors as payment terms may no longer be consistent with coding requirements. Health care organizations will be dependent on outside software vendors, clearinghouses and third-party billing services to develop products and services to allow timely, complete and successful implementation of ICD-10. Delays in the required implementation may occur if such ICD-10 products and services are not available to health care organizations from these outside sources well in advance of the new October 2014 deadline to allow for adequate testing and installation.

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

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

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

Compliance with Conditions of Participation. CMS, in its role of monitoring participating providers’ compliance with conditions of participation in the Medicare program, may determine that a provider is not in compliance with its conditions of participation. In that event, a notice of termination of participation may be issued or other sanctions potentially could be imposed.

EMTALA. The Emergency Medical Treatment and Active Labor Act (“EMTALA”) is a federal civil statute that requires hospitals to treat or conduct a medical screening for emergency conditions and to stabilize a patient’s emergency medical condition before releasing, discharging or transferring the patient. A hospital that violates EMTALA is subject to civil penalties of up to \$50,000 per offense and exclusion from the Medicare and Medicaid programs. In addition, the hospital may be liable for any claim by an individual who has suffered harm as a result of a violation.

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 Conditions of Participation, requirements for participation in Medicaid, state licensing agencies, private payors and the accreditation standards of The Joint Commission or the Healthcare Facilities Accreditation Program. Renewal and continuation of certain of these licenses, certifications and accreditations are based on inspections or other reviews generally conducted in the normal course of business of health facilities. Loss of, or limitations imposed on, hospital licenses or accreditations could reduce hospital utilization or revenues, or a hospital’s ability to operate all or a portion of its facilities.

Management currently anticipates no difficulty renewing or continuing currently held licenses, certifications or accreditations, nor does management anticipate a reduction in third-party payments from events that would materially adversely affect the operations or financial condition of the Credit Group. Nevertheless, actions in any of these areas could result in the loss of utilization or revenues, or the ability of a member of the Credit Group to operate all or a portion of its health care facilities, and consequently, could have a material and adverse effect on the Credit Group.

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

Health facilities may be subject to requirements related to investigating and remediating hazardous substances located on their property, including such substances that may have migrated off the property. Typical hospital operations include the handling, use, storage, transportation, disposal and discharge of hazardous, infectious, toxic, radioactive, flammable and other hazardous materials, wastes, pollutants and contaminants. As such, hospital operations are particularly susceptible to the practical, financial and legal risks associated with the environmental laws and regulations. Such risks may result in damage to individuals, property or the environment; may interrupt operations and increase their cost; may result in legal liability, damages, injunctions or fines; and may result in investigations, administrative proceedings, civil litigation, criminal prosecution, penalties or other governmental agency actions; and may not be covered by insurance.

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

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

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

Certificates of Need Requirements

The System operates facilities in a variety of states with certificate of need (“CON”) statutes, which generally provide, in part, that a person shall not acquire an existing or begin operation of a new “health facility,” make a “change in bed capacity” of a “health facility,” initiate, replace or expand a “covered clinical service,” or acquire “covered medical equipment,” and a “health facility” shall not make a “covered capital expenditure,” with certain exceptions, without first obtaining from the appropriate governmental reviewing agency a CON that documents a demonstrated need and grants permission for the proposed project. The capital expenditure threshold has been substantially increased for certain

covered projects, thereby subjecting fewer proposed projects to CON review. The capital expenditure thresholds, depending on the type of projects, are adjusted from time to time. If a provider fails to obtain required approvals, such provider will be subject to penalties that may include civil fines, the obligation to refund amounts paid by patients or third-party payors, injunctions to restrain or prevent violations of the CON law and a loss of license, among other sanctions. As a result of these sanctions, Medicare and Medicaid certification also may be affected. In addition, a CON may be subject to revocation by the appropriate governmental reviewing agency in the event utilization levels specified in a CON approval are not achieved or maintained.

Management of the Corporation is aware of no proceeding or investigation in which a violation of the CON law of the applicable state in which a Designated Affiliate or Affiliate operates is alleged or suspected by any governmental agency.

Business Relationships and Other Business Matters

Integrated Delivery Systems. Health facilities and health care systems often own, control or have affiliations with physician groups and independent practice associations. For a description of the Credit Group's affiliations, see APPENDIX A – "INFORMATION CONCERNING CHE TRINITY HEALTH CREDIT GROUP—CHE TRINITY HEALTH CREDIT GROUP." Generally, the sponsoring health care facility or health care system is the primary capital and funding source for such alliances and may have an ongoing financial commitment to provide growth capital and support operating deficits. As separate operating units, integrated physician practices and medical foundations sometimes operate at a loss and require subsidy from the related hospital or health system.

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

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

While payment trends may stimulate the growth of integrated delivery systems, these systems carry the potential for legal or regulatory risks. Many of the risks discussed in "—Regulatory Environment" above, may be heightened in an integrated delivery system. The foregoing laws limit the ability to coordinate action among hospitals, physicians and other health care providers to set standards, reduce costs and share savings, among other things. In October 2011, CMS, the Federal Trade Commission and the Department of Justice jointly issued guidance regarding waivers and safe harbors to enable providers to participate in the Medicare Shared Savings Program (see "*Accountable Care*

Organizations” below). Although CMS and the agencies that enforce these laws are expected to institute new regulatory exceptions, safe harbors or waivers that will enable providers to participate in payment reform programs, there can be no assurance that such regulations will be forthcoming or that any regulations or guidance issued will sufficiently clarify the scope of permissible activity. State law prohibitions, such as the bar on the corporate practice of medicine, or state law requirements, such as insurance laws regarding licensure and minimum financial reserve holdings of risk-bearing organizations, may also introduce complexity, risk and additional costs in organizing and operating integrated delivery systems. Tax-exempt hospitals also face the risk in affiliating with for-profit entities that the IRS will determine that compensation practices or business arrangements result in private benefit or private use or generate unrelated business income for the hospitals.

In addition, integrated delivery systems present business challenges and risks. Inability to attract or retain participating physicians may negatively affect managed care, contracting and utilization. The technological and administrative infrastructure necessary both to develop and operate integrated delivery systems and to implement new payment arrangements in response to changes in Medicare and other payor reimbursement is costly. Hospitals may not achieve savings sufficient to offset the substantial costs of creating and maintaining this infrastructure.

Accountable Care Organizations. The ACA 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 to achieve high quality and efficient delivery of services. ACOs that achieve quality performance standards will be eligible to share in a portion of the amounts saved by the Medicare program. DHHS has significant discretion to determine key elements of the program, including what steps providers must take to be considered an ACO, how to decide if Medicare program savings have occurred, and what portion of such savings will be paid to ACOs. In November 2011, CMS published the final rules regarding ACOs. The regulation is complex and it remains unclear whether the qualification requirements will be a formidable barrier. It is probable that hospital participants in ACOs will have to marshal a large upfront financial investment to form unique and untested ACO structures, which may or may not succeed in gaining qualification. For those that do qualify, it is unknown whether the savings will be sufficient 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 would not preempt state law, providers participating as a federal ACO must be organized and operated in compliance with existing state statutes and regulations. It remains unclear whether providers will pursue federal ACO status or whether the required investment would be warranted by 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 and the regulation for ACOs are unknown, but they are expected to introduce greater risk and complexity to health care finance and operations.

New Risk Certifications. Certain states are requiring providers, including hospitals, to obtain insurance certificates or registrations in order to participate in risk-based payer products. In the event hospitals, including those owned and operated by the members of the Credit Group, cannot obtain or qualify for such certifications, such hospitals may not be able to participate in such products, which may lead to decreased patient volume and third-party payor revenue.

Physician Relations. The primary relationship between a hospital and physicians who practice in it is through the hospital’s organized medical staff. Medical staff bylaws, rules and policies establish the criteria and procedures by which a physician may have his or her privileges or membership curtailed, denied or revoked. Physicians who are denied medical staff membership or certain clinical privileges, or

who have such membership or privileges curtailed or revoked often file legal actions against hospitals and medical staffs. Such actions may include a wide variety of claims, some of which could result in substantial 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 those owned and operated by the members of the Credit Group, are subject to such risk.

Physician Contracting. The members of the Credit Group may contract with physician organizations (such as independent physician associations and physician-hospital organizations) to arrange for the provision of physician and ancillary services. Because physician organizations are separate legal entities with their own goals, obligations to shareholders, financial status, and personnel, there are risks involved in contracting with the physician organizations.

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

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

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

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

recently to permanently prohibit such investments. Nonetheless, specialty hospitals continue to represent a significant competitive challenge for full-service hospitals.

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

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

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

Employer Status. Hospitals are major employers with mixed technical and nontechnical workforces. Labor costs, including salary, benefits and other liabilities associated with a workforce, have significant impacts on hospital operations and financial condition. Developments affecting hospitals as major employers include: (i) imposing higher minimum or living wages; (ii) enhancing occupational health and safety standards; (iii) expanding the definition of "disability" under the Americans with Disabilities Act; (iv) a proliferation of acceptable bargaining units in health care; and (v) penalizing employers of undocumented immigrants. Legislation or regulation on any of the above or related topics could have a material adverse impact on one or more Credit Group members.

Labor Relations and Collective Bargaining. Hospitals are large employers with a wide diversity of employees. Increasingly, employees of hospitals are becoming unionized, and many hospitals have collective bargaining agreements with one or more labor organizations. Employees subject to collective bargaining agreements may include essential nursing and technical personnel, as well as food service, maintenance and other trade personnel. Renegotiation of such agreements upon expiration may result in significant cost increases to hospitals. Employee strikes or other adverse labor actions may have an adverse impact on operations, revenue and hospital reputation. For information concerning collective bargaining activities among Credit Group Member employees, see APPENDIX A – "INFORMATION CONCERNING CHE TRINITY HEALTH CREDIT GROUP—OTHER INFORMATION—Employees."

Wage and Hour Class Actions and Litigation. Federal law and many states impose standards related to worker classification, eligibility and payment for overtime, liability for providing rest periods and similar requirements. Large employers with complex workforces, such as hospitals, are susceptible to actual and alleged violations of these standards. In recent years there has been a proliferation of

lawsuits over these “wage and hour” issues, often in the form of large, sometimes multi-state, class actions. For large employers, such as hospitals, such class actions can involve multi-million dollar claims, judgments and settlements. A major class action decided or settled adversely to any member of the Credit Group could have a material adverse impact on its financial condition and results of operations. See APPENDIX A – “INFORMATION CONCERNING CHE TRINITY HEALTH CREDIT GROUP—OTHER INFORMATION—Litigation Affecting the System.”

Other Class Actions. Nonprofit hospitals and health systems have long been subject to a wide variety of litigation risks, including liability for care outcomes, employer liability, property and premises liability, and peer review litigation with physicians, among others. In recent years, consumer class action litigation has emerged as a potentially significant source of litigation liability for nonprofit hospitals and health systems. These class action suits have most recently focused on hospital billing and collections practices, and they may be used for a variety of currently unanticipated causes of action. Since the subject matter of class action suits may involve uninsured risks, and since such actions often involve alleged large classes of plaintiffs, they may have material adverse consequences on nonprofit hospitals and health systems in the future. See APPENDIX A – “INFORMATION CONCERNING CHE TRINITY HEALTH CREDIT GROUP—OTHER INFORMATION—Litigation Affecting the System.”

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

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

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

Beginning in 2008, CMS refused to reimburse hospitals for medical costs arising from certain “never events,” which include specific preventable medical errors. Certain private insurers and HMOs

followed suit. The occurrence of “never events” is more likely to be publicized and may negatively impact a hospital’s reputation, thereby reducing future utilization and potentially increasing the possibility of liability claims.

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

Each of Trinity Health and CHE maintains self-insurance and medical malpractice insurance for its Designated Affiliates and Affiliates in the amounts described in APPENDIX A – “INFORMATION CONCERNING CHE TRINITY HEALTH CREDIT GROUP—OTHER INFORMATION—Insurance.” Management of the Corporation considers this coverage to be adequate; however, no assurances can be given that the members of the Credit Group will maintain the coverage amounts currently in place in the future, that the coverage will be sufficient to cover malpractice judgments rendered against the Affiliates or settlements of any such claims or that such coverage will be available at a reasonable cost in the future. In addition, with respect to the Designated Affiliates’ and Affiliates’ self-insurance and risk retention programs, insured losses in excess of expectations may decrease self-insurance reserves and make it necessary for the members of the Credit Group to increase their contributions to such reserves.

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

Electronic media are also increasingly being used in clinical operations, including the conversion from paper to electronic medical records, computerization of order entry functions and the implementation of clinical decision-support software. The reliance on information technology for these purposes imposes new expectations on physicians and other workforce members to be adept in using and managing electronic systems. It also introduces risks related to patient safety, and to the privacy, accessibility and preservation of health information. See “—Regulatory Environment—Patient Records and Patient Confidentiality” above. Technology malfunctions or failure to understand and use information systems properly could result in the dissemination of or reliance on inaccurate information, as well as in disputes with patients, physicians and other health care professionals. Health information systems may also be subject to different or higher standards or greater regulation than other information technology or the paper-based systems previously used by health care providers, which may increase the cost, complexity and risks of operations. All of these risks may have adverse consequences on hospitals and other health care providers. For more information regarding the Corporation’s initiative in information technology, see APPENDIX A – “INFORMATION CONCERNING CHE TRINITY HEALTH CREDIT GROUP—OPERATIONS—Information Technology.”

Future government regulation and adherence to technological advances could result in an increased need of the Credit Group members to implement new technology. Such implementation could

be costly and is subject to cost overruns and delays in application, which could negatively affect the financial condition of the Credit Group.

Affiliations, Merger, Acquisition and Divestiture. The members of the Credit Group evaluate and pursue potential acquisition, merger and affiliation candidates as part of the overall strategic planning and development process. As part of its ongoing planning and property management functions, the Credit Group reviews the use, compatibility and business viability of many of the operations of the members, and from time to time the members may pursue changes in the use of, or disposition of, their facilities. Likewise, members of the Credit Group occasionally receive offers from, or conduct discussions with, third parties about the potential acquisition of operations and properties which may become subsidiaries or Affiliates of members of the Credit Group in the future, or about the potential sale of some of the operations or property which are currently conducted or owned by the members. Discussion with respect to affiliation, merger, acquisition, disposition or change of use of facilities, including those which may affect the members, are held from time to time with other parties. These may be conducted with acute care hospital facilities and may be related to potential affiliation with a member of the Credit Group. As a result, the current organization and assets of the members may change from time to time.

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

For more information regarding the Credit Group's current plans regarding affiliations and divestitures and a discussion of the anticipated merger of the Corporation, CHE and Trinity Health, see APPENDIX A – "INFORMATION CONCERNING CHE TRINITY HEALTH CREDIT GROUP—STRATEGIC INITIATIVES—Significant Ventures, Acquisitions, Divestitures and Other Transactions."

Implantable Cardioverter Defibrillators Investigations

In 2010, the U.S. Department of Justice (the "DOJ") served subpoenas on and issued letters to a number of hospitals and health systems across the country as part of a fraud investigation into whether hospitals billed Medicare for implantable cardioverter defibrillators for patients whose conditions did not satisfy coverage criteria set forth in CMS National Coverage Determination. As the investigation is being conducted under the FCA, those targeted by the government are at risk for significant damages under the FCA's treble damages and civil penalties provision. As of the date of this Official Statement, the DOJ has not asserted any claims against any of the Credit Group members in connection with this matter. At this time, management of the Corporation cannot predict what effect, if any, the DOJ's investigation could have on the Credit Group. For more information regarding the DOJ's investigation, see APPENDIX A – "INFORMATION CONCERNING THE CHE TRINITY CREDIT GROUP—OTHER INFORMATION—Compliance Matters."

Tax-Exempt Status and Other Tax Matters

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

The ACA also contains new requirements for tax-exempt hospitals. Under the ACA, each tax-exempt hospital facility is required to (i) conduct a community health needs assessment at least every three years and adopt an implementation strategy to meet the identified community needs, (ii) adopt, implement and widely publicize a written financial assistance policy and a policy to provide emergency medical treatment without discrimination, (iii) limit charges to individuals who qualify for financial assistance under such tax-exempt hospital’s financial assistance policy to no more than the amounts generally billed to individuals who have insurance covering such care and refrain from using “gross charges” when billing such individuals, and (iv) refrain from taking extraordinary collection actions without first making reasonable efforts to determine whether the individual is eligible for assistance under such tax-exempt hospital’s financial assistance policy. In addition, the Treasury Department is required to review information about each tax-exempt hospital’s community benefit activities at least once every three years, as well as to submit an annual report to Congress with information regarding the levels of charity care, bad debt expenses, unreimbursed costs of government programs, and costs incurred by tax-exempt hospitals for community benefit activities. The periodic reviews and reports to Congress regarding the community benefits provided by 501(c)(3) hospitals may increase the likelihood that Congress will require such hospitals to provide a minimum level of charity care in order to retain tax-exempt status and may increase IRS scrutiny of particular 501(c)(3) hospital organizations.

The members of the Credit Group participate in a variety of transactions and joint ventures with physicians either directly or indirectly. Management believes that the transactions and joint ventures to which the Benefiting Affiliates are a party are consistent with the requirements of the Code as to tax-exempt status, but, as noted above, there is uncertainty as to the state of the law.

The IRS has periodically conducted audit and other enforcement activity regarding tax-exempt health care organizations. The IRS conducts special audits of large, tax-exempt health care organizations with at least \$500 million in assets or \$1 billion in gross receipts. Such audits are conducted by teams of revenue agents, often take years to complete and require the expenditure of significant staff time by both the IRS and the targeted health care organizations. These audits examine a wide range of possible issues, including tax-exempt bond financing of partnerships and joint ventures, retirement plans, employee benefits, employment taxes, political contributions and other matters. Trinity Health and CHE have each received notice from the IRS that they were selected for such an audit. See APPENDIX A – “INFORMATION CONCERNING CHE TRINITY HEALTH CREDIT GROUP—OTHER INFORMATION—Tax-Exempt Status and Other Tax Matters.”

If the IRS were to find that any of the Benefiting Affiliates has participated in activities in violation of certain regulations or rulings, the tax-exempt status of such Benefiting Affiliates could be jeopardized. Although the IRS has not frequently revoked the 501(c)(3) tax-exempt status of nonprofit health care corporations, it could do so in the future. Loss of tax-exempt status by even one Benefiting Affiliate potentially could result in loss of tax exemption of the Bonds and of other tax-exempt debt issued for the benefit of the members of the Credit Group and defaults in covenants regarding the Bonds and other related tax-exempt debt and obligations likely would be triggered. Loss of tax-exempt status also could result in substantial tax liabilities on income of the affected Benefiting Affiliate. For these reasons, loss of tax-exempt status of any Benefiting Affiliate could have a material adverse effect on the financial condition of the members of the Credit Group.

In some cases, the IRS has imposed substantial monetary penalties on tax-exempt hospitals in lieu of revoking their tax-exempt status. In those cases, the IRS and exempt hospitals entered into settlement agreements requiring the hospital to make substantial payments to the IRS. Given the size of the members of the Credit Group, the wide range of complex transactions entered into by the members of the Credit Group, and potential exemption risks, members of the Credit Group could be at risk for incurring monetary and other liabilities imposed by the IRS.

In recent years, the IRS 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 Credit Group members and certain other affiliates participate in activities that may generate unrelated business taxable income. Management of the Corporation believes it and the other Credit Group members and certain other affiliates have properly accounted for and reported unrelated business taxable income; nevertheless, an investigation or audit 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 a Credit Group Member and certain other affiliates as well as the exclusion from gross income for federal income tax purposes of the interest payable on the Bonds or other tax-exempt debt of the Credit Group members and certain other affiliates. 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 the Credit Group members to federal or state income taxes.

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

In June 2012, the U.S. Treasury Department released proposed regulations, limiting the location and timing of collection efforts by nonprofit hospitals. If enacted, the tax-exempt status of hospitals that do not comply with these regulations could be revoked.

State and Local Tax Exemption. States have generally not been as active as the IRS in scrutinizing the income tax exemption of health care organizations. With some overlap with the ACA’s

mandates, state laws also require tax-exempt hospitals to conduct community needs assessment, to adopt implementation strategy, and to have a charity care policy. It is likely that the loss by any of the Credit Group members of federal tax exemption would also trigger a challenge to their respective state tax-exemption. Depending on the circumstances, such event could be material and adverse.

State, county and local taxing authorities undertake audits and reviews of the operations of tax-exempt health care providers with respect to their real property tax exemptions. In some cases, particularly where authorities are dissatisfied with the level of charitable activity provided by a nonprofit organization, the real property tax-exempt status of the health care providers has been questioned. The majority of the real property of the Credit Group is currently treated as exempt from real property taxation. Although the real property tax exemptions of the Credit Group with respect to their core hospital facilities have not, to the knowledge of management, been under challenge or investigation, an audit could lead to a challenge that could adversely affect the real property tax exemptions of the Credit Group.

It is not possible to predict the scope or effect of future state and local legislative or regulatory actions with respect to taxation of nonprofit corporations. There can be no assurance that future changes in the laws and regulations of state or local governments will not materially adversely affect the financial condition of the members of the Credit Group by requiring payment of income, local property or other taxes. See also “—Nonprofit Health Care Environment—Community Benefit Initiatives” and “—Challenges to Real Property Tax Exemption” above.

Maintenance of Tax-Exempt Status of Interest on the Bonds. The Code imposes a number of requirements that must be satisfied for interest on state and local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds, limitations on the investment earnings of bond proceeds prior to expenditure, a requirement that certain investment earnings on bond proceeds be paid periodically to the United States Treasury, and a requirement that issuers file an information report with the IRS. Trinity Health has covenanted in certain of the documents referred to herein that it will comply with such requirements and will cause the Benefiting Affiliates to comply with such of those requirements as apply to the Benefiting Affiliates. Future failure by Trinity Health or one or more Benefiting Affiliates to comply with the requirements stated in the Code and related regulations, rulings and policies may result in the treatment of interest on the Bonds as taxable, retroactively to the date of issuance. The Issuer also has covenanted that it will not take any action or refrain from taking any action that would cause the interest on the Bonds to be included in gross income for federal income tax purposes.

IRS officials have recently indicated that more resources will be invested in audits of tax-exempt bonds, including the use of bond proceeds, in the charitable organization sector, with specific reviews of private use. See APPENDIX A – “INFORMATION CONCERNING CHE TRINITY HEALTH CREDIT GROUP—OTHER INFORMATION—Tax-Exempt Status and Other Tax Matters.”

In addition, under its compliance check program initiated in 2007, the IRS has from time to time sent post-issuance compliance questionnaires to several hundred nonprofit corporations that have borrowed on a tax-exempt basis regarding their post-issuance compliance with various requirements for maintaining the federal tax exemption of interest on their bonds. The questionnaire includes questions relating to the borrower’s (i) record retention, which the IRS has particularly emphasized, (ii) qualified use of bond-financed property, (iii) arbitrage yield restriction and rebate requirements, (iv) debt management policies, and (v) voluntary compliance and education. IRS representatives indicate that questionnaires will be sent to additional nonprofit organizations.

Effective with the 2009 tax year, tax-exempt organizations must also complete new schedules to IRS Form 990-Return of Organizations Exempt From Income Tax, which create additional reporting responsibilities. On Schedule H, hospitals and health systems must report how they provide community benefit and specify certain billing and collection practices. Schedule K requires detailed information related to all outstanding bond issues of tax-exempt borrowers, including, for bonds issued after 2002, information regarding operating, management and research contracts as well as private use compliance. Tax-exempt organizations must also complete Schedule J, which requires reporting of compensation information for the organizations' officers, directors, trustees, key employees, and other highly compensated employees.

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

Management of the Corporation believes that the Bonds properly comply with the tax laws. In addition, Bond Counsel will render an opinion with respect to the tax-exempt status of the Bonds, as described under the caption "TAX MATTERS." No ruling with respect to the Bonds has been or will be sought from the IRS, however, and the opinions of counsel are not binding on the IRS or the courts. There can be no assurance that an examination of the Bonds will not adversely affect the Bonds or the market value of the Bonds. See "TAX MATTERS" herein.

See APPENDIX A – "INFORMATION CONCERNING CHE TRINITY HEALTH CREDIT GROUP—OTHER INFORMATION—Tax-Exempt Status and Other Tax Matters."

Proposed Legislation Regarding Limitations or Elimination of Tax-Exempt Status of Interest on the Bonds. Tax legislation (either proposed or future), administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under federal or state law or otherwise prevent beneficial owners of the Bonds from realizing the full current benefit of the tax status of such interest and could affect the market prices or marketability of the Bonds.

Prospective investors should consult with their tax advisors on the foregoing matters as they consider an investment in the Bonds.

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

Risks Related to Outstanding Variable Rate Obligations

Increased Interest Rates. Certain outstanding bonds secured by Obligations of the Obligated Group issued under the Master Indenture are variable rate obligations, the interest rates on which could rise. Such interest rates vary on a periodic basis and may be converted to a fixed interest rate. This protection against rising interest rates is limited, however, because the Members of the Obligated Group would be required to continue to pay interest at the variable rate until they are permitted to convert the obligations to a fixed rate pursuant to the terms of the applicable transaction documents.

Liquidity Risk. The Members of the Obligated Group have entered into various liquidity agreements with different banks to provide liquidity for the purchase of variable rate bonds issued on behalf of such Members. These liquidity agreements will expire prior to the last maturity dates of the applicable variable rate bonds. If the applicable Member of the Obligated Group is unable or chooses not to extend or replace the liquidity agreements with respect to any of the variable rate bonds issued on its behalf, such Member would be required to provide liquidity for the payment of any such variable rate bonds that are tendered by the holders thereof, and the cash reserves of the Credit Group would be affected until such variable rate bonds are remarketed.

Certain outstanding variable rate bonds issued on behalf of the Members of the Obligated Group have no external dedicated liquidity. If such bonds are tendered or deemed tendered and not remarketed, the applicable Member of the Obligated Group will be obligated to purchase such variable rate bonds from its own funds. Such Member's ability to provide self-liquidity for such variable rate bonds may be adversely affected by a variety of factors, including a reduction in investment income and a lack of availability of external liquidity from revolving or other credit facilities.

Remarketing Risk. Certain outstanding bonds secured by Obligations of the Obligated Group are demand obligations that certain Members of the Obligated Group are required to purchase upon short notice. Although certain Members of the Obligated Group have entered into remarketing agreements and liquidity agreements with respect to certain of such obligations to provide for the remarketing or payment of such obligations, the performance or financial condition of the remarketing agents and the banks would affect the marketability and remarketing or payment of such obligations.

Risks Related to Interest Rate Swap Agreements

Trinity Health and CHE have each previously entered into interest rate swap agreements. The Corporation, CHE and Trinity Health may from time to time enter into additional interest rate swap agreements in the future (collectively, the "Swap Agreements") with qualified swap providers. The Swap Agreements are and will be subject to periodic "mark-to-market" valuations and at any time may have a negative value to the Members of the Obligated Group. The Swap Agreement counterparties may terminate any of the Swap Agreements upon the occurrence of certain "termination events" or "events of default." The applicable Member of the Obligated Group may terminate the related Swap Agreements at any time. If either a counterparty to any of the Swap Agreements or a Member of the Obligated Group terminates any Swap Agreement during a negative value situation, the Members of the Obligated Group may be required to make a termination payment to the related Swap Agreement counterparty, and such payment could be material.

To date, all Swap Agreements are secured under the Master Indenture. The Members of the Obligated Group may in the future enter into Swap Agreements that also are secured under the Master Indenture. For a description of the Swap Agreements, see APPENDIX A – "INFORMATION CONCERNING CHE TRINITY HEALTH CREDIT GROUP—FINANCIAL AND OPERATING INFORMATION—Interest Rate Swap Agreements," the notes to the audited consolidated financial

statements of Trinity Health, CHE and their subsidiaries appearing in APPENDIX B and APPENDIX C, respectively, to this Official Statement.

Other Risk Factors

Investments. The members of the Credit Group have significant holdings in a broad range of investments. Market fluctuations may affect the value of those investments and those fluctuations may be and historically have been at times material. For a discussion of these investments, see APPENDIX A – “INFORMATION CONCERNING CHE TRINITY HEALTH CREDIT GROUP—FINANCIAL AND OPERATING INFORMATION—Liquidity and Capital Resources.”

Bond Ratings. There is no assurance that the ratings assigned to the Bonds will not be lowered or withdrawn at any time, the effect of which could adversely affect the market price for and marketability of the Bonds. See also “RATINGS” herein.

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

Construction Risks. Certain of the Credit Group members expect to undertake substantial construction projects over the next several years to replace and renew their patient care facilities. Construction projects are subject to a variety of risks, including but not limited to strikes, shortages of materials and labor, adverse weather conditions, and delays in issuance of required building permits or other necessary approvals or permits, including environmental approvals. Such events could delay occupancy. Cost overruns may occur due to change orders, delays in the construction schedule, scarcity of building materials and labor and other factors. Cost overruns could cause the costs to exceed available funds.

Other Future Risks. In the future, the following factors, among others, may adversely affect the operations of health care providers, including the members of the Credit Group, or the market value of health care revenue bonds, including the Bonds, to an extent that cannot be determined at this time:

- (i) Adoption of legislation or implementation of regulations that would modify national or state health programs or that would establish national, statewide or otherwise regulated rates applicable to hospitals and other health care providers;
- (ii) Reduced demand for the services of members of the Credit Group that might result from decreases in population or loss of market share to competitors;
- (iii) Bankruptcy of an indemnity/commercial insurer, managed care plan or other payor;
- (iv) Efforts by insurers and governmental agencies to limit the cost of hospital services, to reduce the number of hospital beds and to reduce the utilization of hospital facilities by such means as improved occupational health and safety and outpatient care, or comparable regulations or attempts by third-party payors to control or restrict the operations of certain health care facilities;

- (v) Cost and availability of any insurance, such as professional liability, fire, automobile and general comprehensive liability coverages, which health care facilities of a similar size and type generally carry;
- (vi) The occurrence of a natural or man-made disaster, a pandemic or an epidemic that could damage the facilities of the members of the Credit Group, interrupt utility service to such facilities, result in an abnormally high demand for health care services or otherwise impair operations of the members of the Credit Group and the generation of revenues from such facilities. The facilities of the members of the Credit Group are covered by general property insurance in an amount that management considers generally sufficient to provide for the replacement of such facilities in the event of most natural disasters; and
- (vii) Limitations on the availability of, and increased compensation necessary to secure and retain, nursing, technical and other professional personnel.

APPROVAL OF LEGALITY

The legality of the authorization, issuance, sale and delivery of the Bonds is subject to the approval of Hawkins Delafield & Wood LLP, as bond counsel (“Bond Counsel”), and, with respect to the Ohio Bonds, Peck, Shaffer & Williams LLP, special counsel to the Ohio Issuer, and, with respect to the Idaho Bonds, Hawley Troxell Ennis & Hawley LLP. All approving opinions will be delivered upon the issuance of the Bonds. Certain legal matters will be passed on for the Underwriters by their counsel, Sidley Austin LLP, San Francisco, California, and for the members of the Credit Group by their counsel, Foley & Lardner LLP, Chicago, Illinois, neither of which firms is passing upon the legality of the Bonds.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Bond Counsel, and with respect to the Idaho Bonds only, Sherman & Howard L.L.C., under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to the Code and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering their opinions, Bond Counsel, and with respect to the Idaho Bonds only, Sherman & Howard L.L.C., have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Issuer and Trinity Health in connection with the Bonds, and Bond Counsel has assumed compliance by each Issuer and Trinity Health with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code. In addition, in rendering their opinions, Bond Counsel, and with respect to the Idaho Bonds only, Sherman & Howard L.L.C., have relied on the opinion of counsel to the members of the Credit Group regarding, among other matters, the current qualifications of Trinity Health and certain members of the Credit Group as organizations described in Section 501(c)(3) of the Code.

In the opinions of Bond Counsel and Peck, Shaffer & Williams LLP, special counsel to the Ohio Issuer, under existing statutes, the interest on the Ohio Bonds is exempt from the net income base used in calculating the corporate franchise tax levied by Chapter 5733 of the Ohio Revised Code and from the Ohio personal income tax levied by Chapter 5747 of the Ohio Revised Code. Pursuant to Section 140.08 of the Ohio Revised Code, the Ohio Bonds, the transfer thereof, and the income therefrom, including any

profit made on the sale thereof, are exempt from taxation by the State of Ohio or any political subdivisions of the State of Ohio.

In the opinions of Bond Counsel and Sherman & Howard L.L.C., interest on the Idaho Bonds is exempt from all State of Idaho income taxes under Idaho income tax laws in effect as of the date hereof.

Bond Counsel, Peck, Shaffer & Williams LLP and Sherman & Howard L.L.C. express no opinion regarding any other Federal or state tax consequences with respect to the Bonds. Bond Counsel, Peck, Shaffer & Williams LLP and Sherman & Howard L.L.C., render their respective opinions under existing statutes and court decisions as of the issue date, and assume no obligation to update, revise or supplement their opinions to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to their attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Bond Counsel, Peck, Shaffer & Williams LLP and Sherman & Howard L.L.C. express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Bonds, or under state and local tax law.

The Bonds, together with other tax-exempt obligations issued by state or local government entities in other states for the benefit of Trinity Health and certain members of the Credit Group (collectively, the “Related Bonds”), are expected to constitute a single issue for federal income tax purposes. As such, the respective state or local governmental entity and Trinity Health are subject to the same ongoing federal tax requirements with respect to both the Bonds and Related Bonds. Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the respective state or local government entities and Trinity Health in connection with the Related Bonds, and Bond Counsel has assumed compliance by the respective state or local government entities and Trinity Health with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Related Bonds from gross income under Section 103 of the Code. Failure to comply with such requirements with respect to the Bonds and the Related Bonds could cause interest on all such bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of such bonds. With respect to the Idaho Bonds, Sherman & Howard L.L.C. is relying upon the opinion of Bond Counsel as to the tax exempt status under the Code of interest on the Related Bonds.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. Each Issuer and Trinity Health have covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Bond. Prospective investors, particularly those who may be subject to special rules,

are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Bonds.

Prospective owners of the Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on the Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law or otherwise prevent beneficial owners of the Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Bonds. For example, the Fiscal Year 2014 Budget proposed on April 10, 2013, by the Obama Administration recommends a 28% limitation on itemized deductions and "tax preferences," including "tax-exempt interest." The net effect of such proposal, if enacted into law, would be that an owner of a Bond with a marginal tax rate in excess of 28% would pay some amount of federal income tax with respect to the interest on such Bond.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

A copy of the proposed forms of opinions of Bond Counsel to be delivered upon the issuance of the Bonds is attached hereto as APPENDIX G.

FINANCIAL ADVISOR

The Corporation has retained Kaufman, Hall & Associates, Inc., Skokie, Illinois, as financial advisor in connection with the issuance of the Bonds. Although Kaufman, Hall & Associates, Inc. has assisted in the preparation of this Official Statement, Kaufman, Hall & Associates, Inc. was not and is not obligated to undertake, and has not undertaken to make, an independent verification and assumes no responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

INDEPENDENT AUDITORS/ACCOUNTANTS

The consolidated financial statements of Trinity Health as of and for the years ended June 30, 2013 and 2012, included in this Official Statement as APPENDIX B have been audited by Deloitte & Touche LLP, independent auditors, as stated in their reports appearing therein. The Trinity Health report expresses an unmodified opinion and includes an emphasis-of-matter paragraph regarding the adoption of the presentation and disclosure requirements of Accounting Standards Update 2011-07, Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and Allowance for Doubtful Accounts for Certain Health Care Entities.

The financial statements of CHE as of December 31, 2012 and 2011, and for each of the two years in the period ended December 31, 2012 included in this Official Statement as APPENDIX C, have been audited by PricewaterhouseCoopers LLP, independent accountants, as stated in their report appearing therein.

Also included as APPENDIX D is certain unaudited financial information of CHE and its affiliates for the six months ended June 30, 2013 and 2012. The unaudited financial information includes all adjustments, consisting of normal recurring accruals that CHE considers necessary for a fair presentation of the financial position and results of operations of CHE for the applicable periods. The results of operations for the six month period ended June 30, 2013 should not be considered to be indicative of the results for the fiscal year ending December 31, 2013.

During the twelve months ended June 30, 2013, Deloitte & Touche LLP performed non-audit services for Trinity Health and CHE, consisting of consulting projects. CHE previously engaged Deloitte & Touche LLP to provide substantially all of its internal auditing support. As a result of the consolidation, the oversight of CHE's internal auditing function has been transitioned to an internal function. It is expected that the Deloitte internal audit engagement will terminate no later than December 31, 2013. CHE, Trinity Health, and Deloitte & Touche LLP have evaluated the services performed by Deloitte & Touche LLP and have concluded that these services do not create a conflict under the American Institute of Certified Public Accountants independence standards. During the twelve months ended June 30, 2013, PricewaterhouseCoopers LLP performed limited consulting services for Trinity Health. The engagement was completed by June 30, 2013.

UNDERWRITING

The Bonds are being purchased by the underwriters named on the cover hereof (collectively, the "Underwriters"). The Underwriters have agreed to purchase the Ohio Bonds at a purchase price of \$86,743,749.99 (which represents the principal amount of the Ohio Bonds of \$87,245,000.00, less an Underwriters' discount of \$501,250.01). The Underwriters have agreed to purchase the Idaho Bonds at a purchase price of \$45,472,238.01 (which represents the principal amount of the Idaho Bonds of \$45,735,000.00, less an Underwriters' discount of \$262,761.99). Each purchase contract pursuant to which a Series of Bonds is being sold shall provide that the Underwriters will purchase all of the Bonds of

such Series subject to the related purchase contract, if any are purchased, and requires Trinity Health to indemnify the Underwriters and each respective Issuer against certain liabilities, and the obligation to make such purchase is subject to certain terms and conditions set forth in such purchase contract, the approval of certain legal matters by counsel and certain other conditions. Each purchase contract shall provide that the fees of counsel for the Underwriters will be paid by Trinity Health. The Underwriters may offer and sell the Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed from time to time 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 the Issuer and/or Obligated Group Members (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the Issuer and/or Obligated Group Members. 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.

RATINGS

Moody's Investors Service, Inc. ("Moody's"), Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("Standard & Poor's") and Fitch Ratings ("Fitch") have assigned their municipal bond ratings of "Aa2/P-1" (negative outlook), "AA-/A-1+" (stable outlook), and "AA/F1+" (stable outlook), respectively, to the Bonds. The ratings described above reflect only the views of such organizations, and any explanation of the significance of the ratings may be obtained only from Moody's, Standard & Poor's or Fitch. Certain information and materials not included in this Official Statement were furnished to the rating agencies by the Credit Group. Generally, rating agencies base their ratings on the information and materials furnished to them and on investigations, studies and assumptions made by the rating agencies. There is no assurance that a particular rating will be maintained for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the rating agency originally establishing the rating, circumstances so warrant. The Underwriters have undertaken no responsibility either to bring to the attention of the owners of the Bonds any proposed revision or withdrawal of the ratings of the Bonds or to oppose any such proposed revision or withdrawal. The Obligated Group Agent has, however, undertaken, as part of its continuing disclosure obligation (see "CONTINUING DISCLOSURE" herein) to file with the MSRB all rating changes relating to the Bonds. There is no assurance that any of the ratings will continue for any given period of time or that any rating may not be lowered or withdrawn if, in the judgment of a rating agency, circumstances so warrant. Any such downward change in or withdrawal of the rating may have an adverse effect on the secondary market prices of the Bonds.

MISCELLANEOUS

The descriptions and summaries of various documents set forth herein and in APPENDIX E – “SUMMARY OF FINANCING DOCUMENTS” and APPENDIX F – “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE” do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each such document. Copies of the Master Indenture, the Supplement, the Bond Indentures and the Financing Agreements will be available on and after the Date of Issuance of the Bonds in reasonable quantities upon request to the applicable Bond Trustee.

OTHER MATTERS

Any statements in this Official Statement involving matters of opinion, whether or not expressly stated as such, are so intended and are not representations of fact.

COUNTY OF FRANKLIN, OHIO, acting by and
through the County Hospital Commission of Franklin
County

By: /s/ Webb I. Vorys

Its: Chairman

IDAHO HEALTH FACILITIES AUTHORITY

By: /s/ Shelley Shannon

Its: Executive Director

Approved:

TRINITY HEALTH CORPORATION,
as Obligated Group Agent

By: /s/ James Bosscher

Its: Senior Vice President, Treasury and
Chief Investment Officer

APPENDIX A

INFORMATION CONCERNING CHE TRINITY HEALTH CREDIT GROUP

The information contained herein as
Appendix A to this Official Statement
has been obtained from CHE Trinity Inc.
on behalf of itself and
the members of its Credit Group.

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

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CHE TRINITY HEALTH CREDIT GROUP

History

On May 1, 2013, CHE Trinity Inc., an Indiana nonprofit corporation (the “Corporation”), became the sole member of Catholic Health East, a Pennsylvania nonprofit corporation (“CHE”), and Trinity Health Corporation, an Indiana nonprofit corporation (“Trinity Health”), creating one of the largest health care systems in the United States. The Corporation was established in January 2013 in contemplation of the consolidation. Prior to the consolidation, CHE and Trinity Health were each multi-state Catholic health systems. CHE was incorporated as a Pennsylvania nonprofit corporation in 1997 through the consolidation of a number of health facilities in the eastern and southern United States. Trinity Health was created in 2000 through the consolidation of Holy Cross Health System Corporation, an Indiana nonprofit corporation, and Mercy Health Services, a Michigan nonprofit corporation. The Corporation is headquartered in Livonia, Michigan.

Concurrent with the formation of the Corporation, actions were taken to make Catholic Health Ministries (“CHM”), the religious sponsor of Trinity Health, the religious sponsor of the Corporation and CHE as well. CHM is an association governed by individuals (“CHM Members”) who also comprise the boards of directors of the Corporation, CHE, and Trinity Health. New CHM Members are appointed by current CHM Members. CHM is recognized by the Roman Catholic Church as a “public juridic person,” an entity that acts in its name with respect to CHM’s religiously sponsored works. The health ministries of CHM continue the long history of service provided by the founding congregations of CHE and Trinity Health who have provided assistance to the sick and infirm for more than 125 years.

The next phase of the consolidation will be to merge the Corporation, CHE and Trinity Health into one legal corporation, with Trinity Health being the surviving legal corporation. Prior to that merger, a new name will be selected for the entity. It is anticipated that the merger will occur on or about June 30, 2014.

This APPENDIX A provides information concerning the Corporation, CHE and Trinity Health, who currently constitute the Members of the Obligated Group under the Master Indenture (as defined herein), and their affiliates.

The following definitions are used throughout this APPENDIX A:

- (i) “Credit Group” means the Members of the Obligated Group and the Designated Affiliates;
- (ii) “Affiliate” means each of those non-profit and for-profit corporations that are controlled by CHE or Trinity Health;
- (iii) “Designated Affiliates” means those Affiliates designated as a Designated Affiliate pursuant to the Master Indenture;
- (iv) “System Affiliate” means each Member of the Obligated Group, each Affiliate of any Member of the Obligated Group, each Designated Affiliate and each Affiliate of any Designated Affiliate;
- (v) “System” means all of the System Affiliates; and

- (vi) “Reporting Group” means, collectively, each of the System and any other Person required to be reported in any System Affiliate’s consolidated financials under generally accepted accounting principles.

For additional definitional information, see APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE.”

The Credit Group

At the time of the creation of the Corporation and the consolidation of CHE and Trinity Health, CHE and 59 of its affiliates were parties to an amended and restated master trust indenture, dated as of January 1, 1998, and amended and restated as of September 30, 2006 (the “CHE Master Indenture”), between CHE and The Bank of New York Mellon Trust Company, N.A., as master trustee (the “Master Trustee”), and Trinity Health and several of its affiliates were members of the Credit Group under the Master Trust Indenture (Amended and Restated), dated as of July 1, 1998 (the “Trinity Master Indenture”), between Trinity Health and the Master Trustee. Effective October 3, 2013, (i) the Trinity Master Indenture was amended and restated (as amended and restated, the “Master Indenture”), (ii) the Corporation and CHE became parties to, and Obligated Group Members under, the Master Indenture, (iii) substantially all of the CHE affiliates which had been obligated group members under the CHE Master Indenture became Designated Affiliates under the Master Indenture, (iv) holders of obligations previously issued under the CHE Master Indenture received Obligations under the Master Indenture to replace those previously issued CHE obligations, (v) no obligations remained outstanding under the CHE Master Indenture, and (vi) the CHE Master Indenture was discharged and replaced by the Master Indenture.

The Corporation controls or owns through its wholly controlled subsidiaries, CHE and Trinity Health, various nonprofit and for-profit corporations and other organizations that currently operate in 20 states, and are referred to herein as the System. Each of those nonprofit and for-profit corporations that are controlled by CHE or Trinity Health constitutes an Affiliate. Some of these Affiliates are also Designated Affiliates. Designated Affiliates are not obligated to make payments on Obligations issued under the Master Indenture, but may be required to pay, loan or transfer funds to the Obligated Group to make payments on Obligations issued under the Master Indenture, including the Series 2013 Obligations. Trinity Health is the Obligated Group Agent under the Master Indenture. For a list of current members of the Credit Group, see “MEMBERS OF THE CHE TRINITY HEALTH CREDIT GROUP” herein.

As of June 30, 2013, the health care facilities owned and operated by members of the System include general acute care hospitals, long-term care facilities, skilled nursing facilities and behavioral health facilities. In aggregate, the System has approximately 10,900 staffed acute care beds, 3,200 licensed skilled nursing beds, over 1,000 assisted living units as well as 2,100 independent residential units for the elderly. Additional health care and related services provided by members of the System include physician services, home health, outpatient surgery, dental clinics, occupational health, mobile health care services, school-based health clinics and managed care organizations.

In addition, pursuant to the Master Indenture, the Obligated Group Agent has caused the Designated Affiliates representing, when combined with the Obligated Group Members, at least 85% of the consolidated net revenues of the Credit Group to grant to the Master Trustee security interests in their Pledged Property (as defined in APPENDIX F to this Official Statement), which security interests secure all Obligations issued under the Master Indenture, including the Series 2013 Obligations, as further discussed under “SECURITY FOR THE BONDS—Security for the Bonds” in the forepart of this Official Statement. As of October 3, 2013, there were 71 Designated Affiliates. On a pro-forma basis, for the twelve months ended June 30, 2013, those Designated Affiliates generated, in the aggregate, 80.6% of the

System's unrestricted revenue and owned, in the aggregate, 81.4% of the System's total assets. See also "—Overview—Designated Affiliates" herein.

Those Designated Affiliates whose individual total revenues exceed 5% of the combined total revenues of the System in any fiscal year are considered "Material Designated Affiliates" under the Master Indenture. As of October 3, 2013, five of the Designated Affiliates were Material Designated Affiliates. For additional information concerning the obligations of Designated Affiliates, see "THE CHE TRINITY HEALTH CREDIT GROUP" and "SECURITY FOR THE BONDS—Security for the Bonds—The Master Indenture" in the forepart of this Official Statement.

Each of the Corporation, CHE and Trinity Health and all of the current Designated Affiliates are exempt from federal income taxation under Section 501(a) of the Internal Revenue Code of 1986, as amended (the "Code"), as organizations described in Section 501(c)(3) of the Code, and are not private foundations within the meaning of Section 509(a) of the Code.

Mission, Vision and Values

The System continues a ministry of care started by women religious who long ago responded to a call to serve those in society who were vulnerable and marginalized economically and socially. The System today is committed to the same purpose and has adopted the following mission statement, "We, CHE Trinity Inc., serve together in the spirit of the Gospel as a compassionate and transforming healing presence within our communities." In keeping with this mission, the System has expanded beyond providing acute care into the communities served - through clinics, ambulatory facilities, hospice facilities and home health services. The System has adopted the following core values: reverence, commitment to those who are poor, justice, stewardship and integrity. The commitment is to care for the whole person and to honor the faith traditions and culture of all through the commitment to diversity. Through its advocacy efforts, the System advances social conditions that promote the common good and the good of every individual.

Overview

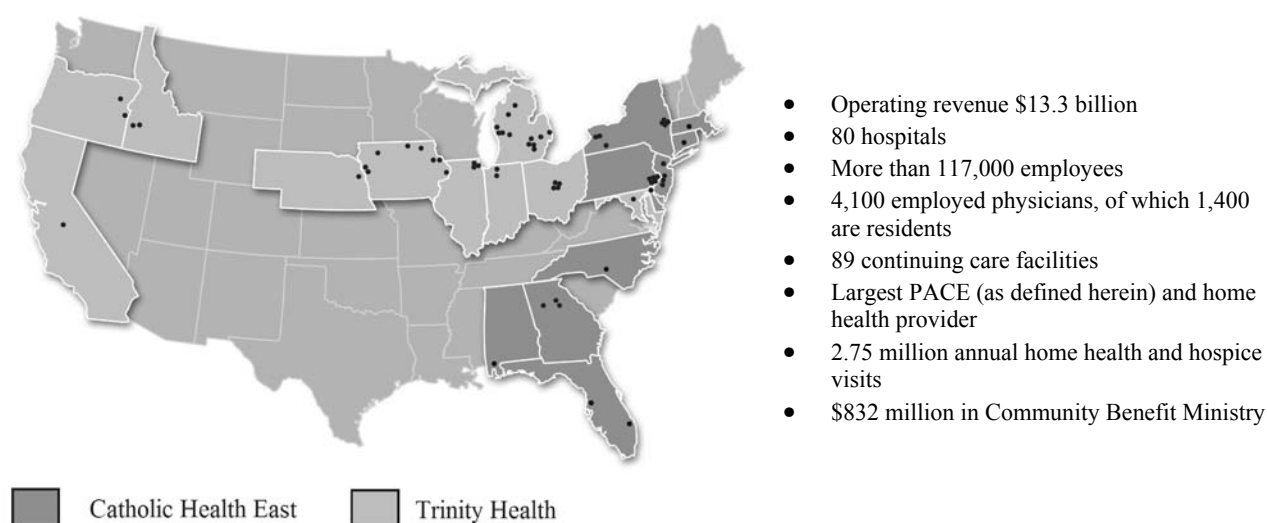
General. Following the May 2013 consolidation, management has been working to combine the operating models of the CHE and Trinity Health so as to leverage scope and scale for best practices and processes in order to transform care delivery. The consolidation is intended to unlock value in many ways, including payor contracting, allowing increased presence among national payors to drive innovative partnerships and approaches to improve access to services and capital at lower costs. Management believes the ability to grow all aspects of the care continuum and attract other best in class partners within the care continuum, to have a better position in the market to accept risk and implement value-based care models and broaden the System's collective clinical knowledge and ability to rapidly disseminate best practices are paramount for the System's success in the future. Both CHE and Trinity Health had several consolidated functions, including finance and treasury, organizational integrity, core information systems, insurance, human resources and supply chain management. Teams across the System are evaluating the processes used by the CHE and Trinity Health and also leading practices from other health systems and other industries to drive further synergies and efficiencies.

Several integration initiatives have been completed. A fiscal year end of June 30 was selected and financial reporting systems were combined and conformed. A fiscal year 2014 operating and capital budget for the System was completed and a long-term target setting process was developed. In addition, a five year financing plan was developed and approved. Insurance programs have effectively been combined and a plan was implemented to consolidate the offshore captive insurance companies in fiscal year 2014. Other program consolidations that are complete or in process include organizational integrity

and internal audit, information systems, human resources, planning, legal, mission, finance, treasury and supply chain. The integration of physician network oversight activities is in the early stages.

Management expects that when integration activities are complete, further expense reduction will be achieved and improved support of RHM (as defined herein) activities will be realized.

Facilities. The following map depicts the System’s diversified revenue base spanning 20 states nationwide.



Designated Affiliates. As of June 30, 2013, the Obligated Group Members and the Designated Affiliates accounted for a substantial portion of the Corporation’s total pro-forma consolidated unrestricted revenue, excess of revenue over expenses and total assets. The following table summarizes the relative portion of certain financial statistics accounted for by the Designated Affiliates, as compared to pro-forma consolidated information for the System, for each of the twelve months ended June 30, 2012 and 2013. All CHE information has been restated to conform to a June 30 fiscal year-end, as further described in “FINANCIAL AND OPERATING INFORMATION—General” herein.

	Twelve Months Ended June 30,	
	2012	2013
Unrestricted Revenue ⁽¹⁾	83.6%	80.6%
Excess of Revenue over Expenses ⁽¹⁾⁽²⁾⁽³⁾	108.2%	102.3%
Unrestricted Cash and Investments	83.1%	83.9%
Total Assets	79.4%	81.4%
Unrestricted Net Assets	84.0%	87.7%

⁽¹⁾ The operations of BCHS, MHSM and SMMC (each as defined herein), are excluded, as they are classified as discontinued operations. See “STRATEGIC INITIATIVES—Significant Ventures, Acquisitions, Divestitures and Other Transactions—Divestitures” and “—Completed Transactions” herein.

⁽²⁾ Excludes the impact of bargain purchase and inherent contributions from St. Peter’s Health System of \$323 million, MHSC (as defined herein) of \$141 million, and LUHS (as defined herein) of \$76 million. See “STRATEGIC INITIATIVES – Significant Ventures, Acquisitions, Divestitures and Other Transactions—Completed Transactions” herein.

⁽³⁾ Excludes the impact of non-controlling interest.

Utilization Trends

The following tables provide details for selected utilization statistics for the acute and long-term care facilities owned or leased and operated by CHE's Designated Affiliates for fiscal years ended December 31, 2011 and 2012 and for Trinity Health's Designated Affiliates for fiscal years ended June 30, 2012 and 2013.

Catholic Health East Designated Affiliates Acute Care and Long-Term Care Facilities Utilization

	Fiscal Years Ended December 31,	
	2011	2012
Acute Care Facilities⁽¹⁾		
Staffed Beds	2,812	2,715
Admissions	131,924	129,760
Patient Days	643,175	611,346
Average Length of Stay (Days)	4.88	4.71
Staffed Bed Occupancy	62.7%	61.7%
Outpatient and Emergency Room Visits	2,170,841	2,189,799
Long-Term Care Facilities⁽²⁾		
Staffed Nursing Facility/Home for Aged Beds	982	982
Patient Days	341,389	343,859
Staffed Bed Occupancy	95.2%	95.9%

⁽¹⁾ Excludes newborn statistics, but includes statistics for psychiatric, substance abuse, rehabilitation and hospital skilled nursing facilities.

⁽²⁾ Includes statistics for skilled nursing facilities, comprehensive care and home for the aged facilities, but excludes residential care units.

Trinity Health Designated Affiliates Acute Care and Long-Term Care Facilities Utilization

	Fiscal Years Ended June 30,	
	2012	2013
Acute Care Facilities⁽¹⁾		
Staffed Beds	6,727	6,706
Admissions	354,089	347,309
Patient Days	1,542,907	1,531,170
Average Length of Stay (Days)	4.36	4.41
Staffed Bed Occupancy	62.7%	62.6%
Outpatient and Emergency Room Visits	8,999,648	8,932,873
Long-Term Care Facilities⁽²⁾		
Staffed Nursing Facility/Home for Aged Beds	1,580	1,694
Patient Days	503,436	532,239
Staffed Bed Occupancy	87.1%	86.1%

⁽¹⁾ Excludes newborn statistics, but includes statistics for psychiatric, substance abuse, rehabilitation and hospital skilled nursing facilities.

⁽²⁾ Includes statistics for skilled nursing facilities, comprehensive care and home for the aged facilities, but excludes residential care units.

OPERATIONS

Organizational Structure

The Corporation is the sole corporate member of CHE and Trinity Health. CHE and Trinity Health are each the sole member or shareholder of a number of corporations which own or operate health care or residential facilities including hospitals, skilled nursing facilities, and senior residences. The operations are organized into Regional Health Ministries (“RHMs”). Each RHM is an Affiliate or operating division of CHE or Trinity Health which maintains a governing body with managerial oversight of a designated portion of the System, subject to authorities reserved to CHE, Trinity Health or the Corporation. RHMs may be organized geographically or by service line or business and may be designated as RHMs by action of the Board of Directors of the Corporation, CHE or Trinity Health, as applicable. The Corporation periodically reviews the RHM structure and, from time to time, may consolidate RHMs to achieve operational efficiencies. As of October 3, 2013, there were 35 RHMs.

Acute Care RHMs

The System’s acute care hospital operations are organized into 28 Hospital RHMs.

Other Health-Related Ministry Organizations

In addition to acute care hospital operations, the System has other health-related RHMs. The System has non-acute services which include various living options for seniors (independent, assisted and memory care); numerous care options including home care, hospice, private duty and skilled nursing; as well as several Programs for the All-Inclusive Care of the Elderly (“PACE”).

Direct Managed Care Activities

Mercy Health Plan, an affiliate of the Mercy Health System of Southeastern Pennsylvania RHM, has a 50% interest in Gateway Health Plan, L.P., a limited partnership which owns the following two licensed managed care organizations: Gateway Health Plan, Inc. and Gateway Health Plan of Ohio, Inc. (together “Gateway Health Plans”). Gateway Health Plans provide coverage to more than 263,000 Medicaid and Medicare recipients in Pennsylvania. Gateway Health Plans also provides health insurance coverage to approximately 30,000 Medicare Assistance Special Needs Members.

Trinity Health’s Mount Carmel Health System owns Mount Carmel Health Plan, Inc., which sells a Medicare product under the name Medigold. As of June 30, 2013, Mount Carmel Health Plan, Inc. had approximately 38,000 members.

Information Technology

The System is committed to transforming and advancing patient care facilitated through the use of information technology to improve clinical quality and care consistency while achieving operational efficiency. An integral component of the System’s clinical quality and process improvement initiatives is the substantial investment being made in information technology. Over the past four years CHE and Trinity Health have invested approximately \$567 million related to information technology capital projects. These investments include new technology for patient safety, revenue cycle and regulatory compliance, advanced analytics, and financial systems. Furthermore, capital expenditures address the routine replacement of existing hardware and software.

Clinical and revenue initiatives related to information technology have focused on the integration of clinical, financial and planning data through a common information system that serves the RHMs across the care continuum including acute care, physician practices, long-term care and home care operations. The technology includes applications that are designed to improve patient safety and provide a complete electronic patient health record, including automated physician order entry. The systems also facilitate clinician decision-making and improved communication between physicians, clinical staff and ancillary departments. The electronic health record and financial systems are also designed to enhance patient and physician satisfaction and drive operating efficiencies in support functions such as revenue cycle management, human resources, financial management and supply chain management. For further information regarding the System's electronic health record systems, see "STRATEGIC INITIATIVES—Physician Alignment and Integration" herein.

Performance Monitoring and Enhancement

As part of the continuous operational improvement activities, benchmarking and process excellence tools and methodologies are used to monitor operational and financial metrics and milestones for each RHM. In the event that early or leading indicators forecast that a RHM may not achieve specific performance goals, or that month-to-month trends forecast a deterioration in operating performance, a multi-disciplinary performance improvement team is assembled to address the issues. This team comprises participants from the System and the RHM with skills to address the nature and scope of the issues identified. The improvement team activities range from reviewing data and actions already taken by local leadership to providing specific on-site resources to assist in implementing corrective actions to assure the initiatives achieve established performance targets. Improvement teams meet frequently to monitor progress in operational improvements and establish processes to assure sustained results.

The Corporation continuously develops and implements processes and strategies to effectively manage operating performance. Best practices are shared throughout the System. Innovative techniques from other industries have been successfully adapted to improve operating, financial and clinical results.

GOVERNANCE AND MANAGEMENT

Governance

The Corporation's bylaws provide that the Board of Directors are the same individuals who are members of CHM. CHM's bylaws provide that the members will be not fewer than nine nor more than 15. The President and Chief Executive Officer of the Corporation serves *ex-officio*, with a vote, on both the Corporation's Board of Directors and as a member of CHM. Directors not serving *ex-officio* are appointed for three-year terms, with total service not to exceed ten consecutive years, coterminous with their membership on CHM. The bylaws of both CHE and Trinity Health provide that the individuals who serve on the Board of Directors of the Corporation also serve on the Boards of Directors of CHE and Trinity Health.

The following powers and responsibilities are reserved to CHM from the Corporation: (i) ratification of adoption and amendment of the Articles of Incorporation; (ii) ratification of adoption and approval of the bylaws and any amendments, modifications or restatements thereto; (iii) adoption and approval of the Mission and Core Values of the Corporation and the Founding Principles of CHM and any changes thereto, and approve matters that affect the Catholic identity of the Corporation; (iv) approval of the sale, lease, mortgage, transfer, easement or encumbrance of any property of the Corporation, the alienation of which would require approval under the Canon Law of the Roman Catholic Church; (v) approval of any merger, consolidation, acquisition, liquidation or dissolution of the Corporation, or the sale of all or substantially all of the assets of the Corporation; (vi) ratification of the

appointment and removal of the President of the Corporation; and (vii) ratification of the election of the Chair of the Board of Directors of the Corporation.

The current members of the Corporation's Board of Directors are set forth below.

Name	Occupation	Term Expires December 31,
Judith Persichilli	Interim President and CEO, CHE Trinity Inc.	<i>Ex officio</i>
Kevin Barnett, Dr. P.H, M.P.H., M.C.P.	Senior Investigator, Public Health Institute, Oakland, California	2016
James D. Bentley, Ph.D.	Former Senior Vice President, Strategic Policy Planning, American Hospital Association, Silver Spring, Maryland	2015
Joseph Betancourt, M.D.,	Director, The Disparities Solutions Center at Massachusetts General Hospital and Senior Scientist, Mongan Institute for Health Policy	2014
Suzanne Brennan, CSC	Executive Director, Holy Cross Ministries, Salt Lake City, Utah	2014
Melanie Dreher, Ph.D., R.N.	Dean, College of Nursing Rush University, Chicago, Illinois	2013 ⁽¹⁾
Mary Catherine Karl, C.P.A.	Principal Surgical Safety Institute, Tampa, Florida	2013
Mary Mollison, CSA	Vice President of Ministry and Spirituality, Agnesian Health Care, Fond du Lac, Wisconsin	2013
George M. Phillip, Esq.	President Emeritus, University at Albany, State University of New York, Albany, New York	2014
Kathleen Popko, SP	President, Sisters of Providence, Holyoke, Massachusetts	2015
David N. Southwell	Retired CFO, Wellmark Blue Cross and Blue Shield, Iowa	2016
Stanley T. Urban	Chair, Hope Ministries, Newtown Square, Pennsylvania	2015
Roberta Waite, Ed. D.	Associate Professor of Nursing and Assistant Dean of Faculty Integration and Evaluation of Community Programs, Drexel University, Philadelphia, Pennsylvania	2015
Linda Werthman, RSM	Adjunct Social Work Associate Professor, University of Detroit Mercy, Detroit, Michigan	2014
Barbara Wheeley, RSM	CHE Sponsors Council Coordinator	2013

⁽¹⁾ To be extended through 2014.

Senior Management

Management of the Corporation is vested in the President and Chief Executive Officer (“CEO”), who is appointed by the Corporation’s Board of Directors, with the ratification by CHM. Several positions are presently being filled in an interim role, including that of President and CEO. At present, the CEO position is filled on an interim basis by Judith Persichilli. An ad hoc committee of the Corporation’s Board of Directors is overseeing a national search for a permanent CEO. It is anticipated that the CEO position will be filled by November 2013. Once the President and CEO is appointed, other positions will be appointed on a permanent basis. There is a single senior management team for the Corporation, CHE and Trinity Health. Following Ms. Persichilli, senior management is listed below in alphabetical order.

Judith Persichilli, Interim President and CEO. Prior to her appointment as Interim President and CEO of the Corporation, Ms. Persichilli had served as President and CEO of CHE since 2010. Before that, Ms. Persichilli was the CHE Executive Vice President and Chief Operating Officer and prior to that appointment, she was the CHE Executive Vice President – Acute Care Division. Ms. Persichilli served as President and CEO of St. Francis Medical Center, Trenton, New Jersey from 1995 to 2003. Ms. Persichilli began her healthcare career as a nurse, graduating in 1968 from St. Francis Hospital’s School of Nursing. She graduated summa cum laude from Rutgers University in 1976 with a bachelor’s degree and summa cum laude from Rider College in 1980 with a master’s degree in Administration. Ms. Persichilli is a member of various community affiliations and boards including the Health Care Administration Board of New Jersey where she was appointed by Governor Code, the New Jersey Health Care Quality Institute Board of Directors, the Hopewell Valley Community Bank Board of Directors, and the Kerney Foundation Board of Trustees. Ms. Persichilli was appointed to the AHA Health Care Systems Governing Council in January 2012. Additionally, she currently serves on the Healthcare Financial Management Association’s Healthcare Leadership Council.

Jennifer Barnett, Executive Vice President (“EVP”) Finance and Interim Chief Financial Officer (“CFO”) & Treasurer. Ms. Barnett, together with Mr. Carter, oversees the System’s financial management, financial reporting, financial operations, strategic financial and capital planning and budget development. She also provides leadership to the revenue functions and treasury operations. Prior to assuming her current position, Ms. Barnett was EVP and CFO of CHE and before that served as the CHE EVP of Finance and Vice President of Finance and Chief Accounting Officer. Before joining CHE in 2006, Ms. Barnett was at Texas based CHRISTUS Health, where she served as system director of finance and corporate controller. Prior to serving at CHRISTUS Health, she was director of accounting at Memorial Hermann Healthcare System in Houston, Texas and the assistant director of accounting at Hermann Hospital located in the Texas Medical Center in Houston, Texas. Before entering the health care industry, Ms. Barnett was in public accounting. She is a certified public accountant and holds a Bachelor’s Degree in Accounting from Louisiana State University.

James Bosscher, Senior Vice President (“SVP”), Treasury and Chief Investment Officer. Mr. Bosscher was appointed to his present position in January 2009. Prior to that appointment, Mr. Bosscher served as Vice President Treasury of Trinity Health. He is responsible for all treasury activities at Trinity Health, including investment management, debt management, cash management and interfacing with all external capital market audiences (rating agencies, investors, bond insurance companies, investment and commercial banks, etc.). Prior to joining Trinity Health, Mr. Bosscher was an assistant treasurer with Ford Motor Company. Mr. Bosscher has a bachelor’s degree in finance from Michigan State University and a master’s degree in business administration from Wayne State University.

John Capasso, EVP & President Continuing Care. Mr. Capasso was the President and CEO, Continuing Care Management Services Network at CHE and prior to that served as the President and CEO of St. Joseph of the Pines Health System, a continuing care ministry providing a variety of housing and health care services to senior in central North Carolina. Mr. Capasso has more than 25 years of experience in health care and senior living services. Prior to joining CHE, Mr. Capasso served in a variety of executive roles at Asbury Services, Gaithersburg, Maryland, a provider of senior living services across multiple states. Before joining Asbury, he was Assistant Vice President of Clinical Services at Holy Cross Hospital in Silver Spring, Maryland. Mr. Capasso holds a Master of Science Degree in Health Services Administration from George Washington University; a Bachelor of Arts Degree in Biology from Geneva College, Beaver Falls, Pennsylvania and is a certified health care executive with the American College of Healthcare Executives. He is also a licensed nursing home administrator.

Benjamin Carter, EVP Finance. Together with Ms. Barnett, Mr. Carter oversees the System's financial management, financial reporting, financial operations, strategic financial and capital planning, and budget development and provides leadership for the revenue functions and treasury operations. Mr. Carter was SVP and CFO of Trinity Health since 2010. Prior to joining Trinity Health, he served as an EVP and Chief Operating Officer at the Detroit Medical Center, where he was responsible for the operations of the regional system's eight hospitals and related outpatient facilities. Prior to the Detroit Medical Center, he spent nearly 20 years in executive-level financial positions at Oakwood Healthcare in Dearborn, Michigan. Prior to his experience at Oakwood, Mr. Carter was a director of the Plante Moran accounting firm and spent eight years in various roles in addition to earning his certified public accountant certification. Mr. Carter graduated magna cum laude and earned both a bachelor's degree and a master's degree in business from the University of Michigan.

Peter DeAngelis, Jr., EVP and President CHE Division. Mr. DeAngelis had previously been the CHE EVP and Chief Operating Officer and was responsible for providing mission and values-based leadership, direction, support and assistance to CHE's operating divisions to optimize operational effectiveness and strategic position. From 2003 to 2010 he served as CHE's EVP and CFO. Prior to joining CHE, Mr. DeAngelis was an executive with the University of Pennsylvania Health System from 1997 to 2003, where he served most recently as SVP and CFO. Before that, he was CFO for Germantown Hospital and Medical Center in Philadelphia from 1992 to 1997. He held a similar position for the Philadelphia Child Guidance Center from 1990 to 1992. Mr. DeAngelis earned a Bachelor of Science Degree in Accounting from LaSalle University in 1979 and earned an MBA in accounting from LaSalle in 1985. He is a certified public accountant. Mr. DeAngelis is a diplomat of the American College of Healthcare Administrators and a fellow of the Healthcare Financial Management Association ("HFMA"). He presently serves on the HFMA National Board.

Catherine DeClercq, OP, EVP, Governance and Sponsorship. Sister DeClercq previous served as the Trinity SVP, Governance and Sponsorship. While at Trinity and in her current role, she supports CHM, the Public Juridic Person that sponsors the Corporation, and the Corporation's Board of Directors as well as the Boards of Directors of Trinity Health and CHE. She previously served as assistant to the president of Mercy Health Services from 1987 to 2000, assuming responsibility for governance and working with the sponsors, the Sisters of Mercy, Regional Community of Detroit. From 1978 to 1986 she held the position of general council member and administrator for the Adrian Dominican Congregation based in Adrian, Michigan. In her leadership role with the Adrian Dominican Congregation, Sister DeClercq helped guide the Adrian Dominican Hospitals in California and Nevada into Catholic Healthcare West (now Dignity Health). She has a bachelor's degree from Siena Heights University and a master's degree from the University of Michigan.

Clayton Fitzhugh, EVP & Chief Human Resources Officer. Along with Mr. Hale, Mr. Fitzhugh is responsible for overseeing the integration activities following the formation of the Corporation. Mr. Fitzhugh had previously been with CHE since 2003, most recently serving as EVP, Shared Services and Chief Human Resources Officer. In that role he was responsible for improving the quality, efficiency and effectiveness of CHE shared services as well as overall development and leadership of the human resources and organizational effectiveness function. Before joining the CHE system office, Mr. Fitzhugh served as SVP, Human Resources and Operational Performance at Holy Cross Hospital, Fort Lauderdale, Florida, which was part of CHE. In addition, he has served in a variety of capacities involving human resources, quality management, corporate development and training and general administration in a number of health care and other corporate organizations. Mr. Fitzhugh received his Bachelor of Science from Hyles Anderson College in Crown Point, Indiana in 1980. He has served two terms as a member of the Board of Examiners for the Malcolm Baldrige National Quality Award.

Daniel G. Hale, Esq., EVP, Institute of Health and Community Benefit. Along with Mr. Fitzhugh, Mr. Hale is responsible for overseeing the integration activities following the formation of the Corporation. Mr. Hale served as the Trinity Health EVP, Trinity Health Institute for Health and Community Benefit and Special Advisor to the President since 2009. Prior to that appointment, Mr. Hale served as EVP, Community Benefit Ministry and Public Affairs. Mr. Hale was appointed as the Interim President and Chief Executive Officer of Loyola University Health System (Maywood, Illinois) served in that role until the permanent Chief Executive Officer was appointed in October 2011. Mr. Hale also served Holy Cross Health System Corporation and Trinity Health as general counsel beginning in August 1996. Previously, Mr. Hale was vice president for legal services with Franciscan Health System, Aston, Pennsylvania, and was a partner in the law firms Drinker Biddle & Reath in Philadelphia, Pennsylvania and Baker & Hostetler in Columbus, Ohio. Mr. Hale received his bachelor's degree in English from Kenyon College and his juris doctor degree from Capital University Law School. A frequent speaker and author on various aspects of health care law, Mr. Hale is a member of the American Bar Association and the American Health Lawyers Association. He previously was an adjunct professor of law at Capital University Law School.

Paul G. Neumann, Esq., EVP & Chief Legal Officer. Mr. Neumann had served as Trinity Health SVP and General Counsel since 2009. Prior to coming to Trinity Health, Mr. Neumann was SVP, Legal Services and General Counsel at Catholic Health Initiatives in Denver, Colorado. Prior to assuming that position with Catholic Health Initiatives in 1997, Mr. Neumann was a partner with both Foley & Lardner LLP in San Francisco, California and Weissburg & Aronson in San Francisco, California, where he represented hospitals and other health care entities in governance, mergers and acquisitions, business transactions and compliance matters. He received a bachelor's degree from Haverford College and a juris doctor degree from the University of Virginia School of Law.

Scott Nordlund, EVP, Growth, Strategy & Innovation. Mr. Nordlund is responsible for setting strategic direction for the system, creating new venture partnerships in the acute and non-acute spaces, building a pipeline of innovation projects that promote new business models and all merger and acquisition work. Prior to joining CHE Trinity Inc., Mr. Nordlund was the Senior Vice President for Strategic Growth, Network and New Venture Development at Dignity Health (formerly Catholic Healthcare West), where he had previously several executive roles in strategic planning, physician integration strategy, marketing and business development. Mr. Nordlund served as Chairman of the United Surgical Partners/Dignity Health Board in Arizona and served on the boards of Nevada USPI/DH joint venture, Mercy Care Plan, a 360,000-member Medicaid plan, DH/SimonMed Imaging joint venture and the Dignity Health Purchasing Network. Mr. Nordlund received his B.S. in Biology from the University of Illinois – Urbana/Champaign, and two Master degrees (Master of Business Administration, and Master of Health Services Administration) from the University of Michigan.

James Richard O'Connell, EVP and President, Trinity Health Division. Mr. O'Connell served as Trinity Health President, Hospital Operations since July 2009. His responsibilities included managing the day-to-day functions of hospital operations. Mr. O'Connell had been with Trinity Health since October 2008 as interim chief operations officer of Saint Alphonsus Regional Medical Center in Boise, Idaho. Mr. O'Connell has 35 years of progressive health care experience in executive level roles including president and chief executive officer of four hospital systems: Penrose – St. Francis Health Services in Colorado Springs, Colorado; Lucerne Medical Center in Orlando, Florida; Columbia Medical Center – Daytona in Daytona Beach, Florida; and Pembroke Pines Hospital in Pembroke Pines, Florida. Mr. O'Connell earned a bachelor's degree in business administration from Central State University in Edmund, Oklahoma.

P. Terrence O'Rourke, MD, EVP Clinical Transformation. Dr. O'Rourke served as Trinity Health EVP & Chief Clinical Officer since 2008. Dr. O'Rourke is responsible for advancing clinical effectiveness and quality, as well as patient safety across the system. He serves as an advocate for the Health System's medical staffs and is working to advance physician alignment initiatives throughout the organization. Prior to joining Trinity Health, Dr. O'Rourke was chief medical officer at Centura Health. Dr. O'Rourke was a member of the board of trustees of Centura Health and chaired the Centura board for seven years. Dr. O'Rourke is a past member of the board of trustees of the Catholic Health Association and chairs of the Physician Committee of the Catholic Health Association. He is also a past member and vice-chair of the Holy Cross Health System Board of Directors. He has been a member of the Executive Advisory Committee of the Diocese of Colorado Springs and has also been a member of the Advisory Board of the College of Letters, Arts, and Sciences of the University of Colorado. He has served on the board of directors and is a past president of the El Paso Unit of the American Cancer Society. He received the Sword of Hope Award from the American Cancer Society in 1992 and was recognized as one of the "Best Doctors in America" in 2000. Dr. O'Rourke serves on the Boards of Directors of the Michigan Peer Review Organization, Venzke (as defined herein), and LUHS. Dr. O'Rourke holds certifications from the Board of Surgery and Advanced Trauma Life Support. He received a bachelor's degree from Georgetown University and a medical degree from the University of Michigan Medical School. Dr. O'Rourke is a member of the American Medical Association, fellow of the American College of Surgeons, the Western Surgical Association and the Denver Academy of Surgery.

Mary Persico, IHM, EVP, Mission and Ethics. Sister Persico had served as the CHE EVP, Mission Integration since 2010. Before that, she served as the CHE Sponsors Council Coordinator and President of the Religious Congregations of the Sisters, Servants of the Immaculate Heart of Mary, Scranton, Pennsylvania. Sister Persico has served on several boards including CHE, Maxis Health System, Carbondale, Pennsylvania, Marywood University, Scranton, Pennsylvania, Our Lady of Grace Montessori School and Center, Manhasset, New York, Lourdesmont School, Clarks Summit, Pennsylvania and the Guest House for Women Religious Advisory Board, Lake Orion, Michigan. She served on the Leadership Conference of Women Religious Finance Committee and is past president of the Lackawanna County Chapter of Habitat for Humanity International. Sister Persico has spent most of her life in the field of education as a teacher, administrator, and adjunct professor. She holds a Bachelor's Degree in French and Education from Marywood College (now University), a Master's Degree in French from Assumption College, Worcester, Massachusetts and a Doctoral Degree in Educational Leadership from Lehigh University, Bethlehem, Pennsylvania. She was one of the founding members of the African Sisters Education Collaborative, a program designed to provide leadership education in Business, administration and spirituality to leader of congregations of women religious in six African countries.

Larry Warren, Interim COO. Mr. Warren served as Interim President of Trinity Health prior to the merger of CHE and Trinity Health. Before Trinity Health, Mr. Warren was the Chief Executive Officer at Howard University Hospital for six years which followed a twenty-nine year career at the University of Michigan. The last ten years he served as Chief Executive Officer of the Hospital System. He was also the Executive Vice President and Chief Operating Officer of Mercy Hospital of Detroit, a former division of Trinity Health. Mr. Warren has served on the boards of Trinity Health, and other nonprofit, educational and health related boards. He earned his Bachelor's degree in Business Administration and Master's degree in Education Administration from Eastern Michigan University.

STRATEGIC INITIATIVES

Population Health

The System is focused on transitioning to a population health model of care delivery to respond to changes in the marketplace as well as based on federal health care reform. Population health is characterized by person centered care, responsibility for covered or attributed lives, and partnerships and collaborative arrangements to provide care across the continuum in a seamless way. Movement to a population health model requires development of supporting infrastructure across a broad range of activities including information technology, strategic planning, decision support and operations support. It also requires new and much more meaningful relationships with physicians and other providers defined by developing an integrated system with mutual accountability amongst the various components. The System has been working with the RHM's to develop various supportive structures to transition to a population health model. Management believes that its expertise across a broad range of care delivery providers can be leveraged to develop models which can be adapted for each RHM. The System has focused on development of risk bearing payment models, care redesign, products for the health exchanges and bundled payment models which complement and support its population health model of care delivery.

Physician Alignment and Integration

Physician alignment is a key strategy for the System to support its initiatives around population health and a successful integrated delivery system. Although approaches vary by market, the System uses an array of mutually complementary relationships with physicians and other providers for the provision of certain health care services and support and promotion of medical staff quality and leadership. These include employment, co-management, professional service agreements and clinical integration activities. These engage both physicians and management in each market. Clinically integrated network governance structures include community physicians, both employed and independent, and health system executives to facilitate alignment.

Through the development of an integrated network, physician alignment and integration strategies are developed for each RHM. Through the System's health network services office, physician employment strategies are reviewed, operational performance of physician practices is monitored and initiatives are undertaken to improve both clinical outcomes and financial performance. The System supports the RHM's in developing compensation models, technology solutions, and improved revenue cycle management.

The Corporation is implementing electronic health record systems and practice management systems in all RHM's and employed physician practices. In addition, the Corporation is assisting RHM's with the implementation of a common physician credentialing system, which is expected to improve effectiveness and efficiency of physician performance and physician evaluation and management. Additionally, to improve physician work force alignment with its growth and service targets, the Corporation has implemented a central physician recruitment sourcing and education service and is

increasing efforts to support System-wide graduate medical education. Management has developed and is implementing a program to develop physician leaders and is standardizing the approach to medical staff development planning.

As part of its strategy to develop clinically integrated networks and to closely align physicians and other health services with hospitals and other providers, the Corporation has acquired certain physician practices which have been identified to position the System well in the changing health care environment.

Quality and Patient Safety Improvement Initiatives

The Corporation is focused on the significant efforts that are underway to improve clinical quality and patient safety across the System. There are System-wide targeted outcomes related to hospital-acquired conditions, avoidable readmissions, length of stay reductions, and reduction of clinical denials of payment. These initiatives aim to improve clinical quality and patient satisfaction and management believes they will result in significant annual savings. Across the System, acute care and long-term care clinical quality scoreboards have been created to assess progress toward targets.

The Corporation has identified the following areas of priority for quality and patient safety improvement in fiscal year 2014:

Serious Reportable Event (“SRE”) Reporting. A System-wide process for reporting SREs has been implemented. This is structured to allow for immediate awareness of adverse events across the System and to evaluate the causes of the adverse events and to issue corrective action alerts and procedures to mitigate against the occurrence of future similar events in the future.

Sepsis Care. Reduction of hospital acquired infections as part of a sepsis care improvement collaborative based upon the successful Trinity Health sepsis collaborative is being implemented across the System.

Fall Reduction Strategies. Both CHE and Trinity Health had implemented successful fall reduction strategies. The Corporation will be combining efforts to reduce the occurrence and severity of falls for its patients.

Perinatal Patient Safety Initiative. The Trinity Health perinatal patient safety initiative will be expanded across the System. It has resulted in very significant reductions in perinatal adverse events and associated costs.

Contracting and Payment Transformation

The System leverages System-wide, regional, and local payor contracting based on the best approach for support of the local markets. In support of local contracting efforts, the System provides assistance to the RHMs in the form of contract templates, recommended contract language and best practices, market intelligence, and optimal reimbursement methodologies (e.g., quality and utilization management incentive arrangements).

With the changing payment environment, the System works to remain competitive in traditional fee-for service contracts while preparing for the transition to risk based and other emerging payment models. To this end, the System has developed individual market strategies to participate in the health insurance marketplaces and engage with payors. Management believes that the System is well-positioned to succeed financially in the markets in which it has chosen to actively participate.

The System has developed guiding principles and operational frameworks to support a continuum of population-based reimbursement methodologies ranging from bundled payments to capitation. Using these frameworks, the System has entered into population-based contracts with several key payors and continues to negotiate with payors in almost every market to incorporate a mix of these reimbursement models into its agreements.

As evidence of its commitment to more accountable care, the System is developing clinically integrated networks (“CINs”) in many of the markets it serves. The CINs are designed to share financial risk with health insurers and physician groups for the health of defined populations. The ability of the clinically integrated networks to effectively manage the health of populations will be a determining factor in the success of risk-based contracts.

Community Benefit Ministry

Consistent with its mission, the System provides health care services to all patients regardless of their ability to pay. The System has financial policies that define financial support criteria, which have been implemented by each RHM. In accordance with the guidelines and standard definitions released by the Catholic Health Association of the United States 2012 Edition, the System delineates its Community Benefit Ministry into two broad categories: (i) Ministry for the Poor and Underserved; and (ii) Ministry for the Broader Community. See “Supplemental Financial Information” in the CHE audited consolidated financial statements included in APPENDIX C to this Official Statement and “ORGANIZATION AND MISSION—Community Benefit Ministry” in Note 1 to the Trinity Health audited consolidated financial statements included in APPENDIX B to this Official Statement.

Significant Ventures, Acquisitions, Divestitures and Other Transactions

Significant Ventures.

BayCare Health System (Florida). St. Joseph’s Hospital, Inc., St. Joseph’s Health Care Center, Inc., St. Anthony’s Hospital, Inc. and John Knox Village of Tampa Bay, Inc., each of which are Affiliates of CHE, are participants in the BayCare Health System pursuant to a joint operating agreement (referred to herein as the “BayCare JOA”), among such corporations and other provider corporations, including Morton Plant Mease HealthCare, Inc., South Florida Baptist Hospital, Inc. and BayCare Health System, Inc. (such entities, together with the affiliates of CHE that are BayCare JOA Participants, are referred to herein as the “BayCare JOA Participants”). Pursuant to the BayCare JOA, the BayCare Health System is responsible for the operations of all of the BayCare JOA Participants, including those that are affiliates of CHE, subject to certain powers reserved to the members of the BayCare Health System. The corporate members of the BayCare Health System are CHE, Morton Plant Mease HealthCare Inc. and South Florida Baptist Hospital, Inc. The Board of Trustees of the BayCare Health System is comprised of 21 voting members (including the CEO of the BayCare Health System, who serves as an ex officio trustee). CHE and Morton Plant Mease HealthCare Inc. each appoint nine trustees; the remaining two trustees are appointed by South Florida Baptist Hospital, Inc. Pursuant to a contractual formula, CHE has a 50.4% interest in the operating results of the BayCare Health System, Morton Plant Mease Healthcare Inc. has a 46.0% interest and South Florida Baptist Hospital, Inc. has a 3.6% interest. CHE is not obligated on debt issued for the benefit of Bay Care Health System Inc., and the Affiliates of CHE that are BayCare JOA Participants are not Designated Affiliates under the Master Indenture. CHE’s interest in the BayCare JOA is accounted for under the equity method of accounting with any gains or losses recorded as a non-operating item.

Saint Joseph’s Health System, Inc. (Georgia). Effective December 31, 2011, CHE, together with Saint Joseph’s Health System, Inc. (“SJHS”) and Emory Healthcare, Inc. (“Emory Healthcare”),

negotiated a Joint Operating Agreement through a Contribution Agreement and Membership Agreement involving certain of the assets of SJHS. The resulting Joint Operating Company, Emory/Saint Joseph's Inc. (the "Joint Operating Company"), is a Georgia nonprofit corporation comprised of the following two corporate members: SJHS Holdings Inc. ("SJHS Holdings") and EHC/JOC Holdings, Inc. ("EHC/JOC Holdings"), a subsidiary of Emory Healthcare. SJHS Holdings holds a 49% interest in the Joint Operating Company and EHC/JOC Holdings holds a 51% interest. Saint Joseph's Hospital of Atlanta and Emory Johns Creek Hospital are among the assets contributed to the Joint Operating Company. In connection with this transaction, CHE transferred approximately \$119 million of long-term debt relating to Saint Joseph's Hospital of Atlanta to the Joint Operating Company, and CHE's payment obligation with respect to that transferred debt was discharged. Certain SJHS entities, other than the Joint Operating Company, are Designated Affiliates under the Master Indenture. CHE's interest in the Joint Operating Company is accounted for under the equity method of accounting with any gains or losses recorded as a non-operating item.

Catholic Health System, Inc. (New York). CHE is one of three corporate members of Catholic Health System, Inc. ("CHS"), located in Buffalo, New York, through a joint operating agreement with the Diocese of Buffalo and Ascension Health, who are the other members of CHS. Each member holds a one-third interest in CHS. CHS provides health care across a network of four hospitals, eleven primary care centers, nine diagnostic and treatment centers, a free standing surgery center, thirteen long term care facilities, adult homes, home care agencies, counseling services, social service and behavioral health programs. Sisters of Mercy of the Americas, New York, Pennsylvania and Pacific West, the Diocese of Buffalo and the Daughters of Charity of St. Vincent de Paul are the sponsoring congregations of CHS. Neither CHS nor any of its affiliates are Designated Affiliates under the Master Indenture. CHE's interest in CHS is accounted for under the equity method of accounting with any gains or losses recorded as a non-operating item.

Mergers and Acquisitions. Management of the Corporation anticipates that additional health care institutions may become members of the Credit Group. Such growth may result from the addition of individual institutions or regional multi-institutional systems that either enhance the geographic presence of the Credit Group members in existing markets or provide an opportunity to enter a new and desirable market. In addition, the Corporation is actively evaluating the acquisition, creation or expansion of non-acute services through various affiliation models for growth.

Divestitures. Management of the Corporation continually evaluates the assets of the Corporation to determine whether continued operation and ownership is consistent with the Corporation's mission and strategy and community needs. The Corporation anticipates that, as a result of such evaluations, from time to time it may consider divestiture or other transfers of Affiliates or operating assets of the System.

Pending Transactions.

Saint Michael's Medical Center (New Jersey). On February 8, 2013, Saint Michael's Medical Center, Newark, New Jersey ("SMMC"), an affiliate of CHE, entered into an Asset Purchase Agreement under which all or substantially all of the hospital assets of SMMC would be acquired by Prime Healthcare Services, Inc., a California for-profit corporation. As of and for the twelve months ended June 30, 2013, SMMC had approximately \$108 million of total assets held for sale, \$267 million of total liabilities held for sale and \$147 million of loss from discontinued operations, which included an asset impairment charge of \$105 million. SMMC's assets were accounted for as assets held for sale and its loss was characterized as a loss from discontinued operations. In addition, there is approximately \$237 million of outstanding bonds relating to SMMC, none of which was secured by obligations issued under the CHE Master Indenture, but which are reflected in the CHE consolidated financial statements. This debt was issued pursuant to the State of New Jersey Asset Transformation Program and is directly

payable by the State of New Jersey, while SMMC is obligated to reimburse the State for the State's payments of debt service on such bonds. The contemplated transaction remains subject to state regulatory approvals. If the sale of SMMC takes place, it is expected that the sale proceeds will be applied to the defeasance of a portion of the bonds.

Completed Transactions. During fiscal years 2012 and 2013, and in addition to the consolidation and creation of the Corporation, each of CHE and Trinity Health completed a number of transactions that were consistent with the strategic portfolio review of all of its operating assets including a number of physician group acquisitions. Certain of these transactions affected the Corporation's continuing operations, while others resulted in one-time gains to unrestricted net assets and increases to unrestricted cash and investments. The summary presented below does not purport to be inclusive of all transactions completed by Trinity Health or CHE and includes the divestiture of MHSM (as defined below), which was completed as of October 1, 2013.

Effective October 1, 2013, CHE transferred its membership interests in Mercy Health System of Maine, Mercy Hospital and VNA Home Health and Hospital, each a Maine not-for-profit corporation (collectively, "MHSM"), to Eastern Maine Healthcare Systems, a Maine not-for-profit corporation ("EMHS"). As a result thereof, all assets and liabilities of MHSM will remain with those entities under EMHS. The long-term debt of MHSM incurred under the CHE Master Indenture was fully defeased on October 4, 2013.

Effective April 1, 2012, Trinity Health became the sole member of Mercy Health System of Chicago ("MHSC"). MHSC is the parent of Mercy Hospital and Medical Center ("Mercy Hospital") and other subsidiaries and affiliates which provide health care services in Chicago, Illinois. Mercy Hospital has a network of primary care clinics, physician offices, and satellite facilities. MHSC is not a Designated Affiliate. As of and for the twelve months ended June 30, 2013, MHSC had total assets of \$356 million, total unrestricted revenue of \$244 million and excess of revenue over expenses of \$5 million.

On November 30, 2011, Mercy Health System of Southeastern Pennsylvania ("Mercy SEPA"), a Designated Affiliate, sold its equity ownership interest in certain Medicaid managed care organizations. As consideration for the sale, Mercy SEPA received \$194 million and a pledge of \$43 million to the Mercy Health System Foundation to be paid over a seven year period, resulting in the recognition of a gain on sale of \$94.9 million.

Effective October 1, 2011, CHE, together with St. Peter's Health Care Services, Northeast Health, Inc. ("NEH"), Seton Health System, Inc. ("Seton") and Ascension Health (collectively, the "Parties") entered into an Affiliation Agreement which provided for the formation of St. Peter's Health Partners ("SPHP") located in Albany, New York. SPHP is an RHM and an Affiliate, but is not a Designated Affiliate under the Master Indenture. As of and for the twelve months ended June 30, 2013, SPHP had approximately \$1.4 billion of total assets, \$1.1 billion of total unrestricted revenue, and \$5.7 million of excess revenue over expenses.

On July 1, 2011, Trinity Health replaced Loyola University of Chicago ("LUC") as the sole corporate member of LUHS, an Illinois not-for-profit corporation. LUHS is the sole corporate member of Loyola University Medical Center ("LUMC"), an Illinois not-for-profit corporation, and Gottlieb Memorial Hospital ("GMH"), an Illinois not-for-profit corporation. Trinity Health acquired LUHS for \$213 million, including \$75 million to be paid over future years toward the cost of constructing a research facility for LUC. LUHS, LUMC and GMH are Designated Affiliates under the Master Indenture.

On July, 1, 2011, Trinity Health transferred its shares in Battle Creek Health System (“BCHS”) to Bronson Healthcare Group, Inc. for \$76 million, which resulted in a loss on transfer of \$29 million. The results of these operations are reflected as discontinued operations in the audited consolidated financial statements of Trinity Health for the fiscal year ended June 30, 2012 included as APPENDIX B to this Official Statement.

Effective May 1, 2011, Mercy Hospital, Inc., a Florida not-for-profit corporation, (“Mercy Miami”), together with Mercy Outpatient Services, Inc. and Mercy Medical Development, Inc., both Florida not-for-profit corporations, completed the sale of substantially all of their assets and certain liabilities to Plantation General Hospital, L.P. and HCA Long Term Health Services of Miami, Inc. The results of these operations are reflected as discontinued operations in the audited consolidated financial statements of CHE for the fiscal years ended December 31, 2011 and 2012 included as APPENDIX C to this Official Statement. Proceeds from the sale were used primarily to satisfy long-term debt obligations of Mercy Miami that were incurred under the CHE Master Indenture. Mercy Miami remains a RHM within the System as it winds down its business affairs.

FINANCIAL AND OPERATING INFORMATION

General

Historically CHE maintained a fiscal year ending on December 31 and Trinity Health maintained a fiscal year ending on June 30. The Corporation has adopted a fiscal year ending on June 30. To enable certain financial results to be presented on a consistent basis in this APPENDIX A, notwithstanding the difference in fiscal years, consolidated unaudited pro-forma financial results of the System are presented for the twelve-month periods ended June 30, 2012 and 2013. Certain amounts have been reclassified in the System’s summary pro-forma consolidated statement of operations and summary consolidated balance sheets for the twelve months ended June 30, 2012 and 2013 to conform to classifications adopted by the System, including the adoption of the June 30 fiscal year end.

The unaudited pro-forma consolidated financial statements of the System for the twelve months ended June 30, 2012 and 2013 have been derived by the Corporation’s management from Trinity Health’s audited financial statements as of and for the fiscal years ended June 30, 2012 and 2013, CHE’s audited financial statements as of and for the fiscal years ended December 31, 2011 and 2012, and CHE’s unaudited financial statements as of and for the six months ended June 30, 2012 and 2013.

The summary consolidated financial information presented below for CHE for each of fiscal years ended December 31, 2011 and 2012 has been derived by the Corporation’s management from CHE’s audited consolidated financial statements for the periods presented. The summary consolidated financial information presented below for CHE for each of the six months ended June 30, 2012 and 2013 has been derived from CHE’s unaudited consolidated quarterly report but includes all adjustments which the Corporation’s management considers necessary to present such information in conformity with accounting principles generally accepted in the United States of America. The results for interim periods are not necessarily indicative of results that may be expected for any other interim period or for the full year.

The following summary consolidated financial information should be read in conjunction with the section herein entitled “MANAGEMENT’S DISCUSSION AND ANALYSIS OF RECENT FINANCIAL PERFORMANCE—CHE,” the audited consolidated financial statements of CHE and related notes and the unaudited quarterly report that appear in APPENDIX C and APPENDIX D, respectively, to this Official Statement.

CHE's ownership interests in BayCare Health System, CHS, and the Joint Operating Company, are each recorded and disclosed in the financial statements of CHE under the "equity" method of accounting. Therefore, the financial information relating to these ownership interests is reflected as "Investments in Unconsolidated Organizations" on the consolidated balance sheets of CHE included in APPENDIX C to this Official Statement. Excess of revenue over expense from these unconsolidated organizations is included in total nonoperating equity gains in unconsolidated affiliates in the Statement of Operations of CHE. Such presentation does not consolidate the assets (including cash and investments) or liabilities (including long-term indebtedness) of BayCare Health System, CHS, or the Joint Operating Company, and does not consolidate their revenues and expenses, but rather presents CHE's investment in the net assets of these affiliates and its equity interest in the change in such net assets. Neither CHE nor the Obligated Group are obligated on any long-term indebtedness of BayCare Health System, CHS, or the Joint Operating Company.

The summary consolidated financial information presented below for Trinity Health for each of the fiscal years ended June 30, 2012 and 2013 has been derived by the Corporation's management from Trinity Health's audited consolidated financial statements for the periods presented. The following summary consolidated financial information should be read in conjunction with the section herein entitled "MANAGEMENT'S DISCUSSION AND ANALYSIS OF RECENT FINANCIAL PERFORMANCE—Trinity Health," and the audited consolidated financial statements of Trinity Health and related notes that appear in APPENDIX B to this Official Statement.

The consolidated financial statements for CHE as of and for fiscal years ended December 31, 2011 and 2012 included in APPENDIX C have been audited by CHE's independent auditors. The consolidated financial statements for CHE include the financial position and results of operations of all CHE controlled affiliates and subsidiaries.

The consolidated financial statements for Trinity Health as and for fiscal years ended June 30, 2012 and 2013 included in APPENDIX B have been audited by Trinity Health's independent auditors. The consolidated financial statements include the financial position and results of operations of all Trinity Health controlled affiliates and subsidiaries.

Summary Consolidated Statements of Operations and Changes in Unrestricted Net Assets and Consolidated Balance Sheets

The following table summarizes the unaudited pro-forma consolidated operating results for the System for the twelve months ended June 30, 2012 and 2013.

CHE Trinity Inc. Summary Pro-Forma Consolidated Statement of Operations and Changes in Unrestricted Net Assets (In Thousands)

	Twelve Months Ended June 30,	
	2012	2013
UNRESTRICTED REVENUE		
Patient service revenue, net of contractual and other allowances	\$11,733,052	\$12,336,476
Provision for bad debts	672,493	699,689
Net patient service revenue less provision for bad debts	11,060,559	11,636,787
Other revenue ⁽¹⁾	1,419,894	1,656,936
TOTAL UNRESTRICTED REVENUE	12,480,453	13,293,723
EXPENSES		
Labor expenses	6,625,939	7,076,268
Supplies	2,057,271	2,124,738
Purchased services ⁽²⁾	1,547,302	1,721,626
Depreciation and amortization	642,617	677,126
Interest	145,352	155,761
Other ⁽³⁾	1,090,443	1,123,131
TOTAL EXPENSES	12,108,924	12,878,650
OPERATING INCOME BEFORE OTHER ITEMS	371,529	415,073
Consolidation costs	-	(23,169)
Gain on sale of assets	94,850	21,021
Losses from SJHS	(23,014)	-
OPERATING INCOME	443,365	412,925
Investment (losses) earnings	(15,338)	451,462
Equity gains in unconsolidated affiliates	74,492	140,747
Gain on bargain purchase and inherent contributions	539,743	-
Other non-operating items	(105,987)	44,299
EXCESS OF REVENUE OVER EXPENSES	936,275	1,049,433
OTHER CHANGES IN TOTAL UNRESTRICTED NET ASSETS		
Change in retirement plan items	(846,355)	384,624
Other changes in unrestricted net assets	69,460	18,108
Increase in unrestricted net assets before discontinued operations	159,380	1,452,165
Discontinued operations:		
Loss from operations	(94,864)	(163,407)
Loss on transfer of shares	(28,534)	-
Change in retirement plan items	21,678	-
Decrease due to transfer of non-controlling interest	(81,153)	-
(DECREASE) INCREASE IN TOTAL UNRESTRICTED NET ASSETS	\$ (23,493)	\$ 1,288,758

⁽¹⁾ Includes capitation and premium revenue.

⁽²⁾ Includes medical claims and capitation purchased services and medical and professional fees.

⁽³⁾ Includes occupancy and insurance costs.

The following table presents the summary unaudited consolidated balance sheets of the System as of June 30, 2012 and 2013.

CHE Trinity Inc.
Summary Consolidated Balance Sheets
(In Thousands)

	As of June 30,	
	2012	2013
CURRENT ASSETS:		
Cash, cash equivalents and investments	\$ 3,047,913	\$ 3,248,696
Security lending collateral	203,785	153,583
Assets limited as to use	57,433	63,201
Patient accounts receivable, net	1,422,442	1,402,980
Other current assets	1,224,525	1,113,524
TOTAL CURRENT ASSETS	5,956,098	5,981,984
ASSETS LIMITED AS TO USE & OTHER ASSETS:		
Board designated	2,527,747	2,847,628
Investments	582,661	615,612
Other limited or restricted use assets	1,124,742	1,009,361
Property and equipment, net	6,032,705	6,474,533
Investments in unconsolidated affiliates	1,647,344	1,836,369
Other assets	454,035	580,358
TOTAL ASSETS	\$18,325,332	\$19,345,845
CURRENT LIABILITIES:		
Commercial paper and line of credit	\$ 134,989	\$ 368,923
Short-term borrowings	903,357	896,455
Current portion of long-term debt	84,978	128,273
Accounts payable and accrued expenses	866,581	954,327
Payable under security lending agreements	203,785	153,583
Other current liabilities	1,555,585	1,544,947
TOTAL CURRENT LIABILITIES	3,749,275	4,046,508
LONG-TERM DEBT	3,518,210	3,512,404
ACCRUED PENSION AND RETIREE HEALTH COSTS	1,482,524	921,995
OTHER LONG-TERM LIABILITIES	1,443,566	1,419,977
TOTAL NET ASSETS:		
Unrestricted	7,793,871	9,082,629
Temporarily restricted	249,776	269,653
Permanently restricted	88,110	92,679
TOTAL LIABILITIES AND NET ASSETS	\$18,325,332	\$19,345,845

The following table summarizes the consolidated operating results for CHE for the fiscal years ended December 31, 2011 and 2012 and the unaudited six month periods ended June 30, 2012 and 2013.

Catholic Health East
Summary Consolidated Statements of Operations and
Changes in Unrestricted Net Assets
(In Thousands)

	Fiscal Years Ended December 31,		Six Months Ended June 30,	
	2011	2012	2012	2013
UNRESTRICTED REVENUE				
Patient service revenue, net of contractual and other allowances	\$3,580,846	\$4,112,573	\$2,086,442	\$2,116,123
Provision for bad debts	225,812	234,952	122,801	107,236
Net patient service revenue less provision for bad debts	3,355,034	3,877,621	1,963,641	2,008,887
Other revenue	291,078	357,420	150,212	179,116
TOTAL UNRESTRICTED REVENUE	3,646,112	4,235,041	2,113,853	2,188,003
EXPENSES				
Labor expenses	1,954,805	2,298,084	1,144,373	1,201,871
Supplies	510,213	560,708	285,229	295,384
Purchased Services	846,914	966,244	472,696	512,450
Depreciation and amortization	159,045	190,360	95,916	102,804
Interest	39,635	44,102	22,624	23,750
Other	45,451	57,066	37,577	30,824
TOTAL EXPENSES	3,556,063	4,116,564	2,058,415	2,167,083
OPERATING INCOME BEFORE OTHER ITEMS	90,049	118,477	55,438	20,920
Losses from SJHS	(31,249)	-	-	-
Consolidation costs	-	-	-	(4,415)
OPERATING INCOME	58,800	118,477	55,438	16,505
Investment income	9,099	97,873	34,955	64,968
Equity earnings of unconsolidated affiliates	90,258	135,405	52,414	57,758
Gain on sale of assets	100,707	27,931	1,925	2,406
Unrestricted contribution income – SPHP	322,947	-	-	-
Other non-operating items	(6,816)	3,516	2,626	5,423
EXCESS OF REVENUE OVER EXPENSES	574,995	383,202	147,358	147,060
OTHER CHANGES IN TOTAL UNRESTRICTED NET ASSETS				
Change in retirement plan items	(173,487)	(24,094)	(109)	147,052
Other changes in unrestricted net assets	43,917	4,939	(4,741)	(4,940)
Increase in net assets before discontinued operations	445,425	364,047	142,508	289,172
Loss from discontinued operations	(74,880)	(171,771)	(29,386)	(11,511)
INCREASE IN TOTAL UNRESTRICTED NET ASSETS	\$ 370,545	\$ 192,276	\$ 113,122	\$ 277,661

The following table presents the summary consolidated balance sheets of CHE as of December 31, 2011 and 2012 and June 30, 2013.

Catholic Health East
Summary Consolidated Balance Sheets
(In Thousands)

	<u>As of December 31,</u>		<u>As of June 30,</u>
	<u>2011</u>	<u>2012</u>	<u>2013</u>
CURRENT ASSETS:			
Cash, cash equivalents and investments	\$ 707,083	\$ 522,466	\$ 449,074
Security lending collateral	130,364	67,972	38,719
Assets limited as to use	10,218	18,106	27,983
Patient accounts receivable, net	410,575	426,227	460,096
Other current assets	292,945	292,507	338,293
TOTAL CURRENT ASSETS	<u>1,551,185</u>	<u>1,327,278</u>	<u>1,314,165</u>
ASSETS LIMITED AS TO USE & OTHER ASSETS:			
Board designated	340,757	300,328	219,900
Investments	429,975	598,431	615,612
Other limited or restricted use assets	300,495	194,288	321,311
Property and equipment, net	1,774,277	1,879,120	1,925,628
Investments in unconsolidated organization	1,450,068	1,616,988	1,708,468
Other assets	835,609	841,058	791,267
TOTAL ASSETS	<u>\$6,682,366</u>	<u>\$6,757,491</u>	<u>\$6,896,351</u>
CURRENT LIABILITIES:			
Current portion of long-term debt	\$ 60,422	\$ 97,365	\$ 100,175
Accounts payable and accrued expenses	433,708	453,969	438,770
Payable under security lending agreements	130,364	67,972	38,719
Other current liabilities	395,401	385,185	369,924
TOTAL CURRENT LIABILITIES	<u>1,019,895</u>	<u>1,004,491</u>	<u>947,588</u>
LONG-TERM DEBT	1,223,524	1,151,590	1,239,333
ACCRUED PENSION COSTS	438,537	417,481	235,047
OTHER LONG-TERM LIABILITIES	858,507	844,233	843,729
TOTAL NET ASSETS:			
Unrestricted	2,954,583	3,146,859	3,424,520
Temporarily restricted	140,614	143,010	156,215
Permanently restricted	46,706	49,827	49,919
TOTAL LIABILITIES AND NET ASSETS	<u>\$6,682,366</u>	<u>\$6,757,491</u>	<u>\$6,896,351</u>

The following table summarizes the consolidated operating results for Trinity Health for the fiscal years ended June 30, 2012 and 2013.

Trinity Health
Summary Consolidated Statements of Operations and
Changes in Unrestricted Net Assets
(In Thousands)

	Fiscal Years Ended	
	June 30,	
	2012	2013
UNRESTRICTED REVENUE		
Patient service revenue, net of contractual and other allowances	\$7,849,161	\$8,288,991
Provision for bad debts	431,457	480,302
Net patient service revenue less provision for bad debts	7,417,704	7,808,689
Other revenue ⁽¹⁾	1,051,749	1,169,696
TOTAL UNRESTRICTED REVENUE	8,469,453	8,978,385
EXPENSES		
Labor expenses	4,464,718	4,721,030
Supplies	1,430,933	1,468,953
Purchased services ⁽²⁾	985,653	1,095,386
Depreciation and amortization	464,750	479,882
Interest	102,781	110,533
Other ⁽³⁾	750,609	780,852
TOTAL EXPENSES	8,199,444	8,656,636
OPERATING INCOME BEFORE OTHER ITEMS	270,009	321,749
Consolidation costs	-	(16,950)
OPERATING INCOME	270,009	304,799
Investment (losses) earnings	(19,159)	325,646
Gain on bargain purchase and inherent contributions	216,796	-
Other non-operating	(100,593)	35,994
EXCESS OF REVENUE OVER EXPENSES	367,053	666,439
OTHER CHANGES IN TOTAL UNRESTRICTED NET ASSETS		
Change in retirement plan items	(673,340)	261,557
Other changes in unrestricted net assets	20,299	2,980
(Decrease) increase in unrestricted net assets before discontinued operations	(285,988)	930,976
Discontinued operations of: BCHS		
Loss from operations	(5,447)	(9,503)
Loss on transfer of shares	(28,534)	-
Change in retirement plan items	21,678	-
Decrease due to transfer of non-controlling interest	(81,153)	-
(DECREASE) INCREASE IN TOTAL UNRESTRICTED NET ASSETS	\$ (379,444)	\$ 921,473

⁽¹⁾ Includes capitation and premium revenue.

⁽²⁾ Includes medical claims.

⁽³⁾ Includes occupancy costs.

The following table presents the summary consolidated balance sheets of Trinity Health as of June 30, 2012 and 2013.

Trinity Health
Summary Consolidated Balance Sheets
(In Thousands)

	As of June 30,	
	2012	2013
CURRENT ASSETS:		
Cash, cash equivalents and investments	\$ 2,592,214	\$ 2,798,656
Security lending collateral	130,702	114,865
Assets limited as to use	27,420	27,112
Patient accounts receivable, net	965,573	942,880
Other current assets	574,640	534,423
TOTAL CURRENT ASSETS	4,290,549	4,417,936
ASSETS LIMITED AS TO USE & OTHER ASSETS:		
Board designated	2,153,574	2,475,659
Other limited or restricted use assets	600,427	530,405
Property and equipment, net	4,221,827	4,548,908
Investments in unconsolidated affiliates	126,678	127,899
Other assets	282,860	348,686
TOTAL ASSETS	\$11,675,915	\$12,449,493
CURRENT LIABILITIES:		
Commercial paper	\$ 134,989	\$ 368,923
Short-term borrowings	892,865	867,130
Current portion of long-term debt	32,362	30,862
Accounts payable and accrued expenses	490,045	549,433
Payable under security lending agreements	130,702	114,865
Other current liabilities	811,870	816,933
TOTAL CURRENT LIABILITIES	2,492,833	2,748,146
LONG-TERM DEBT	2,302,236	2,299,594
ACCRUED PENSION AND RETIREE HEALTH COSTS	1,057,566	686,946
OTHER LONG-TERM LIABILITIES	954,270	911,773
TOTAL NET ASSETS:		
Unrestricted	4,725,362	5,646,835
Temporarily restricted	102,978	113,438
Permanently restricted	40,670	42,761
TOTAL LIABILITIES AND NET ASSETS	\$11,675,915	\$12,449,493

Regional Health Ministries

The RHMs that contributed at least 5% to the System’s pro-forma unrestricted revenue during the twelve months ended June 30, 2013 are listed in the following table. The RHMs listed in the table below are not necessarily Material Designated Affiliates. For a description of RHMs, see “GOVERNANCE AND MANAGEMENT—Operations” herein.

Regional Health Ministries⁽¹⁾ Twelve Months Ended June 30, 2013 (Dollars In Thousands)

Regional Health Ministry and Location	Unrestricted Revenue	Percent of the Corporation’s Consolidated Unrestricted Revenue	Operating Cash Flow ⁽²⁾	Operating Cash Flow Margin	Percent of the Corporation’s Consolidated Operating Cash Flow
Mount Carmel Health System (Columbus, Ohio)	\$ 1,464,356	11.0%	\$164,031	11.2%	13.2%
Saint Joseph Mercy Health System (Ann Arbor, Livonia, Howell and Chelsea, Michigan)	1,395,057	10.5	162,808	11.7	13.1
Loyola University Health System (Chicago, Illinois)	1,157,465	8.7	107,361	9.3	8.6
St Peter’s Health Partners ⁽³⁾ (Albany, New York)	1,107,285	8.3	106,598	9.6	8.6
Mercy Health System of Southeastern Pennsylvania (Philadelphia, Pennsylvania)	751,925	5.7	47,139	6.3	3.8
Saint Alphonsus Health System (Oregon and Idaho)	690,672	5.2	70,459	10.2	5.6
Remaining Regional Health Ministries and other ⁽⁴⁾	6,726,963	50.6	587,416	8.7	47.1
CHE Trinity Inc.	<u>\$13,293,723</u>	<u>100.0%</u>	<u>\$1,245,812</u>	<u>9.4%</u>	<u>100.0%</u>

⁽¹⁾ These figures are before the elimination of intercompany items.

⁽²⁾ Operating cash flow consists of operating income before depreciation and amortization and interest expense, as reconciled on the following table. Operating cash flow is not a measurement of financial performance or liquidity under generally accepted accounting principles. It should not be considered in isolation or as a substitute for revenue over expenses, operating income, cash flows from operating activities or financing activities, or any other measure calculated in accordance with generally accepted accounting principles. The items excluded from operating cash flow are significant components in understanding and evaluating financial performance. The Corporation uses operating cash flow of each of the RHMs as a measure of performance. The Corporation believes aggregate operating cash flow presented in the table above is important because it provides investors with additional information about the Corporation’s ability to incur and service debt and make capital contributions. In addition, the Corporation uses operating cash flow as an analytical indicator for purposes of allocating resources to RHMs and assessing their performance.

⁽³⁾ St. Peter’s Health Partners is not a Designated Affiliate.

⁽⁴⁾ Eleven RHMs, each with unrestricted revenue in excess of \$300 million, comprise 71% (\$4.747 billion) of the \$6.727 billion in Remaining Regional Health Ministries and other. These RHMs are Saint Mary’s Health Services (Grand Rapids, Michigan), Mercy Health Partners (Muskegon, Michigan), Our Lady of Lourdes Medical Center (Camden, New Jersey), St. Mary Medical Center (Langhorne, Pennsylvania), Saint Agnes Medical Center (Fresno, California), Holy Cross (Fort Lauderdale, Florida), Holy Cross Health Corporation (Silver Spring, Maryland), Saint Joseph Mercy – Oakland (Pontiac, Michigan), Saint Joseph Regional Medical Center (South Bend, Indiana), Mercy Medical Center – North Iowa (Mason City, Iowa), and Mercy Medical Center (Springfield, Massachusetts).

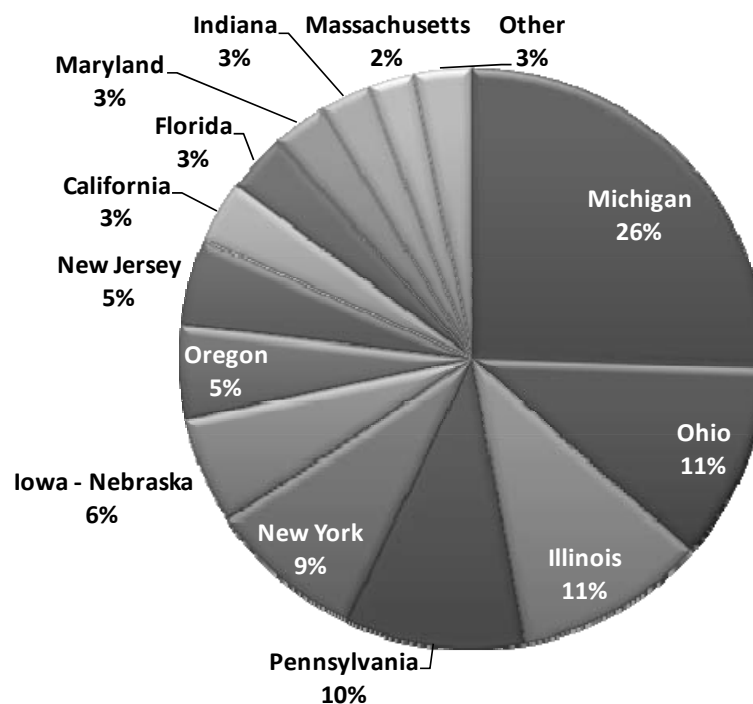
The following table reconciles the System's operating cash flow, as defined, to operating income as derived from the System's pro-forma consolidated financial statements for the twelve months ended June 30, 2013.

**CHE Trinity Inc.
Pro-Forma Operating Cash Flow and Operating Income
(In Thousands)**

	Twelve Months Ended June 30, 2013
Operating cash flow	\$1,245,812
Less:	
Depreciation and amortization	677,126
Interest expense	155,761
Operating income	<u>\$ 412,925</u>

The System's pro-forma unrestricted revenue by state for the twelve months ended June 30, 2013 is detailed in the following chart.

**CHE Trinity Inc.
Pro-Forma Total Unrestricted Revenue for
Twelve Months Ended June 30, 2013**



Sources of Net Patient Service Revenue Before Provision for Bad Debt

General. The members of the Credit Group that are health care providers derive their net patient service revenue (including long-term care revenue) from the federal Medicare program, state Medicaid programs, managed-care providers, commercial insurers, self-paying patients and other sources. The following tables present the sources of net patient service revenue before provision for bad debt for fiscal years ended December 31, 2011 and 2012 for CHE and the sources of net patient service revenue before the provision for bad debt for fiscal years ended June 30, 2012 and 2013 for Trinity Health. For further information regarding the sources of revenue and the potential impacts of changes thereto, see the section entitled “BONDHOLDERS’ RISKS” in the forepart of this Official Statement.

Catholic Health East Net Patient Service Revenue Before Provision for Bad Debt

	Fiscal Years Ended December 31,	
	2011	2012
Medicare	50.2%	50.8%
Medicaid	18.8	19.5
Commercial insurers	29.2	28.0
Self pay	1.8	1.7
TOTAL	100.0%	100.0%

Trinity Health Net Patient Service Revenue Before Provision for Bad Debt

	Fiscal Years Ended June 30,	
	2012	2013
Medicare	37.7%	38.0%
Medicaid	10.6	12.1
Commercial insurers	47.7	45.6
Self pay	4.0	4.3
TOTAL	100.0%	100.0%

Coverage of Maximum Annual Debt Service Requirement

The table below sets forth the Credit Group's coverage of (i) the maximum annual Debt Service Requirement (as defined in APPENDIX F to this Official Statement) on indebtedness for the twelve months ended June 30, 2012 and 2013, and (ii) the maximum annual Debt Service Requirement on indebtedness for the twelve months ended June 30, 2013 to give effect to the issuance of the Series 2013 Bonds in the aggregate principal amount of \$626,950,000, and that the proceeds of the sale of the Series 2013 Bonds had been applied toward the purposes described in the section entitled "PLAN OF FINANCING" in the forepart of this Official Statement, without reflecting any expenses to be incurred or revenues realized in connection with such transactions.

	Twelve Months Ended June 30, (Dollars In Thousands)	
	2012	2013
Excess of revenue over expenses, net of noncontrolling interest ⁽¹⁾	\$ 637,010	\$ 1,062,960
Adjustments:		
Depreciation and amortization	557,199	571,668
Unrealized loss (gain) on investments	153,481	(132,354)
Gain on sale of assets not in the ordinary course of business	(6,465)	(16,380)
Decrease (increase) in market value of derivatives, other non-operating items	117,705	(53,262)
Equity earnings in unconsolidated subsidiaries included in non-operating income	(93,267)	(224,375)
Gain on bargain purchase and inherent contributions	(216,796)	—
Loss from early extinguishment of debt	16,367	1,057
Interest expense	126,523	135,422
Other non-cash items	(28,023)	(36,727)
Income Available for Debt Service ⁽²⁾	<u>\$1,263,734</u>	<u>\$1,308,009</u>
Maximum annual Debt Service Requirement ⁽³⁾⁽⁴⁾	<u>\$ 252,536</u>	<u>\$ 256,481</u>
Coverage of maximum annual Debt Service Requirement (times)	<u>5.00x</u>	<u>5.10x</u>
Maximum annual Debt Service Requirement, as adjusted ⁽³⁾⁽⁴⁾	<u>—</u>	<u>\$ 268,349</u>
Coverage of maximum annual Debt Service Requirement, as adjusted (times)	<u>—</u>	<u>4.87x</u>

⁽¹⁾ Excludes results of operations of BCHS, MHSM and SMMC. See "STRATEGIC INITIATIVES—Significant Ventures, Acquisitions, Divestitures and Other Transactions—Divestitures" and "—Completed Transactions" herein.

⁽²⁾ See APPENDIX F to this Official Statement for the definition of Income Available for Debt Service.

⁽³⁾ For purposes of calculating maximum annual Debt Service Requirement, the annual interest rate on all variable rate indebtedness for future periods has been assumed to be 3.0%.

⁽⁴⁾ Excludes debt service associated with \$191 million of indebtedness including Obligations under Term Loans and other, Capital Leases and Other and Mortgages that are not secured under the Master Indenture. See "FINANCIAL AND OPERATING INFORMATION-Capitalization" herein.

Capitalization

The following table presents the historical capitalization of the Credit Group as of June 30, 2013 and as adjusted assuming that the Series 2013 Bonds were issued on June 30, 2013 and the proceeds applied toward the purposes described herein and the completion of the other elements of the plan of financing, as further described in “PLAN OF FINANCING” in the forepart of this Official Statement.

Credit Group Capitalization (Dollars In Thousands)

	As of June 30, 2013	
	Pro-Forma	As Adjusted
The Series 2013 Bonds	-	\$ 626,950
Revenue bonds	\$ 2,899,350	2,802,035
Term Loans and other	57,171	57,171
Obligations under Capital Leases and Other	111,411	111,411
Mortgages	22,288	22,288
Revolving line of credit	37,881	37,881
Commercial paper	368,923	99,923
Short-term borrowings ⁽¹⁾	896,455	896,455
Total Debt	4,393,479	4,654,114
Add: Unamortized Bond Premium, net	42,000	42,579
Net Debt	4,435,479	4,696,693
Unrestricted Net Assets	7,968,753	7,968,753
Total Capitalization	\$12,404,232	\$12,665,446
Net Debt as a Percentage of Total Capitalization	35.8%	37.1%

⁽¹⁾ Represents variable rate demand bonds supported by self-liquidity and dedicated bank liquidity facilities that expire in less than one year.

Interest Rate Swap Agreements

As described more completely under the caption “DERIVATIVE FINANCIAL INSTRUMENTS” in Note 9 to the audited consolidated financial statements of CHE included as APPENDIX C to this Official Statement and Note 11 to the audited consolidated financial statements of Trinity Health included as APPENDIX B to this Official Statement, each of CHE and Trinity Health utilizes interest rate swaps to manage interest rate risk related to its fixed income investments, variable interest rate debt and variable rate leases. The Corporation periodically evaluates its overall debt portfolio and interest rates and may, from time to time, enter into interest rate swaps which involve the exchange of two variable interest rates (commonly known as basis swaps). The pro-forma aggregate notional amount of the Corporation’s interest rate swap agreements as of June 30, 2012 and 2013 was \$2,658 million and \$2,553 million, respectively. The pro-forma fair market value of the Corporation’s interest rate swap agreements as of June 30, 2013 was a liability of \$109 million. Certain collateral posting requirements are in effect, and as of June 30, 2013, the Corporation had posted \$11 million in collateral. The interest rate swaps described in this paragraph include approximately \$48 million of interest rate swaps currently in place related to existing debt of St. Peter’s Health Partners, New York, the market value of which represented a liability of \$4 million as of June 30, 2013, none of which are secured under the Master Indenture. In the event of nonperformance by the counterparties to the interest rate swap agreements, the Corporation could suffer adverse financial consequences. The current ratings of the counterparties to these interest rate swap agreements are at least “Baa1” from Moody’s Investors Service, Inc., or “A” from either Standard & Poor’s Ratings Services or Fitch Ratings.

For a discussion of certain risks associated with interest rate swaps, see “BONDHOLDERS’ RISKS—Risks Related to Interest Rate Swap Agreements” in the forepart of this Official Statement.

Liquidity and Capital Resources

Unrestricted Investments. CHE and Trinity Health each maintain centralized investment programs and cash management programs comprised primarily of operating funds, self-insurance funds, and other Board-designated funds, which represents the majority of all cash and investments of the RHMs. These centralized investment programs are administered by the treasury staff. These unrestricted investments do not include defined benefit or defined contribution pension plan assets.

The Corporation’s Board of Directors approves the primary investment policy, while the Stewardship Committee of the Corporation’s Board of Directors approves the asset allocation within the policy guidelines. Investment procedures are approved by the Investment Subcommittee of the Stewardship Committee. The Investment Subcommittee also is responsible for ongoing oversight of the centralized investment program and approval of most other investment-related decisions, including selection of an investment consultant. The Corporation utilizes an external investment consultant to provide professional investment analysis and guidance and to assist in evaluating the performance of the fund managers. Professional investment management firms invest all the assets in the centralized investment program.

The following table summarizes the targeted allocations of CHE and Trinity Health’s investments other than pension funds. Asset allocations are reviewed on a monthly basis and compared to such investment allocation targets. To the extent deemed desirable by management, assets may be adjusted from time to time but will be maintained within 5% of the targeted allocations depicted below. All hedge and similar funds are actively managed and include a broad range of investments including equities, fixed income securities, commodities, currencies and derivatives.

	Asset Class Allocations	
	CHE	Trinity Health
Short Term Fixed Income	34%	5%
Equities, traditional long only	28	15
Hedge Funds	18	20
Intermediate Term Fixed Income	12	30
Long/Short Equities	6	15
Real Assets	1	5
Other	1	10
TOTAL	100%	100%

The Corporation periodically utilizes various financial instruments (e.g., options, foreign currency futures, caps, swaps, and convertible bonds and stocks) to replicate various indexes and to hedge interest rate, equity downside risk and other exposures in its investment portfolios. The Corporation records its derivative financial instruments at fair market value on its consolidated balance sheet and records the changes in fair market value for the interest rate swap agreements and cash payments of interest rate swaps in other non-operating items in the consolidated statement of operations and changes in net assets.

The Corporation’s ability to generate investment income and realized gains is dependent in large measure on market conditions. For a description of certain of the risks involved with market and other economic downturns, see “BONDHOLDERS’ RISKS” in the forepart of this Official Statement. The market value of the Corporation’s centralized investment portfolio, as well as investment income, has fluctuated significantly in the past and may continue to fluctuate in the future. Unrealized gains and

losses on hedge funds structured as limited liability corporations and partnerships and commingled funds are included in nonoperating items.

Given the size of its centralized investment programs, the Corporation's management anticipates that changes in levels of returns on marketable securities and equity earnings on other investments are likely to continue to have a significant impact on excess of revenue over expenses.

Liquidity. As depicted in the following table, the Corporation's total value of unrestricted cash and investments (excluding self-insurance and employee benefit funds) increased 9.0% in the twelve months ended June 30, 2013. This overall increase in liquidity occurred predominantly as a result of operating performance and improved investment performance during the twelve months ended June 30, 2013.

The Corporation participates in securities lending transactions with financial institutions pursuant to which a portion of its unrestricted investments is loaned to such institutions in return for collateral in the form of cash and securities received from such institutions. Pursuant to its securities lending agreements, through its agents, the Corporation assesses the market value of such collateral every business day. If such market value is less than the amount required, the financial institutions are required to deposit additional collateral for the accounts of the Corporation.

The following table depicts the pro-forma position of the Corporation at June 30, 2012 and 2013, but does not include cash or securities provided to the Corporation as collateral under its securities lending program.

**CHE Trinity Inc.
Liquidity Position
(Dollars In Thousands)**

	As of June 30,	
	2012	2013
Cash and cash equivalents ⁽¹⁾	\$ 993,734	\$ 998,369
Investment securities classified as current assets ⁽²⁾	2,054,179	2,250,327
Board-designated funds ⁽³⁾	2,533,166	2,855,095
Other long-term investments	582,661	615,612
Total unrestricted cash and investments	<u>\$6,163,740</u>	<u>\$6,719,403</u>
Days cash on hand ⁽⁴⁾	197	201
Ratio of cash to debt ⁽⁵⁾	132.8%	137.0%

⁽¹⁾ Includes fixed income securities with maturities less than three months.

⁽²⁾ Includes fixed income and equity securities, commingled funds, hedge funds, and other investments (structured as limited liability corporations or partnerships).

⁽³⁾ Includes cash, cash equivalents, fixed income and equity securities, commingled funds, hedge funds, and other investments (structured as limited liability corporations or partnerships.)

⁽⁴⁾ Total unrestricted cash and investments, divided by total operating expenses minus depreciation and amortization, divided by 365.

⁽⁵⁾ Total unrestricted cash and investments, divided by total debt.

The Corporation uses a number of statistical benchmarks as part of its strategic financial planning including debt to capitalization, days cash on hand and the ratio of cash and investments to total debt. Each benchmark remains within management's planning ranges.

Commercial Paper Program. The Corporation has a commercial paper program authorized for borrowings up to \$600 million. As of June 30, 2013, Trinity Health was obligated on approximately \$369 million of commercial paper. Proceeds from this program are used for general purposes of the Corporation. Notes issued under the commercial paper program are payable from the proceeds of subsequently issued commercial paper notes and from other funds available to the Corporation, including funds derived from the liquidation of securities held by CHE and Trinity Health in their investment portfolios. For a discussion of certain market risks associated with commercial paper, see “BONDHOLDERS’ RISKS—Significant Risk Areas Summarized—Market Risk in Connection with Commercial Paper” in the forepart of this Official Statement.

Liquidity Facilities. In July 2013, the Corporation renewed legacy Trinity Health credit agreements (collectively, the “Credit Agreements”) previously entered into between Trinity Health and U.S. Bank National Association, which acts as an administrative agent for a group of lenders thereunder. The Credit Agreements establish a revolving credit facility for the Corporation, under which that group of lenders agrees to lend to Trinity Health amounts that may fluctuate from time to time but, as of October 3, 2013, the amount available was \$731 million. In connection with the issuance of the Series 2013 Bonds, Trinity Health anticipates increasing the amounts available under the Credit Agreements to \$931 million. Amounts drawn under the Credit Agreements can only be used to support the Corporation’s obligation to pay the purchase price of bonds which are subject to tender and that have not been successfully remarketed, and the maturing principal of and interest on commercial paper notes. Of the \$931 million available balance, \$150 million expires in July 2014, \$175 million expires in July 2015, \$321 million expires in July 2016 and \$285 million expires in July 2017. At October 3, 2013, there were no amounts outstanding under the Credit Agreements. The Credit Agreements are secured by Obligations under the Master Indenture.

Upon completion of the conversions of the CHE Bonds to self-liquidity mode described in this Official Statement under “PLAN OF FINANCING,” the Corporation anticipates increasing the size of the Credit Agreements to reflect such conversions, which may result in changes to the size and expiration of the Credit Agreements from that described above.

The Credit Agreements, along with the Corporation’s liquid cash assets, will provide support for \$1.2 billion of variable rate bonds that, as part of this Plan of Financing, are subject to tender and classified as short-term borrowings in the consolidated balance sheet. Copies of the Credit Agreements are publically available via Digital Assurance Certification L.L.C. at www.dacbond.com.

The Corporation also maintains a CHE general purpose facility of \$300 million, of which \$37 million is related to letters of credit. At the Corporation’s option, this general purpose facility may be increased to \$350 million. As of October 3, 2013, draws on this general purpose facility totaled \$68 million.

In addition, in July 2013, the Corporation renewed a Trinity Health three year general purpose credit facility of \$200 million. At October 3, 2013 there were no amounts outstanding under this credit facility.

MANAGEMENT’S DISCUSSION AND ANALYSIS OF RECENT FINANCIAL PERFORMANCE

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management of the Corporation to make assumptions, estimates and judgments that affect the amounts reported in the financial statements, including the notes thereto, and related disclosures of commitments and contingencies, if any. The Corporation considers

critical accounting policies to be those that require the more significant judgments and estimates in the preparation of its financial statements, including the following: recognition of net patient service revenue, which includes contractual allowances, provisions for bad debt and charity care; recorded values of investments and goodwill; reserves for losses and expenses related to health care professional and general liability risks; and risks and assumptions for measurement of pension and retiree medical liabilities. Management relies on historical experience and on other assumptions believed to be reasonable under the circumstances in making its judgment and estimates. Actual results could differ materially from those estimates.

Financial results presented include the impact of Accounting Standards Update 2011-07, “Health Care Entities (Topic 954): Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and Allowance for Doubtful Accounts for Certain Health Care Entities” (“ASU 2011-07”). This guidance requires certain health care entities to present the provision for bad debts related to patient service revenues as a deduction from revenue, net of contractual allowances and discounts, versus as an expense in the statement of operations. The adoption of this guidance resulted in a reduction of net patient service revenue, operating revenue and operating expense but had no impact on operating income in the statement of operations and changes in net assets. All periods presented have been reclassified in accordance with the provisions of ASU 2011-07.

As described in “STRATEGIC INITIATIVES—Significant Ventures, Acquisitions, Divestitures and Other Transactions—Completed Transactions” above, Trinity Health acquired MHSC, LUHS and their subsidiaries and affiliates. MHSC, LUHS and their affiliates and subsidiaries have been consolidated in the Trinity Health financial statements as of and for the fiscal years ended June 30, 2012 and 2013.

As described in “STRATEGIC INITIATIVES—Significant Ventures, Acquisitions, Divestitures and Other Transactions—Completed Transactions,” above, CHE, together with SJHS and Emory Healthcare, negotiated a Joint Operating Agreement through a Contribution Agreement and Membership Agreement involving certain assets of SJHS. The resulting Joint Operating Company is accounted for under the equity method of accounting in the consolidated financial statements with gains or losses recorded as a non-operating item.

As described in “STRATEGIC INITIATIVES—Significant Ventures, Acquisitions, Divestitures and Other Transactions—Completed Transactions” above, effective October 1, 2011, CHE, together with the Parties, entered into an Affiliation Agreement which provided for the formation of SPHP. SPHP operates as an RHM as a secular corporation rather than a religiously-sponsored entity. The results of operations and financial position of SPHP have been included in the CHE financial statements as of and for the six months ended June 30, 2012 and 2013.

As described in “STRATEGIC INITIATIVES—Significant Ventures, Acquisitions, Divestitures and Other Transactions—Completed Transactions” above, effective May 1, 2011, Mercy Miami, together with Mercy Outpatient Services, Inc. and Mercy Medical Development, Inc., both subsidiaries of CHE, completed the sale of substantially all of their assets and certain liabilities to Plantation General Hospital, L.P. and HCA Long Term Health Services of Miami, Inc. The results of these operations of organizations are reflected as discontinued operations in the audited consolidated financial statements of CHE for the fiscal years ended December 31, 2012 and 2013, and the six months ended June 30, 2012 and 2013. The following discussion excludes the impact of this transaction.

As described in “STRATEGIC INITIATIVES—Significant Ventures, Acquisitions, Divestitures and Other Transactions—Completed Transactions” above, on November 30, 2011, Mercy SEPA sold its

equity ownership interest in certain Medicaid managed care organizations. CHE recorded a gain of \$95 million.

As described in “STRATEGIC INITIATIVES—Significant Ventures, Acquisitions, Divestitures and Other Transactions—Completed Transactions” above, effective July 1, 2011, Trinity Health transferred its shares of BCHS to Bronson Healthcare Group, Inc. The results of these operations are reflected as discontinued operations in the audited consolidated financial statements of Trinity Health for the fiscal year ended June 30, 2012 included as APPENDIX B to this Official Statement. The following discussion excludes the impact of BCHS.

The System (Pro-Forma)

Certain amounts have been reclassified in the System’s summary pro-forma consolidated statement of operations and summary consolidated balance sheets for fiscal years 2013 and 2012 to conform to classifications adopted by the System.

Pro-forma Historical Performance: Twelve Months Ended June 30, 2012 and 2013.

Operating Income. For the twelve months ended June 30, 2013 operating income of \$415 million, before other items, increased \$44 million compared to the twelve months ended June 30, 2012. Operating cash flow margin and operating margin, before other items, were 9.4% and 3.1%, respectively, for the twelve months ended June 30, 2013, and 9.3% and 3.0% for the twelve months ended June 30, 2012. Other items in the twelve months ended June 30, 2012 include a \$95 million gain on sale of investment in unconsolidated affiliate and \$23 million of restructuring costs. Results include a cash receipt of \$24 million, net of fees, from Medicare related to the April 2012 agreement reached between the U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services and named providers, including certain hospitals in the System, for settlement payments associated with prior years’ calculations of the rural floor budget neutrality adjustment for the Medicare Program’s inpatient prospective payment system (the “Rural Floor Budget Neutrality Settlement”). Other items in the twelve months ended June 30, 2013 include a \$23 million gain on sale of renal operations and \$21 million of consolidation costs. Results include a cash receipt of \$50 million, net of fees, from Medicare related to the Rural Floor Budget Neutrality Settlement. Excess of revenue over expenses was \$1,049 million for the twelve months ended June 30, 2013 and \$936 million for the twelve months ended June 30, 2012.

Revenue. Total unrestricted revenue of \$13.3 billion, excluding other items discussed above, increased \$813 million, or 6.5%, compared to the twelve months ended June 30, 2012. Contributors to the increase were due primarily to the following: (i) \$594 million in volume growth, (ii) \$68 million related to the Medi-Cal Hospital Quality Assurance Fund program in California of which \$61 million was offset in expense, (iii) additional capitation revenue of \$60 million, and (iv) additional meaningful use revenue of \$58 million. Offsetting these increases, charity care increased \$107 million during the twelve months ended June 30, 2013, while provision for bad debts increased \$27 million.

Expenses. Total operating expenses of \$12.9 billion, excluding other items discussed above, increased \$770 million, or 6.4%, for the twelve months ended June 30, 2013. Contributors to the increase were due primarily to the following: (i) labor expense of \$450 million (salaries and wages of \$401 million), (ii) purchased services of \$90 million, (iii) supplies of \$67 million, (iv) \$61 million of expense related to the Medi-Cal Hospital Quality Assurance Fund program in California, and (v) medical and professional fees of \$56 million. Depreciation and amortization, occupancy, and interest expense did not materially change during the twelve months ended June 30, 2013 compared to the same period in 2012.

Nonoperating Items. The System reported gains in nonoperating items of \$637 million in the twelve months ended June 30, 2013, compared to gains of \$493 million in the twelve months ended June 30, 2012. The net increase of \$144 million includes an increase in investment income of \$467 million, a favorable change in market value and cash payments of interest rate swaps of \$174 million and a \$66 million increase in equity earnings of unconsolidated affiliates. These increase were partially offset by nonrecurring gains on bargain purchases and inherent contributions from asset acquisitions of \$540 million which occurred during the twelve months ended June 30, 2012.

Balance Sheet Trends. The System's total assets of \$19.3 billion increased \$1.0 billion, or 5.6%, as of June 30, 2013, compared to June 30, 2012. The most significant increases include: (i) unrestricted cash and investments of \$556 million, (ii) net property and equipment of \$442 million and (iii) investments in unconsolidated affiliates of \$189 million, partially offset by a decrease in construction funds held in trust under bond indenture agreements of \$115 million.

Total liabilities of \$9.9 billion decreased \$293 million, or 2.9%. The most significant decreases were related to accrued pension and retiree health costs of \$561 million (primarily due to additional contributions to the defined benefit pension plans and an increase in the discount rate used to value these liabilities), partially offset by the issuance of \$234 million in commercial paper. Variable rate demand bonds supported by liquidity facilities with expiration dates less than one year from the balance sheet are included in short-term borrowings.

CHE

Historical Performance: Fiscal Years Ended December 31, 2011 and 2012.

Operating income. For fiscal year 2012, operating income totaled \$118 million, an increase of \$28 million compared to fiscal year 2011. Operating cash flow margin and operating margin for fiscal year 2012 were 8.3% and 2.8%, respectively, compared to 7.9% and 2.5% for the prior fiscal year. The fiscal year 2012 results include a cash receipt of \$24 million, net of fees, from Medicare related to the Rural Floor Budget Neutrality Settlement. Excess of revenue over expenses for fiscal year was \$383 million, a decrease of \$192 million compared to fiscal year 2011 excess of revenues over expenses of \$575 million.

Revenue. Unrestricted revenue for fiscal year 2012 totaled \$4 billion, an increase of \$589 million, or 16%, compared to the prior fiscal year. The acquisition of NEH and Seton comprised \$426 million, or 72%, of the increase. Unrestricted revenue also includes approximately \$44 million of meaningful use incentive payments received for the first time in fiscal year 2012. Excluding the impact of NEH and Seton, charity care in fiscal year 2012 increased \$86 million over the prior fiscal year, while bad debt remained flat to fiscal year 2011.

Expenses. Total operating expenses of \$4.1 billion increased \$561 million, or 15.7%, in fiscal year 2012 compared to fiscal year 2011. The acquisition of NEH and Seton accounted for \$412 million, or 73% of the increase in operating expenses. Other increases were due primarily to an increase in labor expense of \$107 million due to salary and benefits increases and \$30 million in additional purchased services expense, which includes \$12 million of consulting fees paid for the recovery of the Medicare Budget Neutrality Settlement.

Nonoperating Items. Nonoperating items totaled \$265 million in fiscal year 2012, compared to gains of \$485 million in fiscal year 2011. The decrease of \$220 million is primarily due to non-recurring gains in fiscal year 2011, including (i) contribution income generated from the acquisition of NEH and Seton in October 2011, and (ii) a \$92 million gain on sale of Mercy SEPA's interest in certain Medicaid

managed care organizations in November 2011. Offsetting these decreases were increases in investment returns of \$89 million and increases in equity in earnings of unconsolidated subsidiaries of \$45 million.

Balance Sheet Trends. Total assets of \$6.7 billion increased \$75 million, or 1.1%, as of December 31, 2012, compared to December 31, 2011. Significant increases included property and equipment, net, of \$105 million primarily attributable to completion of patient tower construction at St. Peter's Hospital during the year and an increase in patient accounts receivable of \$16 million. Additionally, investments in unconsolidated organizations increased \$167 million due primarily to strong operating performance of Baycare Health System in which CHE owns a 50.4% equity investment. These increases were offset by a decrease in trustee-held funds of \$105 million due to the expenditure of bond proceeds to fund construction of the St. Peter's Hospital's capital project.

Total liabilities of \$3.4 billion as of December 31, 2012 decreased \$123 million, or 3.5%, compared to December 31, 2011. Accrued pension costs decreased \$21 million due to contributions in excess of plan expense and long term debt decreased \$34 million due to the pay down of outstanding debt issues. Other liabilities have decreased \$24 million due to decreases in third-party payables of \$10.8 million and reductions of accruals from payment of insurance and other settlements.

Statement of Cash Flows. Operating activities generated \$131 million of cash for fiscal year 2012. Investing activities used \$269 million of cash primarily related to \$295 million for purchases of property and equipment offset by proceeds from sales of assets of \$40 million. Financing activities used \$70 million in additional funds, primarily due to repayments of long term debt. As a result, cash and cash equivalents decreased approximately \$200 million as compared to fiscal year 2011.

Historical Performance: Six Months Ended June 30, 2013 and 2012.

Operating income. For the six months ended June 30, 2013, operating income totaled \$21 million, a decrease of \$34 million as compared to operating income of \$55 million for the six months ended June 30, 2012. Operating cash flow margin and operating margin for the six months ended June 30, 2013 were 6.7% and 0.2%, respectively, compared to 8.2% and 2.6% for the six months ended June 30, 2012. The six months ended June 30, 2012 results include a cash receipt of \$24 million, net of fees, from Medicare related to the Rural Floor Budget Neutrality Settlement. Excess of revenue over expenses for the six months ended June 30, 2013 was \$147 million which approximated the June 30, 2012 excess of revenue over expenses.

Revenue. Unrestricted revenue for the six months ended June 30, 2013 totaled \$2.2 billion, an increase of \$74 million, or 3.5%, compared to the same period in prior fiscal year. Growth in revenue was driven primarily by increases in outpatient and home health services as well as PACE programs.

Expenses. Total operating expenses for the six months ending June 30, 2013 of \$2.2 billion increased \$109 million, or 5.3%, compared to the six months ending June 30, 2012. This was due primarily to an increase in labor expense of \$58 million due to salary and benefits increases and a \$39 million increase in purchased services expense.

Nonoperating Items. Nonoperating items totaled \$126 million for the six months ended June 30, 2013, compared to gains of \$92 million for the six months ended June 30, 2012. The increase of \$34 million is primarily due to investment returns of \$65 million for the six months ended June 30, 2013, which outpaced investment returns during the prior year period by \$30 million.

Balance Sheet Trends. Total assets of \$6.9 billion increased \$139 million, or 2.0%, as of June 30, 2013, compared to December 31, 2012. Significant increases included property and equipment, net, of

\$46 million due to capital project spending, an increase in patient accounts receivable of \$34 million, and an increase in investments in unconsolidated organizations of \$92 million due to strong operating performance of Baycare Health System.

Total liabilities as of June 30, 2013 of \$3.3 billion decreased \$163 million, or 4.7%, compared to December 31, 2012. Accrued pension costs decreased \$182 million due to an increase in pension discount rates from 3.80% at December 31, 2012 to 4.55% at June 30, 2013, as well as favorable pension investment performance. This was offset by an increase in long term debt of \$88 million due to new debt issues for qualifying electronic health record expenditures and for a replacement facility project at St. Mary's in Athens, Georgia.

Trinity Health

Historical Performance: Fiscal Years Ended June 30, 2012 and 2013.

Operating Income. Fiscal year 2013 operating income of \$322 million, prior to \$17 million of costs incurred as a result of the consolidation with CHE, increased \$52 million compared to fiscal year 2012. Operating cash flow margin and operating margin, prior to consolidation costs, were 10.2% and 3.6%, respectively, for fiscal year 2013, compared to 9.9% and 3.2% for fiscal year 2012. Fiscal year 2013 results include a cash receipt of \$50 million, net of fees, from Medicare related to the Rural Floor Budget Neutrality Settlement. Excess of revenue over expenses was \$666 million for fiscal year 2013 compared to \$367 million in fiscal year 2012.

Revenue. Operating revenue continued to grow in fiscal year 2013. Total unrestricted revenue of \$9.0 billion increased \$509 million, or 6.0%, compared to fiscal year 2012. The acquisition of MHSC accounted for \$173 million, or a 34% of the increase. Additional contributors to the increase were due primarily to the following: (i) \$145 million in volume growth, (ii) \$68 million related to the Medi-Cal Hospital Quality Assurance Fund program in California of which \$61 million was offset in expense (iii) a cash receipt of \$50 million, net of fees, from Medicare related to the Rural Floor Budget Neutrality Settlement, (iv) increase in premium revenue of \$30 million, and (v) increase in meaningful use revenue of \$24 million. Prior to the impact of the acquisition of MHSC, volume increases were mixed among the Hospital RHM's with more than half of them experiencing increases in case-mix adjusted equivalent discharges. Also, exclusive of the acquisition of MHSC, charity care was at the fiscal year 2012 level, while provision for bad debts increased \$31 million during fiscal year 2013.

Expenses. Total operating expenses of \$8.7 billion, excluding consolidation costs, increased \$457 million, or 5.6%, in fiscal year 2013 compared to fiscal year 2012. The acquisition of MHSC accounted for \$173 million, or 38% of the increase in operating expenses. Additional contributors to the increase were due primarily to the following: (i) labor expense of \$163 million (salaries and wages of \$168 million primarily due to a 2.2% increase in full-time equivalents and a 2.4% increase in rate, and \$11 million in retirement costs), (ii) \$61 million of expense related to the Medi-Cal Hospital Quality Assurance Fund program in California, (iii) purchased services of \$57 million, and (iv) medical claims of \$28 million. Supplies, depreciation and amortization, occupancy, and interest expense did not materially change during fiscal year 2013 compared to the same period in fiscal year 2012.

Nonoperating Items. Trinity Health reported gains in nonoperating items of \$362 million in fiscal year 2013, compared to gains of \$97 million in fiscal year 2012. The increase of \$265 million is primarily due to an increase in investment income of \$345 million and a favorable change in market value and cash payments of interest rate swaps of \$160 million, partially offset by a nonrecurring gain on bargain purchase of \$76 million related to the acquisition of LUHS and gain on an inherent contribution related to the acquisition of MHSC of \$141 million both of which occurred in fiscal year 2012.

Balance Sheet Trends. Trinity Health's total assets of \$12.4 billion increased \$774 million, or 6.6%, as of June 30, 2013, compared to June 30, 2012. The most significant increases include: (i) unrestricted cash and investments of \$540 million and (ii) net property and equipment of \$327 million, partially offset by decreases in (i) interest rate swap collateral of \$78 million and (ii) construction funds held in trust under bond indenture agreements of \$51 million.

Total liabilities of \$6.6 billion decreased \$160 million, or 2.4%. The most significant decreases included: (i) accrued pension and retiree health costs of \$371 million (primarily due to \$100 million in additional contributions to the defined benefit pension plans and an increase in the discount rate used to value these liabilities), (ii) fair market value of interest rate swaps of \$60 million, and (iii) self insurance reserves of \$35 million, partially offset by an issuance of \$234 million in commercial paper and an increase in accounts payable of \$67 million. Variable rate demand bonds supported by liquidity facilities with expiration dates less than one year from the balance sheet are included in short-term borrowings.

Statement of Cash Flows. Operating activities generated \$723 million of cash during fiscal year 2013. Investing activities used \$928 million of cash including \$732 million for purchases of property and equipment and \$220 million for net purchases of investments. Financing activities provided \$205 million in additional funds, primarily due to the issuance of commercial paper. As a result, cash and cash equivalents remained unchanged as compared to fiscal year 2012.

Retirement Plan Investments and Related Investments

The Corporation sponsors various retirement programs that vary from one location to another. Both CHE and Trinity Health maintain non-contributory defined benefit pension plans, as well as defined contribution plans, that cover substantially all of the Corporation's employees. The programs are described more completely in the notes to the audited consolidated financial statements of CHE and Trinity Health included as APPENDIX C and APPENDIX B, respectively, to this Official Statement.

CHE has amended substantially all of its defined benefit pension plans to freeze benefit accruals. Trinity Health sponsors an active defined benefit plan that is currently structured as a cash balance plan. The cash balance formula is determined by points, which are based on an employee's age and number of years of service. The majority of the plans for both CHE and Trinity Health have Church Plan status, as defined in the Employee Retirement Income Security Act of 1974 ("ERISA"), and as a result, funding of these plans in accordance with ERISA regulations is not required. Contributions to the plans are determined annually and are based on actuarially determined amounts sufficient to meet the benefits to be paid to plan participants.

The Corporation invests substantially all of the Plans' assets in various master trusts consisting of cash and cash equivalents, debt and equity marketable securities, and hedge and private equity funds. Management of the Plans' investment portfolios is restricted by provisions of the respective investment policies, plan documents, and other basic guidelines mandated by the Board of Directors. For plans with frozen service accruals, the investment policies were modified to allow for asset allocation changes as the plans become more fully funded in order to de-risk the plans.

Both CHE and Trinity Health sponsor 403(b) and 401(k) programs, depending on the tax status of the Affiliate involved. These programs vary by location and are funded by employee voluntary contributions, subject to legal limitations. Employer contributions to these programs include varying levels of matching and non-elective contributions. The employees direct their voluntary contributions and employer contributions among a variety of investment options.

Trinity Health also sponsors retiree health plans for employees of certain Affiliates. The plans cover certain hourly and salaried employees who are retired from or will retire from those Affiliates with such plans. Benefits provided under these plans and required retiree contributions differ by Affiliate. As of January 1, 2002, all such plans were closed to additional participants.

Capital Budget

The Corporation performs a multi-year capital capacity analysis annually as part of its capital budget process. Capital capacity is derived from a combination of projected cash flows (based on operating cash flow margin targets), investment returns, plus projected net new debt (new debt less amortization of existing debt), as it may be limited by certain balance sheet indicators and other considerations. Prioritized capital spending is then determined considering available capital capacity.

RHMs can approve capital projects in aggregate, up to certain thresholds. All major projects require central review and approval based on detailed financial analysis and an executive summary explaining the need for the project, linkages to strategic plans, a mission assessment, legal and regulatory considerations and an evaluation of risks and alternatives.

In addition to its application in the capital budget allocation process, an RHM delegated authority level is also used to monitor and limit actual capital expenditures. Projects in excess of the RHMs delegated authority level must also be submitted to the Corporation's senior management and, in certain instances, governance for review and approval prior to spending against the project's budget.

The Corporation incurred capital expenditures of \$886 million and \$1.1 billion in the twelve months ended June 30, 2012 and 2013, respectively. In the twelve months ended June 30, 2013, the Corporation's aggregate capital expenditures related to various investments in information technology were approximately 14% of its overall capital expenditures.

CHE and Trinity Health have historically funded the majority of their capital needs from a combination of cash derived from operations, investment returns and the proceeds of long-term indebtedness. In its most recent three-year capital capacity analysis, the Corporation has projected total capital capacity for the System (including routine capital expenditures, major facility replacement and expansion projects and investment in its information systems) of approximately \$3.9 billion through fiscal year ending June 30, 2016. In addition, the Corporation has committed to spend at least \$300 million on capital projects for LUHS through fiscal year ending June 30, 2018. This amount may be increased to \$400 million if certain operating thresholds are met. Through June 30, 2013, approximately \$110 million of capital expenditures has been spent on capital projects for LUHS. In addition, the Corporation has committed to spend at least \$140 million for capital, information systems and equipment needs to support the operations of MHSC through the fiscal year ending June 30, 2017. This amount may be increased to \$150 million if certain operating thresholds are met. Through June 30, 2013, approximately \$39 million of capital expenditures have been spent on such MHSC projects.

The Corporation currently expects to finance capital expenditures in part through the issuance of debt and in part through internally generated funds. Management currently anticipates that the net increase in debt (new debt less regularly scheduled repayments and refinanced debt) through fiscal year 2016, including the Bonds, will be approximately \$800 million. Trinity Health's taxable commercial paper program is used in part to provide interim financing for capital projects. Actual capital expenditures and the incurrence of indebtedness to finance those expenditures may be modified from the current capital plan and any changes will depend on a number of factors, including market conditions and the operating performance of the Credit Group as a whole, as well as that of each individual RHM.

OTHER INFORMATION

Employees

As of June 30, 2013, the System had approximately 117,000 total employees, or approximately 87,000 full-time equivalent employees. Approximately 7% of the System's employees are unionized and covered by a total of 35 collective bargaining agreements that are subject to renegotiation from time to time. Certain RHMs have been subject to union organizing efforts over the last several years. Management of the Corporation regards its commitment to fostering quality relations with all of its employees as one of its primary undertakings and regards its relations with employees as satisfactory.

The Corporation closely monitors the availability of nursing talent in the health care field. Nurse staffing at each facility is monitored and the impact of staffing levels and the mix of registered nurses on patient satisfaction is evaluated. Nursing vacancy rates, turnover and contracted labor usage are also measured. As part of its nursing plan, initiatives have been undertaken to design innovative models of care, provide nursing education to prepare inactive nurses for returning to the profession, provide opportunities for completion of bachelor's and master's degrees in nursing, improve the work environment, and develop effective nursing leadership. The Corporation advocates at the state and federal level for legislation to address shortages that may occur.

Insurance

Both CHE (Stella Maris Insurance Company, Ltd. ("Stella Maris")) and Trinity Health (Venzke Insurance Company, Ltd. ("Venzke")) operate wholly owned insurance companies that qualify as captive insurance companies. Both insurance companies provide certain insurance coverage to their respective RHM's. As a result, the System is self-insured for certain levels of general and professional liability, workers' compensation and certain other claims. The System, through the two insurance companies, has limited its liability by purchasing reinsurance and commercial coverage from unrelated third-party insurers. Excess insurance over self-insured amounts and coverage provided by the captives has been purchased from the commercial insurance and reinsurance markets. As part of the consolidation activities, Stella Maris will be merged into Venzke effective January 1, 2014. As of October 1, 2013, all policies of insurance, except workers compensation and auto liability are being provided to all controlled Affiliates under a consolidated program. Workers compensation and auto liability coverage will be consolidated on January 1, 2014.

The programs are described more completely in the notes to the audited consolidated financial statements of CHE (Note 11) and Trinity Health (Note 8) included as APPENDIX C and APPENDIX B to this Official Statement, respectively.

Compliance Matters

The Corporation and its Affiliates, like all major health care systems, are periodically subject to investigations or audits by federal, state and local agencies involving compliance with a variety of laws and regulations. The Corporation and its Affiliates have established compliance programs modeled on guidelines issued by federal regulators, designed to ensure its operations are carried out in a manner consistent with the highest standards of integrity, ethical behavior, and in full compliance with all applicable laws and regulations. The compliance programs provide employees, medical staff, vendors and other business partners with resources to assist them in meeting their legal, ethical and professional responsibilities through standards of conduct, education and training, auditing and monitoring of business activities, and systems that allow individuals the opportunity to raise issues and concerns so they may be dealt with timely and appropriately. The compliance programs include ongoing auditing and monitoring

of operations to determine compliance with, among other things, laws and regulations relating to Medicare and Medicaid reimbursement, including billing practices for certain services, maintenance of 501(c)(3) status for certain Affiliates as well as maintenance of the tax status for any tax-exempt bonds issued for the benefit of the Affiliates. In addition, as a result of these internal reviews, an Affiliate could determine that it has violated such laws. Violations could result in substantial monetary fines, civil and/or criminal penalties, exclusion from participation in Medicare, Medicaid or similar programs or threaten the tax exempt status of an Affiliate or of bonds issued on behalf of an Affiliate.

During 2010, the United States Department of Justice (“DOJ”) sent inquiries to many health care providers across the country as part of a nationwide review of billing for implantable cardioverter defibrillators (“ICDs”) under the Medicare program. Those inquiries indicated that an investigation was being conducted to determine whether those health care providers improperly submitted claims for the implantation of ICDs outside of national coverage guidelines. The DOJ’s investigation covers the period commencing with Medicare’s expansion of coverage for ICDs in 2003 to the present. Both CHE and Trinity Health received letters from the DOJ indicating that certain of their hospitals are part of this investigation. On August 30, 2012, the DOJ released a resolution model with guidance concerning the review of ICD claims and a proposed settlement methodology for systems and hospitals that are willing to conduct a self-review of the identified claims. Management of CHE and Trinity Health is presently studying the government’s proposed resolution model. To date, the DOJ has not asserted any monetary or other claims against CHE or Trinity Health or their Affiliates and the Corporation is unable to determine the potential impact, if any, that will result from the final resolution of the investigation.

The Corporation and its Affiliates may identify other potential violations of law or regulations internally through compliance program activities or through inquiries and investigations by governmental agencies. Matters identified are investigated and, if applicable, are resolved through corrective actions with governmental agencies, payors and others. The compliance programs are overseen by the Organizational Integrity and Audit Committee of the Corporation’s Board of Directors and by the Affiliates’ governing boards. The Corporation’s management believes, based on available information, that the ultimate outcome of matters currently being addressed through the compliance programs, other than the ICD investigation above, will not have a material adverse effect on the financial condition of the Credit Group.

Tax-Exempt Status and Other Tax Matters

IRS 501(c)(3) Audit and Tax-Exempt Bond Examinations. In June 2008, Trinity Health received notice from the Tax-Exempt and Governmental Entities Division (the “TEGE”) of the Internal Revenue Service (the “IRS”) that Trinity Health was selected for a formal audit as part of the IRS’s routine examination of large, tax-exempt health care systems. The audit was completed in August 2012 (with a related federal excise tax audit completed in July 2013) with no material areas of noncompliance identified.

Commencing in June 2013, the governmental issuers of three series of defeased tax-exempt bonds issued on behalf of entities acquired by CHE in 1998 received a notice from the TEGE of the IRS initiating an examination of such series of bonds to determine compliance of each issue with Federal tax requirements including the provisions of the Federal tax regulations including more specifically sections 103, 141 to 150 of the Code. The three series of bonds were issued in 1993, 1994 and 1996 and were defeased in 1998. Each series of the defeased bonds was the subject of a May 2011 redemption coupled with a tender offer as part of an escrow restructuring by CHE. Certain aspects of those 2011 transactions are the subject to the litigation further discussed in “—Litigation Affecting the System—*Emmet & Co. v. CHE and Merrill Lynch, Pierce, Fenner & Smith Incorporated*” below. CHE expects that the examinations will be ongoing through 2013. CHE is cooperating with the IRS in these audits.

For a discussion of risks associated with tax-exempt status and other tax matters, see “BONDHOLDERS’ RISKS—Tax-Exempt Status and Other Tax Matters” in the forepart of this Official Statement.

Litigation Affecting the System

The members of the Credit Group and their affiliates are involved in litigation of various types in which they are a plaintiff or a defendant. Certain material litigation which may result in an adverse outcome to the System are described below.

Saint Alphonsus Litigation. On September 21, 2007, in Boise, Idaho a jury awarded \$58.9 million in damages to MRI Associates, LLP, an Idaho limited partnership (“MRIA”) against Saint Alphonsus Regional Medical Center and its subsidiary Saint Alphonsus Diversified Care, Inc. (together, “Saint Alphonsus”). The lawsuit involved Saint Alphonsus’ withdrawal from the MRIA partnership. The jury award was reduced by the trial judge to \$36.3 million, which was offset by the award of \$4.6 million to Saint Alphonsus, the value of its partnership interest in MRIA. Saint Alphonsus appealed and, in October 2009, the Idaho Supreme Court overturned the trial court decision and remanded the case for a new trial. The second trial was held during October 2011 with a jury awarding approximately \$52 million in damages to MRIA. After Saint Alphonsus filed an objection, the trial court entered amended judgments indicating that the plaintiffs could execute alternative judgments which vary in amount from approximately \$20 million to \$52 million. Saint Alphonsus continues to have an offset of \$4.6 million plus 10% interest running from September 21, 2007. Saint Alphonsus filed a notice of appeal to the Idaho Supreme Court in May 2012, because the Corporation believes that the proof of damages is insufficient to sustain the jury’s award under Idaho law. Trinity Health recorded management’s estimation for litigation expense of \$20 million in the 2007 consolidated statement of operations and changes in net assets for the fiscal year ended June 30, 2007. As of March 31, 2013 and June 30, 2012, the liability is included in other long-term liabilities in the consolidated balance sheets in the event of an unfavorable resolution of this matter.

Emmet & Co. vs. Merrill Lynch, Pierce, Fenner & Smith Incorporated. CHE and Merrill Lynch, Pierce, Fenner & Smith Incorporated, one of the Corporation’s underwriters, are named as defendants in an action filed by Emmet & Co., Inc. and First Manhattan Co. (together “Plaintiffs”) with respect to three series of defeased bonds, with respect to which CHE retained the rights to call such bonds and to restructure the escrows. Plaintiffs allege that CHE breached the indentures relating to those bonds and violated the covenant of good faith and fair dealing in the exercise of its optional redemption rights for those bonds in connection with its tender offer for those bonds. CHE filed a motion to dismiss this complaint, which was granted by the Supreme Court of the State of New York, County of New York in September 2012. Plaintiffs have filed a notice of appeal which remains pending. In September 2011, CHE received a subpoena from the Securities and Exchange Commission seeking the production of certain documents relating to this matter. CHE produced documents in response to this subpoena in October and December 2011. The Corporation’s management does not believe that this matter, if decided adversely to CHE, would have a material adverse effect on the financial condition of the Obligated Group. In June 2013, the governmental issuer of each series of defeased bonds received a notice from the IRS that these transactions were under examination, asking for information. CHE is fully cooperating with the Securities and Exchange Commission in the investigation.

Chavies et al. vs. Catholic Health East et. al. CHE and two of its executives have been named in a class action lawsuit brought by two former employees of a CHE affiliate claiming that CHE fails to maintain its pension plans under the Employee Retirement Income Security Act (“ERISA”), and more specifically, challenging CHE’s position that its defined benefit pension plans qualify for “Church Plan” exempt status under ERISA and thereby violates a number of the reporting and disclosure requirements

incumbent on ERISA governed plans. Plaintiffs further claim that the ERISA Church Plan exemption, as applied to the CHE plans, violates the Establishment Clause of the First Amendment of the United States Constitution. This is one of four such challenges filed against Catholic health systems across the country. In response thereto, CHE has filed a motion to dismiss the complaint which is now pending before the United States District Court for the Eastern District of Pennsylvania. At this point, it is not possible to assess the exposure, if any, related to these claims and no amount has been reserved at this time.

Medical Malpractice. A number of other civil actions are pending or threatened against certain Affiliates and Designated Affiliates alleging medical malpractice. In the opinion of management of the Corporation, based upon the advice of legal counsel and the Corporation's risk management personnel, the probable recoveries in these proceedings and the estimated costs and expenses of defense will be entirely within the applicable insurance limits described above or will not materially adversely affect the business or properties of the Credit Group.

The Corporation's management also advises that it is aware of certain potential medical malpractice claims that might be brought against members of the Credit Group but that, in the opinion of management, such potential claims are within the applicable limits of available liability insurance and the self-insurance plan or would not materially and adversely affect the financial condition or results of operations of the Credit Group.

Accreditations and Memberships

The Corporation's health care facilities or programs which require accreditation are each accredited by an accreditation agency recognized by the Centers for Medicare & Medicaid Services. These accreditation agencies are: The Joint Commission, American Osteopathic Association/Healthcare Facilities Accreditation Program, state agencies (New York facilities are accredited by the State of New York) and the Community Health Accreditation Program (for certain home care, hospice and private duty agencies).

Each of the Affiliates' and Designated Affiliates' health care facilities is licensed by the appropriate state and/or regional governmental agencies. All of the hospital facilities are certified for participation in the Medicare and Medicaid programs. The home health agencies, the hospice programs and the skilled nursing and long-term care facilities are certified for participation in the Medicare and Medicaid programs in situations where management has elected such participation.

MEMBERS OF THE CHE TRINITY HEALTH CREDIT GROUP

The following list sets forth the current members of the Credit Group, which is composed of Obligated Group Members and the Designated Affiliates.

Obligated Group Members

- CHE Trinity Inc. – Livonia, Michigan
- Trinity Health Corporation – Livonia, Michigan
- Catholic Health East – Newtown Square, Pennsylvania

Designated Affiliates

Alabama

- Mercy Medical, A Corporation – Daphne, Alabama

California

- Saint Agnes Medical Center – Fresno, California

Connecticut

- McAuley Center, Incorporated – West Hartford, Connecticut
- Mercy Community Health, Inc. – West Hartford, Connecticut
- Mercy Community Home Care Services, Inc. – West Hartford, Connecticut
- Mercyknoll, Incorporated – West Hartford, Connecticut
- Mercy Services, Inc. – West Hartford, Connecticut
- Saint Mary Home, Incorporated – West Hartford, Connecticut
- Saint Mary Home, II, Incorporated – West Hartford, Connecticut

Delaware

- Saint Francis Hospital, Inc. – Wilmington, Delaware

Florida

- Allegany Franciscan Ministries, Inc. – Palm Harbor, Florida
- Holy Cross Hospital, Inc. – Fort Lauderdale, Florida
- Holy Cross Long Term Care, Inc. – Fort Lauderdale, Florida

Georgia

- Good Samaritan Hospital, Inc. – Greensboro, Georgia
- St. Mary's Health Care System, Inc. – Athens, Georgia
- St. Mary's Highland Hills, Inc. – Athens, Georgia
- Saint Joseph's Health System, Inc. – Atlanta, Georgia
- Saint Joseph's Mercy Care Services, Inc. – Atlanta, Georgia
- Mercy Senior Care, Inc. – Atlanta, Georgia

Idaho

- Saint Alphonsus Health System – Boise, Idaho
- Saint Alphonsus Regional Medical Center – Boise, Idaho
- Saint Alphonsus Regional Medical Center – Nampa – Nampa, Idaho

Illinois

- Gottlieb Memorial Hospital – Melrose Park, Illinois

- Loyola University Health System – Maywood, Illinois
- Loyola University Medical Center – Maywood, Illinois

Indiana

- Saint Joseph Regional Medical Center, Inc. – Mishawaka, Indiana
- Saint Joseph Regional Medical Center, Inc. – South Bend Campus – Mishawaka, Indiana
- Saint Joseph Regional Medical Center, Inc. – Plymouth Campus – Plymouth, Indiana
- Trinity Continuing Care Services - Indiana, Inc. – South Bend, Indiana

Iowa

- Mercy Health Services – Iowa, Corp. – Dubuque, Dyersville, Mason City, New Hampton and Sioux City, Iowa
- Mercy Medical Center – Clinton, Inc. – Clinton, Iowa

Maryland

- Holy Cross Health, Inc. – Silver Spring, Maryland

Massachusetts

- Brightside, Inc. – Holyoke, Massachusetts
- Farren Care Center, Inc. – Turners Falls, Massachusetts
- The Mercy Hospital, Inc. – Springfield, Massachusetts
- Sisters of Providence Care Centers, Inc. – Holyoke, Massachusetts
- Sisters of Providence Health System, Inc. – Springfield, Massachusetts

Michigan

- Trinity Health – Michigan – Livonia, Port Huron, Ann Arbor, Chelsea, Howell, Pontiac, Cadillac, Grayling and Grand Rapids, Michigan
- Mercy Health Partners – Muskegon, Michigan
- Mercy Health Partners – Hackley Campus – Muskegon, Michigan
- Mercy Health Partners – Lakeshore Campus – Muskegon, Michigan
- Trinity Continuing Care Services – Shelby, Warren, White Lake, Grand Rapids, Grand Haven, Muskegon and Livonia, Michigan
- Trinity Home Health Services – Livonia, Michigan

New Jersey

- The Osborn Family Health Center, Our Lady of Lourdes Medical Center – Camden, New Jersey
- Our Lady of Lourdes Health Care Services, Inc. – Camden, New Jersey
- Our Lady of Lourdes Medical Center, Inc. – Camden, New Jersey
- Lourdes Ancillary Services, Inc. – Camden, New Jersey
- Our Lady of Lourdes School of Nursing, Inc. – Camden, New Jersey
- Lourdes Medical Center of Burlington County, A New Jersey Nonprofit Corporation – Willingboro, New Jersey
- St. Francis Medical Center, A New Jersey Nonprofit Corporation – Trenton, New Jersey

North Carolina

- Saint Joseph of the Pines, Inc. – Southern Pines, North Carolina

Ohio

- Mount Carmel Health System – Columbus, Westerville and New Albany, Ohio

Oregon

- Saint Alphonsus Medical Center – Baker City, Inc. – Baker City, Oregon
- Saint Alphonsus Medical Center – Ontario, Inc. – Ontario, Oregon

Pennsylvania

- Mercy Catholic Medical Center of Southeastern Pennsylvania – Philadelphia and Darby, Pennsylvania
- Mercy Family Support – Springfield, Pennsylvania
- Mercy Health Plan – Conshohocken, Pennsylvania
- Mercy Health System of Southeastern Pennsylvania – Conshohocken, Pennsylvania
- Mercy Home Health – Springfield, Pennsylvania
- Mercy Home Health Services – Springfield, Pennsylvania
- Mercy Management of Southeastern Pennsylvania – Conshohocken, Pennsylvania
- Mercy Suburban Hospital – Norristown, Pennsylvania
- Nazareth Hospital – Philadelphia, Pennsylvania
- St. Agnes Continuing Care Center – Philadelphia, Pennsylvania
- McAuley Ministries – Pittsburgh, Pennsylvania
- Pittsburgh Mercy Health System, Inc. – Pittsburgh, Pennsylvania
- Mercy Life Center Corporation – Pittsburgh, Pennsylvania
- Langhorne MRI, Inc. – Langhorne, Pennsylvania
- St. Mary Medical Center – Langhorne, Pennsylvania

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APPENDIX B

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF TRINITY HEALTH

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Trinity Health

Consolidated Financial Statements as of and
for the Years Ended June 30, 2013 and 2012,
and Independent Auditors' Report

TRINITY HEALTH

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Trinity Health
Livonia, Michigan

We have audited the accompanying consolidated financial statements of Trinity Health and subsidiaries (the "Corporation"), which comprise the consolidated balance sheets as of June 30, 2013 and 2012, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation'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 Corporation'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 Trinity Health and subsidiaries as of June 30, 2013 and 2012, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

As discussed in Note 2 to the consolidated financial statements, the Corporation adopted the presentation and disclosure requirements of Accounting Standards Update No. 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*, and changed its presentation of the provision for bad debts in the consolidated statements of operations and changes in net assets. Our opinion is not modified with respect to this matter.

Deloitte + Touche LLP

September 25, 2013

TRINITY HEALTH

CONSOLIDATED BALANCE SHEETS

JUNE 30, 2013 AND 2012

(In thousands)

	2013	2012
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 709,683	\$ 708,889
Investments	2,088,973	1,883,325
Security lending collateral	114,865	130,702
Assets limited or restricted as to use — current portion	27,112	27,420
Patient accounts receivable — net of allowance for doubtful accounts of \$268.1 million and \$217.5 million in 2013 and 2012, respectively	942,880	965,573
Estimated receivables from third-party payors	155,534	140,614
Other receivables	137,579	140,718
Inventories	137,780	133,634
Prepaid expenses and other current assets	103,530	159,674
Total current assets	<u>4,417,936</u>	<u>4,290,549</u>
ASSETS LIMITED OR RESTRICTED AS TO USE —		
Noncurrent portion:		
Held by trustees under bond indenture agreements	-	51,114
Self-insurance, benefit plans and other	388,758	419,685
By Board	2,475,659	2,153,574
By donors	141,647	129,628
Total assets limited or restricted as to use — noncurrent portion	3,006,064	2,754,001
PROPERTY AND EQUIPMENT — Net	4,548,908	4,221,827
INVESTMENTS IN UNCONSOLIDATED AFFILIATES	127,899	126,678
GOODWILL	118,542	107,704
INTANGIBLE ASSETS — Net of accumulated amortization of \$20.4 million and \$17.1 million in 2013 and 2012, respectively	65,409	64,475
OTHER ASSETS	<u>164,735</u>	<u>110,681</u>
TOTAL ASSETS	<u>\$ 12,449,493</u>	<u>\$ 11,675,915</u>

	2013	2012
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Commercial paper	\$ 368,923	\$ 134,989
Short-term borrowings	867,130	892,865
Current portion of long-term debt	30,862	32,362
Accounts payable	419,050	351,931
Accrued expenses	130,383	138,114
Salaries, wages and related liabilities	439,214	421,448
Current portion of self-insurance reserves	92,300	121,045
Payable under security lending agreements	114,865	130,702
Estimated payables to third-party payors	<u>285,419</u>	<u>269,377</u>
Total current liabilities	2,748,146	2,492,833
LONG-TERM DEBT — Net of current portion	2,299,594	2,302,236
SELF-INSURANCE RESERVES — Net of current portion	507,845	513,602
ACCRUED PENSION AND RETIREE HEALTH COSTS	686,946	1,057,566
OTHER LONG-TERM LIABILITIES	<u>403,928</u>	<u>440,668</u>
Total liabilities	<u>6,646,459</u>	<u>6,806,905</u>
NET ASSETS:		
Unrestricted net assets	5,627,077	4,707,202
Noncontrolling ownership interest in subsidiaries	<u>19,758</u>	<u>18,160</u>
Total unrestricted net assets	5,646,835	4,725,362
Temporarily restricted net assets	113,438	102,978
Permanently restricted net assets	<u>42,761</u>	<u>40,670</u>
Total net assets	<u>5,803,034</u>	<u>4,869,010</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 12,449,493</u>	<u>\$ 11,675,915</u>

The accompanying notes are an integral part of the consolidated financial statements.

TRINITY HEALTH

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS

YEARS ENDED JUNE 30, 2013 AND 2012

(In thousands)

	2013	2012
UNRESTRICTED REVENUE:		
Patient service revenue — net of contractual and other allowances	\$ 8,288,991	\$ 7,849,161
Provision for bad debts	<u>480,302</u>	<u>431,457</u>
Net patient service revenue less provision for bad debts	7,808,689	7,417,704
Capitation and premium revenue	467,093	422,493
Net assets released from restrictions	13,566	12,120
Other revenue	<u>689,037</u>	<u>617,136</u>
Total unrestricted revenue	<u>8,978,385</u>	<u>8,469,453</u>
EXPENSES:		
Salaries and wages	3,793,347	3,549,999
Employee benefits	841,318	831,816
Contract labor	<u>86,365</u>	<u>82,903</u>
Total labor expenses	4,721,030	4,464,718
Supplies	1,468,953	1,430,933
Purchased services	857,177	775,408
Depreciation and amortization	479,882	464,750
Occupancy	370,404	348,864
Medical claims	238,209	210,245
Interest	110,533	102,781
Other	<u>410,448</u>	<u>401,745</u>
Total expenses	<u>8,656,636</u>	<u>8,199,444</u>
OPERATING INCOME BEFORE CONSOLIDATION COSTS	321,749	270,009
CONSOLIDATION COSTS	<u>(16,950)</u>	<u>-</u>
OPERATING INCOME	<u>304,799</u>	<u>270,009</u>
NONOPERATING ITEMS:		
Investment income (loss)	325,646	(19,159)
Change in market value and cash payments of interest rate swaps	45,818	(114,468)
Loss from early extinguishment of debt	-	(13,458)
Gain on bargain purchase and inherent contribution	-	216,796
Other, including income taxes	<u>(9,824)</u>	<u>27,333</u>
Total nonoperating items	<u>361,640</u>	<u>97,044</u>
EXCESS OF REVENUE OVER EXPENSES	666,439	367,053
LESS EXCESS OF REVENUE OVER EXPENSES ATTRIBUTABLE TO NONCONTROLLING INTEREST	<u>10,566</u>	<u>8,312</u>
EXCESS OF REVENUE OVER EXPENSES — Net of noncontrolling interest	<u>\$ 655,873</u>	<u>\$ 358,741</u>

	2013		
	Controlling Interest	Noncontrolling Interest	Total
UNRESTRICTED NET ASSETS:			
Excess of revenue over expenses	\$ 655,873	\$ 10,566	\$ 666,439
Net assets released from restrictions for capital acquisitions	15,594	-	15,594
Net change in retirement plan related items	261,557	-	261,557
Other	<u>(3,646)</u>	<u>(8,968)</u>	<u>(12,614)</u>
Increase in unrestricted net assets before discontinued operations	929,378	1,598	930,976
Discontinued operations — Battle Creek Health System (BCHS) — loss from operations	<u>(9,503)</u>	<u>-</u>	<u>(9,503)</u>
Increase in unrestricted net assets	<u>919,875</u>	<u>1,598</u>	<u>921,473</u>
TEMPORARILY RESTRICTED NET ASSETS:			
Contributions	35,831	-	35,831
Net investment gain	3,246	-	3,246
Net assets released from restrictions	(29,160)	-	(29,160)
Other	<u>543</u>	<u>-</u>	<u>543</u>
Increase in temporarily restricted net assets	<u>10,460</u>	<u>-</u>	<u>10,460</u>
PERMANENTLY RESTRICTED NET ASSETS:			
Contributions for endowment funds	1,230	-	1,230
Net investment gain	2,278	-	2,278
Other	<u>(1,417)</u>	<u>-</u>	<u>(1,417)</u>
Increase in permanently restricted net assets	<u>2,091</u>	<u>-</u>	<u>2,091</u>
INCREASE IN NET ASSETS	932,426	1,598	934,024
NET ASSETS — Beginning of year	<u>4,850,850</u>	<u>18,160</u>	<u>4,869,010</u>
NET ASSETS — End of year	<u>\$ 5,783,276</u>	<u>\$ 19,758</u>	<u>\$ 5,803,034</u>

The accompanying notes are an integral part of the consolidated financial statements.

(Continued)

	2012		
	Controlling Interest	Noncontrolling Interest	Total
UNRESTRICTED NET ASSETS:			
Excess of revenue over expenses	\$ 358,741	\$ 8,312	\$ 367,053
Net assets released from restrictions for capital acquisitions	20,496	-	20,496
Net change in retirement plan related items	(673,340)	-	(673,340)
Other	6,090	(6,287)	(197)
(Decrease) increase in unrestricted net assets before discontinued operations	(288,013)	2,025	(285,988)
Discontinued operations — BCHS:			
Net change in retirement plan-related items	21,678	-	21,678
Loss on transfer of shares	(28,534)	-	(28,534)
Loss from operations	(5,447)	-	(5,447)
Decrease due to transfer	-	(81,153)	(81,153)
Decrease in unrestricted net assets	(300,316)	(79,128)	(379,444)
TEMPORARILY RESTRICTED NET ASSETS:			
Contributions	38,022	-	38,022
Net assets released from restrictions	(32,616)	-	(32,616)
Decrease due to transfer of shares of BCHS	(1,628)	(1,628)	(3,256)
Acquisition of Loyola University Health System (LUHS)	20,362	-	20,362
Acquisition of Mercy Health System of Chicago (MHSC)	4,016	-	4,016
Other	1,535	-	1,535
Increase (decrease) in temporarily restricted net assets	29,691	(1,628)	28,063
PERMANENTLY RESTRICTED NET ASSETS:			
Contributions for endowment funds	636	-	636
Net investment loss	(421)	-	(421)
Decrease due to transfer of shares of BCHS	(129)	(129)	(258)
Acquisition of LUHS	6,671	-	6,671
Other	(549)	-	(549)
Increase (decrease) in permanently restricted net assets	6,208	(129)	6,079
DECREASE IN NET ASSETS	(264,417)	(80,885)	(345,302)
NET ASSETS — Beginning of year	5,115,267	99,045	5,214,312
NET ASSETS — End of year	<u>\$ 4,850,850</u>	<u>\$ 18,160</u>	<u>\$ 4,869,010</u>

The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)

TRINITY HEALTH

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2013 AND 2012 (In thousands)

	2013	2012
OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ 934,024	\$ (345,302)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	479,882	464,750
Provision for bad debts	480,302	431,457
Deferred retirement (gain) loss arising during the year	(168,009)	718,203
Change in net unrealized and realized gains on investments	(262,870)	80,538
Change in market values of interest rate swaps	(65,387)	97,189
Undistributed equity earnings from unconsolidated affiliates	(33,738)	(33,584)
Restricted contributions and investment income received	(10,972)	(19,583)
Restricted net assets acquired related to LUHS and MHSC	-	(31,610)
Gain on bargain purchase agreement and inherent contribution — LUHS and MHSC	-	(216,796)
Net change in retirement plan related items due to transfer of shares of BCHS	-	(21,678)
Loss on transfer of shares of BCHS	-	28,534
Decrease in noncontrolling interest due to transfer of BCHS	-	82,910
Loss from extinguishment of debt	-	5,557
Gain on sale of assets and other adjustments	(10,788)	(2,302)
Changes in, excluding assets and liabilities acquired:		
Patient accounts receivable	(454,796)	(478,813)
Other assets	55,018	(42,829)
Accounts payable and accrued expenses	(2,215)	43,872
Estimated receivables from third-party payors	(14,920)	-
Estimated payables to third-party payors	16,043	8,003
Self-insurance reserves	(26,682)	31,342
Accrued pension and retiree health costs	(203,990)	(67,444)
Other liabilities	12,262	(32,063)
Total adjustments	(210,860)	1,045,653
Net cash provided by operating activities	723,164	700,351

	2013	2012
INVESTING ACTIVITIES:		
Purchases of investments	\$ (1,858,000)	\$ (1,672,413)
Proceeds from sales of investments	1,638,138	1,602,586
Purchases of property and equipment	(732,213)	(605,288)
Acquisition of subsidiaries — net of \$85.0 million in cash assumed in 2012	(14,087)	(85,889)
Dividends received from unconsolidated affiliates and other changes	32,006	25,748
Increase in assets limited as to use	(6,406)	(3,678)
Proceeds received from the transfer of shares of BCHS	-	15,843
Proceeds from sales and disposal of assets	12,914	7,178
Net cash used in investing activities	<u>(927,648)</u>	<u>(715,913)</u>
FINANCING ACTIVITIES:		
Proceeds from issuance of debt	18,941	1,073,790
Repayments of debt	(58,568)	(961,604)
Net increase in commercial paper	233,933	35,011
Increase in financing costs and other	-	(9,647)
Restricted net assets acquired related to LUHS and MHSC	-	31,049
Proceeds from restricted contributions and restricted investment income	10,972	19,583
Net cash provided by financing activities	<u>205,278</u>	<u>188,182</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	794	172,620
CASH AND CASH EQUIVALENTS — Beginning of year	<u>708,889</u>	<u>536,269</u>
CASH AND CASH EQUIVALENTS — End of year	<u>\$ 709,683</u>	<u>\$ 708,889</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest (net of amounts capitalized)	\$ 110,090	\$ 96,115
New capital lease obligations for buildings and equipment	1,486	5,822
Accruals for purchases of property and equipment and other long-term assets	95,771	37,457
Unsettled investment trades — purchases	9,124	11,367
Unsettled investment trades — sales	4,027	12,346
Decrease in security lending collateral	15,837	18,940
Decrease in payable under security lending agreements	(15,837)	(18,940)

The accompanying notes are an integral part of the consolidated financial statements.

TRINITY HEALTH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2013 AND 2012

1. ORGANIZATION AND MISSION

Trinity Health, an Indiana not-for-profit corporation, and its subsidiaries are collectively referred to as the Corporation. Effective May 1, 2013, the Corporation and Catholic Health East, a Pennsylvania nonprofit corporation, consolidated to form CHE Trinity, Inc., a unified Catholic national health system that enhances the mission of service to people and communities across the United States. This transaction was accounted for as a merger and thus the Corporation's balance sheet continues to be recorded at its historical basis under the carryover method. Transition and integration are on-going with the Corporation incurring approximately \$17 million in costs during the year ended June 30, 2013, as a result of the transaction, which are included in consolidation costs in the consolidated statement of operations and changes in net assets. These consolidated financial statements reflect the results of operations and financial position of the Corporation only.

The Corporation is sponsored by Catholic Health Ministries (CHM), a Public Juridic Person of the Holy Roman Catholic Church. The Corporation operates a comprehensive integrated network of health services, including inpatient and outpatient services, physician services, managed care coverage, home health care, long-term care, assisted living care, and rehabilitation services located in 10 states. The mission statement for the Corporation is as follows:

We, CHE Trinity Health, serve together in the spirit of the Gospel as a compassionate and transforming healing presence within our communities.

Community Benefit Ministry — Consistent with its mission, the Corporation provides medical care to all patients regardless of their ability to pay. In addition, the Corporation provides services intended to benefit the poor and underserved, including those persons who cannot afford health insurance or other payments, such as copays and deductibles because of inadequate resources and/or are uninsured or underinsured, and to improve the health status of the communities in which it operates. The following summary has been prepared in accordance with the Catholic Health Association of the United States' (CHA), *A Guide for Planning and Reporting Community Benefit*, 2012 Edition.

The quantifiable costs of the Corporation's community benefit ministry for the years ended June 30, 2013 and 2012, are as follows:

	2013	2012
	(In thousands)	
Ministry for the poor and underserved:		
Charity care at cost	\$ 183,482	\$ 177,747
Unpaid cost of Medicaid and other public programs	181,020	211,104
Programs for the poor and the underserved:		
Community health services	19,451	18,210
Subsidized health services	34,950	39,296
Financial contributions	3,972	5,362
Community building activities	1,792	1,908
Community benefit operations	<u>3,117</u>	<u>2,268</u>
Total programs for the poor and underserved	<u>63,282</u>	<u>67,044</u>
Ministry for the poor and underserved	<u>427,784</u>	<u>455,895</u>
Ministry for the broader community:		
Community health services	7,858	8,452
Health professions education	85,840	89,649
Subsidized health services	23,624	18,876
Research	7,006	9,203
Financial contributions	25,895	25,631
Community building activities	3,143	4,410
Community benefit operations	<u>1,871</u>	<u>3,061</u>
Ministry for the broader community	<u>155,237</u>	<u>159,282</u>
Community benefit ministry	<u>\$ 583,021</u>	<u>\$ 615,177</u>

The Corporation provides a significant amount of uncompensated care to its uninsured and underinsured patients, which is reported as bad debt at cost and not included in the amounts reported above. During the years ended June 30, 2013 and 2012, the Corporation reported bad debt at cost (determined using a cost to charge ratio applied to the provision for bad debts) of \$170.6 million and \$157.5 million, respectively.

Ministry for the poor and underserved represents the financial commitment to seek out and serve those who need help the most, especially the poor, the uninsured, and the indigent. This is done with the conviction that health care is a basic human right.

Ministry for the broader community represents the cost of services provided for the general benefit of the communities in which the Corporation operates. Many programs are targeted toward populations that may be poor, but also include those areas that may need special health services and support. These programs are not intended to be financially self-supporting.

Charity care at cost represents the cost of services provided to patients who cannot afford health care services due to inadequate resources and/or are uninsured or underinsured. A patient is classified as a charity patient in accordance with the Corporation's established policies as further described in Note 4. The cost of charity care is calculated using a cost to charge ratio methodology.

Unpaid cost of Medicaid and other public programs represents the cost (determined using a cost to charge ratio) of providing services to beneficiaries of public programs, including state Medicaid and indigent care programs, in excess of governmental and managed care contract payments.

Community health services are activities and services for which no patient bill exists. These services are not expected to be financially self-supporting, although some may be supported by outside grants or funding. Some examples include community health education, free immunization services, free or low cost prescription medications, and rural and urban outreach programs. The Corporation actively collaborates with community groups and agencies to assist those in need in providing such services.

Health professions education includes the unreimbursed cost of training health professionals such as medical residents, nursing students, technicians, and students in allied health professions.

Subsidized health services are net costs for billed services that are subsidized by the Corporation. These include services offered despite a financial loss because they are needed in the community and either other providers are unwilling to provide the services or the services would otherwise not be available in sufficient amount. Examples of services include free-standing community clinics, hospice care, mobile units and behavioral health services.

Research includes unreimbursed clinical and community health research and studies on health care delivery.

Financial contributions are made by the Corporation on behalf of the poor and underserved to community agencies. These amounts include special system-wide funds used for charitable activities, as well as resources contributed directly to programs, organizations, and foundations for efforts on behalf of the poor and underserved. Amounts included here also represent certain in-kind donations.

Community building activities include the costs of programs that improve the physical environment, promote economic development, enhance other community support systems, develop leadership skills training, and build community coalitions.

Community benefit operations include costs associated with dedicated staff, community health needs and/or asset assessments, and other costs associated with community benefit strategy and operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation – The consolidated financial statements include the accounts of the Corporation and all wholly owned, majority-owned and controlled organizations. Investments where the Corporation holds less than 20% of the ownership interest are accounted for using the cost method. All other investments that are not controlled by the Corporation are accounted for using the equity method of accounting. The Corporation has included its equity share of income or losses from investments in unconsolidated affiliates in other revenue in the consolidated statements of operations and changes in net assets. All material intercompany transactions and account balances have been eliminated in consolidation.

As further described in Note 3, the Corporation transferred its shares of BCHS to Bronson Healthcare Group, Inc., effective July 1, 2011. The consolidated financial statements have been reclassified to present the operations of BCHS as a discontinued operation. The consolidated statements of cash flows include impacts of cash flows related to BCHS. Notes to these consolidated financial statements exclude BCHS.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management of the Corporation to make assumptions, estimates and judgments that affect the amounts reported in the consolidated financial statements, including the notes thereto, and related disclosures of commitments and contingencies, if any. The Corporation considers critical accounting policies to be those that require more significant judgments and estimates in the preparation of its consolidated financial statements, including the following: recognition of net patient service revenue, which includes contractual allowances; provisions for bad debts and charity care; recorded values of investments and goodwill; reserves for losses and expenses related to health care professional and general liability; and risks and assumptions for measurement of pension and retiree medical liabilities. Management relies on historical experience and other assumptions believed to be reasonable in making its judgments and estimates. Actual results could differ materially from those estimates.

Cash and Cash Equivalents – For purposes of the consolidated statements of cash flows, cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less.

Investments – Investments, inclusive of assets limited or restricted as to use, include marketable debt and equity securities. Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value and are classified as trading securities. Investments also include investments in commingled funds, hedge funds and other investments structured as limited liability corporations or partnerships. Commingled funds and hedge funds that hold securities directly are stated at the fair value of the underlying securities, as determined by the administrator, based on readily determinable market values or based on net asset value, which is calculated using the most recent fund financial statements. Limited liability corporations and partnerships are accounted for under the equity method.

Investment Earnings – Investment earnings include interest, dividends, realized gains and losses on investments, holding gains and losses, and equity earnings. Investment earnings on assets held by trustees under bond indenture agreements, assets designated by the Board for debt redemption, assets held for borrowings under the intercompany loan program, and assets deposited in trust funds by a captive insurance company for self-insurance purposes in accordance with industry practices are included in other revenue in the consolidated statements of operations and changes in net assets. Investment earnings from all other unrestricted investments and board-designated funds are included in nonoperating investment income, unless the income or loss is restricted by donor or law.

Derivative Financial Instruments – The Corporation periodically utilizes various financial instruments (e.g., options and swaps) to hedge interest rates, equity downside risk and other exposures. The Corporation's policies prohibit trading in derivative financial instruments on a speculative basis.

Securities Lending – The Corporation participates in securities lending transactions whereby a portion of its investments are loaned, through its agent, to various parties in return for cash and securities from the parties as collateral for the securities loaned. Each business day the Corporation, through its agent, and the borrower determine the market value of the collateral and the borrowed securities. If on any business day, the market value of the collateral is less than the required value, additional collateral is

obtained as appropriate. The amount of cash collateral received under securities lending is reported as an asset and a corresponding payable in the consolidated balance sheets and is up to 105% of the market value of securities loaned. At June 30, 2013 and 2012, the Corporation had securities loaned of \$121.9 million and \$141.4 million, respectively, and received collateral (cash and noncash) totaling \$125.7 million and \$143.4 million, respectively, relating to the securities loaned. The fees received for these transactions are recorded in investment income (loss) in the consolidated statements of operations and changes in net assets.

Assets Limited as to Use – Assets set aside by the Board for future capital improvements, future funding of retirement programs and insurance claims, retirement of debt, held for borrowings under the intercompany loan program, and other purposes over which the Board retains control and may at its discretion subsequently use for other purposes, assets held by trustees under bond indenture and certain other agreements, and self-insurance trust and benefit plan arrangements are included in assets limited as to use.

Donor-Restricted Gifts – Unconditional promises to give cash and other assets to the Corporation's various ministry organizations are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified 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 reported as unrestricted contributions in the consolidated statements of operations and changes in net assets.

Inventories – Inventories are stated at the lower of cost or market. The cost of inventories is determined principally by the weighted average cost method.

Property and Equipment – Property and equipment, including internal-use software, are recorded at cost, if purchased, or at fair value at the date of donation, if donated. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using either the straight-line or an accelerated method and includes capital lease and internal-use software amortization. The useful lives of these assets range from 2 to 50 years. Interest costs incurred during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets.

Gifts of long-lived assets, such as land, buildings, or equipment are reported as unrestricted support and are excluded from the excess of revenue over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

Goodwill – Goodwill represents the future economic benefits arising from assets acquired in a business combination that are not individually identified and separately recognized.

Intangible Assets – Intangible assets include both definite and indefinite-lived intangible assets. The majority of the net balance of definite-lived intangible assets include noncompete agreements and physician guarantees with finite lives amortized using the straight-line method over their estimated useful lives, which range from 2 to 23 years and 2 to 12 years, respectively. Indefinite-lived intangible assets include trade names and renewable licenses.

Asset Impairment –

Property and Equipment – Impairment testing is performed following a triggering event or whenever events or changes in circumstances indicate an asset's carrying value may not be recoverable.

Goodwill – Goodwill is tested for impairment on an annual basis or when an event or change in circumstance indicates the value of a reporting unit may have changed. Testing is conducted at the reporting unit level. There is a two-step process for determining goodwill impairment. Step one compares the carrying value of each reporting unit with its fair value. If this test indicates the fair value is less than the carrying value, then step two is required. Step two compares the implied fair value of the reporting unit's goodwill with the carrying value of reporting unit's goodwill. The Corporation estimates the fair value of its reporting units using a discounted cash flow analysis.

Intangible Assets:

Definite-Lived – Impairment testing is performed if events or changes in circumstances indicate that the asset might be impaired. The impairment test consists of a comparison of the fair value of an intangible asset with its carrying amount. The Corporation estimates the fair value of its intangible assets using an undiscounted cash flow analysis.

Indefinite-Lived – Impairment testing is performed on an annual basis or more frequently if events or changes in circumstance indicate the asset may be impaired. The impairment test consists of a comparison of the fair value of an intangible asset with its carrying amount. The Corporation estimates the fair value of its intangible assets using a discounted cash flow analysis including the use of net revenue associated with the trade names.

The following table provides information on changes in the carrying amount of goodwill, which is included in the accompanying consolidated financial statements of the Corporation at June 30:

	2013	2012
	(In thousands)	
As of July 1:		
Goodwill	\$ 115,559	\$ 116,152
Accumulated impairment loss	<u>(7,855)</u>	<u>(7,855)</u>
Total	107,704	108,297
Goodwill acquired during the year	10,858	2,090
Decrease due to sale of subsidiary	-	(2,683)
Impairment loss	<u>(20)</u>	<u>-</u>
Total	<u>\$ 118,542</u>	<u>\$ 107,704</u>
As of June 30:		
Goodwill	\$ 126,417	\$ 115,559
Accumulated impairment loss	<u>(7,875)</u>	<u>(7,855)</u>
Total	<u>\$ 118,542</u>	<u>\$ 107,704</u>

The following table provides information regarding other intangible assets, which are included in the accompanying consolidated balance sheets of the Corporation at June 30:

	(In thousands)		
	Gross Carrying Amount	Accumulated Amortization	Net Book Value
As of June 30, 2013:			
Definite-lived intangible assets:			
Noncompete agreements	\$ 21,169	\$ 15,968	\$ 5,201
Physician guarantees	7,888	2,615	5,273
Other	<u>6,190</u>	<u>604</u>	<u>5,586</u>
Total definite-lived intangible assets	<u>35,247</u>	<u>19,187</u>	<u>16,060</u>
Indefinite-lived intangible assets:			
Trade names	43,702	-	43,702
Other	<u>6,889</u>	<u>1,242</u>	<u>5,647</u>
Total indefinite-lived intangible assets	<u>50,591</u>	<u>1,242</u>	<u>49,349</u>
Total intangible assets	<u>\$ 85,838</u>	<u>\$ 20,429</u>	<u>\$ 65,409</u>
As of June 30, 2012:			
Definite-lived intangible assets:			
Noncompete agreements	\$ 19,439	\$ 13,199	\$ 6,240
Physician guarantees	5,256	2,384	2,872
Other	<u>6,085</u>	<u>187</u>	<u>5,898</u>
Total definite-lived intangible assets	<u>30,780</u>	<u>15,770</u>	<u>15,010</u>
Indefinite-lived intangible assets:			
Trade names	43,762	-	43,762
Other	<u>7,022</u>	<u>1,319</u>	<u>5,703</u>
Total indefinite-lived intangible assets	<u>50,784</u>	<u>1,319</u>	<u>49,465</u>
Total intangible assets	<u>\$ 81,564</u>	<u>\$ 17,089</u>	<u>\$ 64,475</u>

The following is a schedule of estimated future amortization of definite-lived intangible assets as of June 30, 2013:

	(In thousands)
Years ending June 30:	
2014	\$ 5,459
2015	2,617
2016	1,491
2017	1,127
2018	569
Thereafter	<u>4,797</u>
Total	<u>\$ 16,060</u>

Temporarily and Permanently Restricted Net Assets – Temporarily restricted net assets are those whose use by the Corporation 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 Corporation in perpetuity.

Patient Accounts Receivable, Estimated Receivables from and Payables to Third-Party Payors and Net Patient Service Revenue – The Corporation has agreements with third-party payors that provide for payments to the Corporation’s ministry organizations at amounts different from established rates. Patient accounts receivable and net patient service revenue are reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered. Estimated retroactive adjustments under reimbursement agreements with third-party payors are included in net patient service revenue and estimated receivables from and payables to third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined. Estimated receivables from third-party payors include amounts receivable from Medicare and state Medicaid meaningful use programs.

Allowance for Doubtful Accounts – The Corporation recognizes a significant amount of patient service revenue at the time the services are rendered even though the Corporation does not assess the patient’s ability to pay at that time. As a result, the provision for bad debts is presented as a deduction from patient service revenue (net of contractual provisions and discounts). For uninsured patients that do not qualify for charity care, the Corporation establishes an allowance to reduce the carrying value of such receivables to their estimated net realizable value. This allowance is established based on the aging of accounts receivable and the historical collection experience by ministry organization and for each type of payor. A significant portion of the Corporation’s provision for doubtful accounts relates to self-pay patients, as well as co-payments and deductibles owed to the Corporation by patients with insurance.

Short-Term Borrowings – Short-term borrowings include puttable variable rate demand bonds supported by self liquidity or liquidity facilities considered short-term in nature.

Other Long-Term Liabilities – Other long-term liabilities include accrued payments for the acquisition of Loyola University Health System as stipulated in the Definitive Agreement, deferred compensation, asset retirement obligations and interest rate swaps.

Premium and Capitation Revenue – The Corporation has certain ministry organizations that arrange for the delivery of health care services to enrollees through various contracts with providers and common provider entities. Enrollee contracts are negotiated on a yearly basis. Premiums are due

monthly and are recognized as revenue during the period in which the Corporation is obligated to provide services to enrollees. Premiums received prior to the period of coverage are recorded as deferred revenue and included in accrued expenses in the consolidated balance sheets.

Certain of the Corporation's ministry organizations have entered into capitation arrangements whereby they accept the risk for the provision of certain health care services to health plan members. Under these agreements, the Corporation's ministry organizations are financially responsible for services provided to the health plan members by other institutional health care providers. Capitation revenue is recognized during the period for which the ministry organization is obligated to provide services to health plan enrollees under capitation contracts. Capitation receivables are included in other receivables in the consolidated balance sheets.

Reserves for incurred but not reported claims have been established to cover the unpaid costs of health care services covered under the premium and capitation arrangements. The premium and capitation arrangement reserves are classified with accrued expenses in the consolidated balance sheets. The liability is estimated based on actuarial studies, historical reporting, and payment trends. Subsequent actual claim experience will differ from the estimated liability due to variances in estimated and actual utilization of health care services, the amount of charges, and other factors. As settlements are made and estimates are revised, the differences are reflected in current operations.

Income Taxes – The Corporation and substantially all of its subsidiaries have been recognized as tax-exempt pursuant to Section 501(a) of the Internal Revenue Code. The Corporation also has taxable subsidiaries, which are included in the consolidated financial statements. Certain of the taxable subsidiaries have entered into tax sharing agreements and file consolidated federal income tax returns with other corporate taxable subsidiaries. The Corporation includes penalties and interest, if any, with its provision for income taxes in other nonoperating items in the consolidated statements of operations and changes in net assets.

Excess of Revenue Over Expenses – The consolidated statements of operations and changes in net assets include excess of revenue over expenses. Changes in unrestricted net assets, which are excluded from excess of revenue over expenses, consistent with industry practice, include the effective portion of the change in market value of derivatives that meet hedge accounting requirements, permanent transfers of assets to and from affiliates for other than goods and services, contributions of long-lived assets received or gifted (including assets acquired using contributions, which by donor restriction were to be used for the purposes of acquiring such assets), net change in retirement plan related items, discontinued operations, extraordinary items and cumulative effects of changes in accounting principles.

Adopted Accounting Pronouncements –

On July 1, 2012, the Corporation adopted Accounting Standard Update (ASU) 2011-04, "*Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs.*" This guidance amends the fair value disclosure requirements regarding transfers between Level 1 and Level 2 of the fair value hierarchy, and also the categorization by level of the fair value hierarchy for items that are not measured at fair value in the financial statements but for which the fair value is required to be disclosed. The adoption of this guidance resulted in additional disclosures in the footnotes to the Corporation's consolidated financial statements.

On July 1, 2012, the Corporation adopted ASU 2011-07, "*Health Care Entities (Topic 954): Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and Allowance for Doubtful Accounts for Certain Health Care Entities.*" This guidance requires certain health care entities to present the provision for bad debts related to patient service revenues as a deduction from revenue,

net of contractual allowances and discounts, versus as an expense in the statement of operations. In addition, it also requires enhanced disclosures regarding revenue recognition policies and the assessment of bad debt. The adoption of this guidance resulted in a reduction of net patient service revenue, operating revenue, and operating expense but had no impact on operating income in the consolidated statement of operations and changes in net assets. All periods presented have been reclassified in accordance with the provisions of ASU 2011-07. The adoption of this guidance also resulted in additional disclosures as presented in the allowance for doubtful accounts policy within Note 2 and net patient service revenue disclosures presented within Note 4.

On July 1, 2012, the Corporation adopted ASU 2011-08, *“Intangibles-Goodwill and Other (Topic 350): Testing Goodwill for Impairment.”* This guidance provides entities the option of first assessing qualitative factors about the likelihood of goodwill impairment to determine whether further impairment assessment is necessary. The adoption of this guidance had no impact on the Corporation’s consolidated financial statements.

Forthcoming Accounting Pronouncements –

In December 2011, the Financial Accounting Standards Board (FASB) issued ASU 2011-11, *“Disclosures About Offsetting Assets and Liabilities.”* This guidance contains new disclosure requirements regarding the nature of an entity’s rights of setoff and related arrangements associated with its financial instruments and derivative instruments. This guidance is effective for the Corporation beginning July 1, 2013, and retrospective application is required. The Corporation does not expect this guidance to have an impact on its consolidated financial statements.

In July 2012, the FASB issued ASU 2012-02, *“Intangibles Goodwill and Other (Topic 350): Testing Indefinite-lived Intangible Assets for Impairment.”* This guidance provides entities the option of first assessing qualitative factors about the likelihood that an indefinite-lived intangible asset is impaired to determine whether further impairment assessment is necessary. It also enhances the consistency of the impairment testing guidance among long-lived asset categories by permitting entities to assess qualitative factors to determine whether it is necessary to calculate the asset’s fair value when testing an indefinite-lived intangible asset for impairment. This guidance is effective for the Corporation beginning July 1, 2013, with early adoption permitted. The Corporation does not expect this guidance to have an impact on its consolidated financial statements.

In October 2012, the FASB issued ASU 2012-05, *“Statement of Cash Flows (Topic 230): Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows.”* This guidance provides clarification on how entities classify cash receipts arising from the sale of certain donated financial assets in the statement of cash flows. This guidance is effective for the Corporation beginning July 1, 2013, with early adoption permitted. The Corporation does not expect this guidance to have a material impact on its consolidated statement of cash flows.

In January 2013, the FASB issued ASU 2013-01, *“Clarifying the Scope of Disclosures About Offsetting Assets and Liabilities.”* This guidance provides clarification on the scope of the offsetting disclosure requirements in ASU 2011-11. This guidance is effective for the Corporation beginning July 1, 2013, with early adoption permitted. The Corporation does not expect this guidance to have a material impact on its consolidated balance sheets.

In February 2013, the FASB issued ASU 2013-04, *“Obligations Resulting From Joint and Several Liability Arrangements for Which the Total Amount of the Obligation is Fixed at the Reporting Date.”* This guidance requires entities to measure obligations resulting from the joint and several liability arrangements for which the total amount of the obligation within the scope of this guidance is fixed at

the reporting date. This guidance is effective for the Corporation beginning July 1, 2014, with early adoption permitted. The Corporation has not yet evaluated the impact this guidance may have on its consolidated financial statements.

3. INVESTMENTS IN UNCONSOLIDATED AFFILIATES, BUSINESS ACQUISITIONS AND DIVESTITURES

Investments in Unconsolidated Affiliates – The Corporation and certain of its ministry organizations have investments in entities that are recorded under the cost and equity methods of accounting. At June 30, 2013, the Corporation maintained investments in unconsolidated affiliates with ownership interests ranging from 3% to 50%. The Corporation's share of equity earnings from entities accounted for under the equity method was \$33.7 million and \$33.6 million for the years ended June 30, 2013 and 2012, respectively, which is included in other revenue in the consolidated statements of operations and changes in net assets.

The unaudited summarized financial position and results of operations for the entities accounted for under the equity method as of and for the periods ended June 30 are as follows:

	2013					
	(In thousands)					
	Medical Office Buildings	Outpatient and Diagnostic Services	Ambulatory Surgery Centers	Physician Hospital Organizations	Other Investees	Total
Total assets	\$ 63,069	\$ 94,075	\$ 71,019	\$ 25,728	\$ 167,523	\$ 421,414
Total debt	36,094	11,685	37,027	17	38,609	123,432
Net assets	22,481	58,804	26,425	6,806	100,543	215,059
Revenue, net	11,712	165,426	116,943	29,663	205,753	529,497
Excess of revenue over expenses	7,954	19,295	34,938	916	14,927	78,030
	2012					
	(In thousands)					
	Medical Office Buildings	Outpatient and Diagnostic Services	Ambulatory Surgery Centers	Physician Hospital Organizations	Other Investees	Total
Total assets	\$ 88,425	\$ 116,970	\$ 76,078	\$ 17,530	\$ 137,711	\$ 436,714
Total debt	51,182	17,804	36,003	27	35,800	140,816
Net assets	30,765	69,368	29,733	5,576	80,235	215,677
Revenue, net	22,823	155,521	125,615	20,537	169,724	494,220
Excess of revenue over (under) expenses	1,607	24,908	44,245	(188)	13,972	84,544

Business Acquisitions – The Corporation entered into the following significant acquisition activities during the year ended June 30, 2012:

Acquisition of Mercy Health System of Chicago (MHSC) – Effective April 1, 2012, the Corporation became the sole member of MHSC. MHSC is the parent of Mercy Hospital and Medical Center (Mercy Hospital) and other subsidiaries and affiliates that provide health care services in Chicago, Illinois. Mercy Hospital has a network of primary care clinics, physician offices and satellite facilities. The fair value of assets acquired exceeded liabilities assumed resulting in an inherent contribution of \$140.8 million, which was recorded in gain on bargain purchase and inherent contribution in the consolidated statement of operations and changes in net assets for the year ended June 30, 2012. Transactions costs accrued and paid totaled \$0.8 million, primarily for legal and consulting services, and are included in purchased services in the consolidated statement of operations and changes in net assets.

Summarized consolidated opening balance sheet information for MHSC is shown below:

(In thousands)			
Cash, cash equivalents and investments	\$ 13,777	Current portion of long-term debt	\$ 819
Patient accounts receivable, net	42,746	Accounts payable and accrued expenses	41,815
Other current assets	35,018	Other current liabilities	12,957
Assets limited or restricted as to use	16,451	Long-term debt	48,907
Property and equipment	166,529	Self-insurance reserves	<u>36,362</u>
Intangibles	11,000		
Other assets	<u>749</u>	Total liabilities acquired	<u>\$ 140,860</u>
Total assets acquired	<u>\$286,270</u>		
		Unrestricted noncontrolling interest	\$ 561
		Temporarily restricted net assets	<u>4,016</u>
		Total net assets	<u>\$ 4,577</u>

The operating results of MHSC for the year ended June 30, 2013, include total unrestricted revenue of \$244.3 million, operating income of \$4.6 million and excess of revenue over expense of \$4.5 million. The operating results of MHSC for the period April 1, 2012 through June 30, 2012, included total unrestricted revenue of \$64.0 million, operating income of \$4.7 million, and excess of revenue over expense of \$4.5 million.

Acquisition of Loyola University Health System (LUHS) – On July 1, 2011, the Corporation replaced Loyola University of Chicago (University) as the sole member of LUHS, an Illinois not-for-profit corporation. LUHS is the sole member of Loyola University Medical Center and Gottlieb Memorial Hospital (Gottlieb), both Illinois not-for-profit corporations. LUHS was also the sole shareholder of Loyola University of Chicago Insurance Company (LUCIC), a Cayman Islands Corporation until December 31, 2011, as further described in Note 7. The Corporation will coordinate with the University to support health science education and research. The entities seek to work collaboratively both within and outside the Chicago market to become one of the nation’s leading providers of Catholic health care, research and medical education.

The Corporation acquired LUHS for \$212.9 million, \$88.3 million in cash at the effective date, \$49.6 million in cash based on a post closing reconciliation adjustment to the purchase price as stipulated in the Definitive Agreement paid in October 2011, and an accrual of an additional \$75.0 million to be paid over future years, which remains outstanding as of June 30, 2013. The Corporation recorded indefinite-lived intangible assets, primarily for a trade name, of \$36.1 million in the consolidated balance sheet at the acquisition date. Based on the purchase price allocation, the fair value of assets acquired and liabilities assumed exceeded the fair value of consideration paid and accrued. As a result, the Corporation recognized a gain of \$76.0 million in gain on bargain purchase and inherent contribution in the consolidated statement of operations and changes in net assets. Transaction costs accrued and paid totaled \$6.0 million, primarily for legal and consulting services, and are included in purchased services in the consolidated statement of operations and changes in net assets.

Summarized consolidated opening balance sheet information for LUHS is shown below:

(In thousands)			
Cash, cash equivalents and investments	\$ 76,865	Current portion of long-term debt	\$ 163,834
Patient accounts receivable, net	153,006	Accounts payable and accrued expenses	50,947
Inventory	15,276	Estimated payables to third party payors	72,320
Other current assets	49,568	Other current liabilities	48,245
Assets limited or restricted as to use	298,997	Long-term debt	212,536
Property and equipment	522,076	Self-insurance reserves	242,058
Intangibles	36,170	Pension and post retirement plan obligations	59,866
Other assets	<u>32,378</u>	Other liabilities	<u>18,596</u>
Total assets acquired	<u>\$ 1,184,336</u>	Total liabilities acquired	<u>\$ 868,402</u>
		Temporarily restricted net assets	\$ 20,362
		Permanently restricted net assets	<u>6,671</u>
		Total net assets	<u>\$ 27,033</u>

As of August 8, 2011, all of LUHS' debt was retired with the proceeds from the Corporation's issuance of \$234 million of taxable commercial paper and cash on hand as further described in Note 6.

As part of the LUHS acquisition, certain executed agreements provide for ongoing financial support from the Corporation including:

- A Definitive Agreement upon which the Corporation has agreed that over the seven year period from July 1, 2011 to 2018, at least \$300 million will be expended on capital projects and, if certain operating thresholds are met, the amount may be increased to \$400 million.
- An Academic Affiliation Agreement, which has an initial term of ten years starting July 1, 2011, and provides for an annual academic support payment from the Corporation to the University adjusted annually for inflation. The payment totaled \$22.7 million and \$22.5 million for the years ended June 30, 2013 and 2012, respectively.
- A Shared Services Agreement between the University and LUHS who have agreed on a cost sharing agreement related to common employees and services. Cost incurred to the University totaled \$7.1 million and \$9.6 million for the years ended June 30, 2013 and 2012, respectively.

The operating results of LUHS for the years ended June 30, 2013 and 2012 include total unrestricted revenue of \$1.2 billion and \$1.1 billion, respectively, operating income of \$42.1 million and \$0.3 million, respectively, and excess (deficiency) of revenue over expense of \$51.6 million and (\$13.0) million, respectively.

The amount of the Corporation's revenue, earnings, and changes in net assets had the acquisitions of LUHS and MHSC occurred on July 1, 2011, are as follows:

	2013	2012
	(In thousands)	
Total operating revenue	\$ 8,978,385	\$ 8,662,121
Excess of revenue over expenses	666,439	374,352
Change in unrestricted net assets	921,473	(372,145)
Change in temporarily restricted net assets	10,460	27,871
Change in permanently restricted net assets	2,091	6,079

Business Divestitures:

On July 1, 1991, Battle Creek Health System (BCHS) was formed through an agreement between the Corporation and Community Hospital Association of Battle Creek, Michigan, with the Corporation owning 50% of the stock of BCHS with effective control of BCHS. Effective July 1, 2011, the Corporation transferred its shares of BCHS to Bronson Healthcare Group, Inc., for \$76.0 million. As described in Note 2, the consolidated financial statements for year ended June 30, 2012, present the operations of BCHS as a discontinued operation. As a result of the transfer, the Corporation reported a loss of \$28.5 million, which includes a pension curtailment gain of \$5.8 million and settlement loss of \$27.5 million in discontinued operations in the consolidated statements of operations and changes in net assets. For the years ended June 30, 2013 and 2012, the Corporation reported a loss on operations of \$9.5 million and \$5.4 million, respectively, in discontinued operations in the consolidated statements of operations and changes in net assets.

4. NET PATIENT SERVICE REVENUE

A summary of the payment arrangements with major third-party payors follows:

Medicare – Acute inpatient and outpatient services rendered to Medicare program beneficiaries are paid primarily at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Certain items are reimbursed at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediaries.

Medicaid – Reimbursement for services rendered to Medicaid program beneficiaries includes prospectively determined rates per discharge, per diem payments, discounts from established charges, fee schedules, and cost reimbursement methodologies with certain limitations. Cost reimbursable items are reimbursed at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicaid fiscal intermediaries.

Other – Reimbursement for services to certain patients is received from commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for reimbursement includes prospectively determined rates per discharge, per diem payments, and discounts from established charges.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and exclusion from the Medicare and Medicaid programs.

Charity Care – The Corporation provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Corporation does not pursue collection of amounts determined to qualify for charity care, they are not reported as net patient service revenue in the consolidated statements of operations and changes in net assets.

Patient service revenues, net of contractual and other allowances (but before the provision for bad debts), recognized during the years ended June 30 is as follows:

	2013	2012
	(In thousands)	
Medicare	\$3,149,767	\$2,958,591
Blue Cross	1,899,297	1,865,238
Medicaid	1,005,540	828,620
Uninsured	350,887	314,292
Commercial and other	<u>1,883,500</u>	<u>1,882,420</u>
Total	<u>\$8,288,991</u>	<u>\$7,849,161</u>

A summary of net patient service revenue before provision for bad debts for the years ended June 30 is as follows:

	2013	2012
	(In thousands)	
Gross charges:		
Acute inpatient	\$ 9,496,833	\$ 9,226,067
Outpatient, nonacute inpatient, and other	<u>10,744,217</u>	<u>10,045,912</u>
Gross patient service revenue	20,241,050	19,271,979
Less:		
Contractual and other allowances	(11,228,833)	(10,725,957)
Charity care charges	(552,429)	(541,490)
Allowance for self-insured health benefits	<u>(170,797)</u>	<u>(155,371)</u>
Net patient service revenue before provision for bad debts	<u>\$ 8,288,991</u>	<u>\$ 7,849,161</u>

In October 2012, the Corporation received cash of \$50.0 million, net of legal costs, as a result of an industry-wide settlement with the U.S. Department of Health and Human Services (HHS), the Secretary of HHS and the Centers for Medicare and Medicaid Services that corrects Medicare payments made to providers for inpatient hospital services for a number of prior periods. The net gain is recorded in patient service revenue, net of contractals and other allowances, for the year ended June 30, 2013.

5. PROPERTY AND EQUIPMENT

A summary of property and equipment at June 30 is as follows:

	2013 (In thousands)	2012
Land	\$ 246,363	\$ 237,551
Buildings and improvements	4,880,923	4,651,308
Equipment	3,405,298	3,158,288
Capital leased assets	<u>87,022</u>	<u>84,083</u>
Total	8,619,606	8,131,230
Less accumulated depreciation	(4,542,149)	(4,220,346)
Less accumulated amortization	(24,818)	(19,969)
Construction in progress	<u>496,269</u>	<u>330,912</u>
Property and equipment, net	<u>\$ 4,548,908</u>	<u>\$ 4,221,827</u>

At June 30, 2013, commitments to purchase property and equipment of approximately \$367 million were outstanding. Significant commitments are primarily for facility expansion at existing campuses and related infrastructures at the following ministry organizations: Holy Cross Hospital in Silver Spring, Maryland - \$182 million; Mount Carmel Health System in Columbus, Ohio - \$54 million; Saint Joseph Mercy Oakland in Pontiac, Michigan - \$34 million; St. Joseph Mercy Ann Arbor, Michigan - \$33 million; LUHS in Chicago, Illinois - \$26 million, and MHSC in Chicago, Illinois - \$14 million. Costs of these projects are expected to be financed by proceeds from bond issuances, available funds, future operations of the hospitals and contributions.

6. LONG-TERM DEBT AND OTHER FINANCING ARRANGEMENTS

A summary of short-term borrowings and long-term debt at June 30 is as follows:

	2013	2012
	(In thousands)	
Short-term borrowings:		
Variable rate demand bonds with contractual maturities through 2048. Interest payable monthly at rates ranging from 0.04% to 0.82% during 2013 and from 0.02% to 0.86% during 2012	<u>\$ 867,130</u>	<u>\$ 892,865</u>
Long-term debt:		
Tax-exempt revenue bonds and refunding bonds, fixed rate term and serial bonds, payable at various dates through 2048. Interest rate ranges from 2.0% to 6.5% during 2013 and 2012	\$2,134,525	\$2,162,070
Notes payable to banks. Interest payable at rates ranging from 2.0% to 7.8%, fixed and variable, payable in varying monthly installments through 2021	3,941	4,582
Capital lease obligations (excluding imputed interest of \$41.3 million and \$51.2 million at June 30, 2013 and 2012, respectively)	73,126	72,746
Mortgage obligations. Interest payable at rates ranging from 4.1% to 6.5% during 2013 and 4.1% to 6.0% during 2012	82,507	64,000
Other	<u>7,888</u>	<u>-</u>
Total long-term debt	2,301,987	2,303,398
Less current portion, net of current discounts	(30,862)	(32,362)
Unamortized premiums, net	<u>28,469</u>	<u>31,200</u>
Long-term debt, net of current portion	<u>\$2,299,594</u>	<u>\$2,302,236</u>

Contractually obligated principal repayments on short-term borrowings and long-term debt as of June 30, 2013, are as follows:

	(In thousands)	
	Short-Term Borrowings	Long-Term Debt
Years ending June 30:		
2014	\$ 33,250	\$ 31,131
2015	23,710	41,189
2016	25,015	48,289
2017	26,590	42,466
2018	28,000	43,700
Thereafter	<u>730,565</u>	<u>2,095,212</u>
Total	<u>\$ 867,130</u>	<u>\$2,301,987</u>

A summary of interest costs on borrowed funds primarily under the revenue bond indentures during the years ended June 30 is as follows:

	2013	2012
	(In thousands)	
Interest costs incurred	\$ 118,901	\$ 108,390
Less capitalized interest	<u>(8,368)</u>	<u>(5,609)</u>
Interest expense included in operations	<u>\$ 110,533</u>	<u>\$ 102,781</u>

Obligated Group and Other Requirements – The Corporation has debt outstanding under a Master Trust Indenture dated July 1, 1998, as amended and supplemented thereto, the Amended and Restated Master Indenture (ARMI). The ARMI permits the Corporation to issue obligations to finance certain activities. Obligations issued under the ARMI are general, direct obligations of the Corporation and any future members of the Trinity Health Obligated Group. Proceeds from the tax-exempt bonds and refunding bonds are to be used to finance the construction, acquisition and equipping of capital improvements. Since the implementation of the ARMI, the Corporation is the sole member of the Trinity Health Obligated Group. Certain ministry organizations of the Corporation constitute designated affiliates and the Corporation covenants to cause each designated affiliate to pay, loan, or otherwise transfer to the Corporation such amounts necessary to pay the amounts due on all obligations issued under the ARMI. The Corporation, the designated affiliates and all other controlled affiliates are referred to as the Credit Group. The Corporation has granted a security interest in certain pledged property and has caused not less than 85% of the designated affiliates representing, when combined with the Corporation and any future members, not less than 85% of the consolidated net revenue of the Credit Group to grant to the Corporation security interests in certain pledged property in order to secure all obligations issued under the ARMI. The aggregate amount of obligations outstanding using the ARMI (other than obligations that have been advance refunded) were \$3,002 million and \$3,055 million at June 30, 2013 and 2012, respectively.

There are several conditions and covenants required by the ARMI with which the Corporation must comply, including covenants that require the Corporation to maintain a minimum debt service coverage and limitations on liens or security interests in property, except for certain permitted encumbrances, affecting the property of the Corporation or any Material Designated Affiliate (a designated affiliate whose total revenues for the most recent fiscal year exceed 5% of the total revenues of the Credit Group for the most recent fiscal year). Long-term debt outstanding at June 30, 2013 and 2012, excluding amounts issued under the ARMI, is generally collateralized by certain property and equipment.

MHSC has a commitment from the U.S. Department of Housing and Urban Development (HUD) to insure an approximate \$66 million mortgage loan, under the Federal Housing Administration's Section 242 Hospital Mortgage Insurance Program. At June 30, 2013 and 2012, the outstanding obligation was \$63 million and \$53 million, respectively. MHSC's main hospital campus and two satellite facilities are collateral for the mortgage. The mortgage loan agreement with HUD contains various covenants, including those relating to limitations on incurring additional debt, disposing of designated property, financial performance, insurance coverage and timely submission of specified financial reports.

Issuance and Defeasance of Debt – In May 2012, the Corporation issued \$101.9 million in tax-exempt, fixed rate hospital revenue bonds (Series 2012 Bonds) under its ARMI. The proceeds, along with cash, were used to refund the Corporation's \$126.2 million series 2002C bonds and pay costs of issuance. Concurrently, with the series 2012 financing, the Corporation re-offered approximately \$192.8 million

of its existing series 2008C, series 2009B and series 2009C variable rate demand bonds in a long-term fixed rate mode. The Corporation also defeased \$35.0 million of outstanding hospital revenue bonds. These transactions resulted in a loss from extinguishment of debt of \$7.0 million, which has been included in nonoperating items in the consolidated statement of operations and changes in net assets. In addition, on June 1, 2012, the Corporation converted \$189.3 million of its currently outstanding variable rate bonds (Series 2008D-2 Bonds) from a weekly mode to a flexible mode.

In December 2011, the Corporation defeased \$36.2 million of outstanding hospital revenue bonds. This transaction resulted in a loss from extinguishment of debt of \$0.7 million, which has been included in nonoperating items in the consolidated statement of operations and changes in net assets.

In October 2011, the Corporation issued \$648.7 million in tax-exempt, fixed rate hospital revenue bonds and \$100.0 million in variable rate hospital revenue bonds (Series 2011 Bonds) under its ARMI. The proceeds were used to finance, refinance and reimburse a portion of the costs of acquisition, construction, renovation and equipping of health facilities, and to pay related costs of issuance. Proceeds, together with assets released from bond trustees, were used to retire \$69.4 million of the Corporation's then outstanding fixed rate hospital revenue bonds and \$102.9 million of the Corporation's then outstanding variable rate hospital revenue bonds. These transactions resulted in a loss from extinguishment of debt of \$2.5 million, which has been included in nonoperating items in the consolidated statement of operations and changes in net assets. In addition, \$354.0 million of the proceeds were used to pay off commercial paper obligations.

In July 2011, the Corporation extinguished \$338.4 million of outstanding hospital revenue bonds related to LUHS through the issuance of commercial paper. These transactions resulted in a loss from extinguishment of debt of \$3.3 million, which has been included in nonoperating items in the consolidated statement of operations and changes in net assets.

The outstanding balance of all bonds advance refunded through net defeasance and excluded from the consolidated balance sheets was \$170.0 million and \$318.5 million at June 30, 2013 and 2012, respectively. The Corporation advance refunded the bonds by depositing funds in trustee-held escrow accounts exclusively for the payment of principal and interest. The trustees/escrow agents are solely responsible for the subsequent extinguishment of the bonds. The trustee-held escrow accounts are invested in U.S. government securities.

Commercial Paper – The Corporation's commercial paper program is authorized for borrowings up to \$600 million. In fiscal year 2013, the Corporation issued \$234 million in commercial paper with a total of \$368.9 million and \$135.0 million outstanding at June 30, 2013 and 2012, respectively. Proceeds from this program are to be used for general purposes of the Corporation. The notes are payable from the proceeds of subsequently issued notes and from other funds available to the Corporation, including funds derived from the liquidation of securities held by the Corporation in its investment portfolio. The interest rate charged on borrowings outstanding during the years ended June 30, 2013 and 2012, ranged from 0.07% to 0.20% and 0.08% to 0.22%, respectively.

Liquidity Facilities – In July 2012, the Corporation renewed the Amended and Restated 2010 Revolving Credit Agreements (2012 Credit Agreements) with U.S. Bank National Association, which acts as an administrative agent for a group of lenders thereunder. The 2012 Credit Agreements establish a revolving credit facility for the Corporation under which that group of lenders agrees to lend to the Corporation amounts that may fluctuate from time to time, but as of June 30, 2013, the amount available was \$731 million. Amounts drawn under the 2013 Credit Agreements can only be used to support the Corporation's obligation to pay the purchase price of bonds that are subject to tender and that have not been successfully remarketed, and the maturing principal of and interest on commercial paper notes. Of

the \$731 million, \$150 million expires in July 2013, \$110 million expires in July 2014, \$256 million expires in July 2015, and \$215 million expires in July 2016. In addition, in August 2012, the Corporation added a second general purpose facility of \$200 million, which expires in July 2016. There were no draws on these credit agreements during the years ended June 30, 2013 or 2012.

Standby Letters of Credit – The Corporation entered into various standby letters of credit totaling approximately \$22.9 million and \$21.5 million at June 30, 2013 and 2012, respectively. These standby letters of credit are renewed annually and are available to the Corporation as necessary under its insurance programs and for unemployment liabilities. There were no draws on these letters of credit during the years ended June 30, 2013 or 2012.

7. PROFESSIONAL AND GENERAL LIABILITY PROGRAMS

The Corporation's insurance company, Venzke Insurance Company, Ltd. (Venzke), a wholly owned subsidiary of Trinity Health, qualifies as a captive insurance company in the domicile where it operates and provides certain insurance coverage to the Corporation's ministry organizations. The Corporation is self-insured for certain levels of general and professional liability, workers' compensation, and certain other claims. The Corporation, through Venzke, has limited its liability by purchasing reinsurance and commercial coverage from unrelated third-party insurers.

As discussed in Note 3, on July 1, 2011, Trinity Health-Michigan, a wholly-owned subsidiary of Trinity Health, replaced LUHS as the sole shareholder of LUCIC, a captive insurance company in the domicile where it operates. Effective July 1, 2011, Venzke's policies include the facilities and individuals that were previously insured with LUCIC. Policies issued and reinsurance purchased by LUCIC prior to July 1, 2011, and all losses previous to July 1, 2011, were assumed through a merger with Venzke at December 31, 2011. On April 1, 2012, the Corporation became the sole member of MHSC, which included assuming MHSC's professional liability losses.

For the years ended June 30, 2013 and 2012, the Corporation's self-insurance program includes \$20 million per occurrence for the first layers of professional liability, as well as \$10 million per occurrence for hospital government liability, \$5 million per occurrence for errors and omission liability, and \$1 million per occurrence for directors' and officers' liability and the insured auto liability program. Additional layers of professional liability insurance are available with coverage provided through other insurance carriers and various reinsurance arrangements. The total amount available for these subsequent layers is \$100 million in aggregate. The Corporation also self-insures \$500,000 in property damage liability with commercial insurance providing coverage up to \$1 billion.

The liability for self-insurance reserves represents estimates of the ultimate net cost of all losses and loss adjustment expenses, which are incurred but unpaid at the consolidated balance sheet date. The reserves are based on the loss and loss adjustment expense factors inherent in the Corporation's premium structure. Independent consulting actuaries determined these factors from estimates of the Corporation's expenses and available industry-wide data. Beginning in fiscal year 2013, the Corporation began discounting the reserves to their present value using a discount rate of 3.0%. The impact of this change resulted in a decrease of \$43 million in expense in the consolidated statements of operations for fiscal year 2013, of which \$37 million was recorded in other expense and \$6 million was recorded in employee benefits. The reserves include estimates of future trends in claim severity and frequency. Although considerable variability is inherent in such estimates, management believes that the liability for unpaid claims and related adjustment expenses is adequate based on the loss experience of the Corporation. The estimates are continually reviewed and adjusted as necessary.

Claims in excess of certain insurance coverage and the recorded self-insurance liability have been asserted against the Corporation by various claimants. The claims are in various stages of processing, and some may ultimately be brought to trial. There are known incidents occurring through June 30, 2013, that may result in the assertion of additional claims, and other claims may be asserted arising from services provided in the past. While it is possible that settlement of asserted claims and claims that may be asserted in the future could result in liabilities in excess of amounts for which the Corporation has provided, management, based upon the advice of Counsel, believes that the excess liability, if any, should not materially affect the consolidated financial position, operations, or cash flows of the Corporation.

8. PENSION AND OTHER BENEFIT PLANS

Self-Insured Employee Health Benefits – The Corporation administers self-insured employee health benefit plans for employees. The majority of the Corporation’s employees participate in the programs. The provisions of the plans permit employees and their dependents to elect to receive medical care at either the Corporation’s ministry organizations or other health care providers. Gross patient service revenue has been reduced by an allowance for self-insured employee health benefits of \$170.8 million and \$155.4 million for the years ended June 30, 2013 and 2012, respectively, which represented revenue attributable to medical services provided by the Corporation to its employees and dependents in such years.

Deferred Compensation – The Corporation has nonqualified deferred compensation plans at certain ministry organizations that permit eligible employees to defer a portion of their compensation. The deferred amounts are distributable in cash after retirement or termination of employment. As of June 30, 2013 and 2012, the assets under these plans totaled \$74.8 million and \$60.8 million, and liabilities totaled \$80.3 million and \$67.4 million, respectively.

Retirement Plan Acquisitions – The Corporation acquired LUHS on July 1, 2011, including its benefit plans. LUHS maintains three qualified, noncontributory defined benefit pension plans that provide retirement benefits for substantially all full-time employees. Two of these plans are governed by the Employee Retirement Income Security Act of 1974 (ERISA). One of the ERISA plans was frozen by LUHS for employees with service through March 2004. This plan is a multiple-employer plan and administration of the plan is the responsibility of Loyola University of Chicago. LUHS’s calculated accrued benefit obligation represents approximately 62% of the total multiple-employer plan accrued benefit obligation. The third plan is a Church plan as determined by the Internal Revenue Service and is not governed by ERISA. This plan was merged into the Corporation’s Church plan on January 1, 2013. The Corporation amended the remaining two plans to freeze accrued benefits effective December 31, 2012, and participants in those plans became participants of the Corporation’s defined benefit plan effective January 1, 2013. The amendments to freeze both plans resulted in a decrease in the plans’ liabilities of \$27.0 million at June 30, 2012.

LUHS also maintains qualified defined contribution plans for certain eligible employees as well as nonqualified pension programs and deferred compensation arrangements for eligible executives. In addition, LUHS provides other postretirement benefits (primarily health benefits) to an eligible group of employees. LUHS discontinued contributions to the cost of retiree health coverage in 2001 for certain future retirees. This plan is closed to new participants. Health benefits are provided subject to various cost-sharing features and are not prefunded.

The Corporation acquired MHSC on April 1, 2012, including its defined contribution plan. The plan covers substantially all of MHSC’s employees and provides a 1.5% employer contribution and an employer matching contribution of up to 2% of compensation.

Defined Contribution Benefits – The Corporation sponsors defined contribution pension plans covering substantially all of its employees. The plans include discretionary employer matching contributions of up to 3% of compensation. Effective January 1, 2013, the Corporation suspended the majority of employer matching contributions for the calendar year 2013. Employer and employee contributions are self-directed by plan participants in defined contribution plans. Contribution expense under the plans totaled \$35.2 million and \$71.4 million during the years ended June 30, 2013 and 2012, respectively.

Noncontributory Defined Benefit Pension Plans (Pension Plans) – Substantially all of the Corporation's employees participate in a qualified, noncontributory defined benefit pension plan. Certain non-qualified, supplemental plan arrangements also provide retirement benefits to specified groups of participants. For the majority of plan participants prior to June 30, 2010, benefits were based on years of service and employees' highest five years of compensation at which time an accrued frozen benefit was calculated for all active participants. As of July 1, 2010, participants accrue benefits based on a cash balance formula, which credits participants annually with a percentage of eligible compensation based on age and years of service, as well as an interest credit based on a benchmark interest rate. A transition adjustment is provided to participants who were vested as of June 30, 2010, whose age and service met certain requirements at that date. The transition adjustment applies to the pension benefit earned through June 30, 2010, and increased compensation under the final average pay formula over a five-year period. Because the Pension Plan has Church Plan status as defined in the ERISA, funding in accordance with ERISA is not required. The Corporation's adopted funding policy for its qualified plan, which is reviewed annually, is to fund the current normal cost based on the accumulated benefit obligation at the plans' December 31 year-end, and amortization of any under or over funding over a ten year period. The Corporation funded \$27.2 million in excess of the stated funding policy for the combined fiscal years 2013 and 2012.

During the year ended June 30, 2012, the Corporation recorded a pension curtailment gain of \$5.8 million and a pension settlement loss of \$27.5 million related to the sale of BCHS described in Note 3. The net loss is included in the loss from discontinued operations in the 2012 consolidated statement of operations and changes in net assets.

Postretirement Health Care and Life Insurance Benefits (Postretirement Plans) – The Corporation sponsors both funded and unfunded contributory plans to provide health care benefits to certain of its retirees. All of the Postretirement Plans are closed to new participants. The plans cover certain hourly and salaried employees who retire from certain ministry organizations. Medical benefits for these retirees are subject to deductibles and co-payment provisions. Effective January 1, 2011, the funded plans provide benefits to certain retirees at fixed dollar amounts in Health Reimbursement Account arrangements for Medicare eligible participants.

The following table sets forth the changes in projected benefit obligations, accumulated postretirement obligations, and changes in plan assets and funded status of the plans for both the Pension and Postretirement Plans for the years ended June 30, 2013 and 2012:

	2013	2012	2013	2012
	(In thousands)			
	Pension Plans		Postretirement Plans	
Change in benefit obligation:				
Benefit obligation, beginning of year	\$ 5,161,197	\$ 3,961,864	\$ 116,721	\$ 110,739
Service cost	143,567	141,408	884	1,023
Interest cost	255,483	256,058	5,371	6,254
Amendments	(1,998)	(32,761)	-	-
Actuarial (gain) loss	(214,944)	601,102	(10,137)	(482)
Benefits paid	(176,572)	(159,211)	(5,067)	(5,707)
Medicare Part D reimbursement	-	-	96	674
Acquisition of LUHS	-	392,737	-	4,220
	<u>5,166,733</u>	<u>5,161,197</u>	<u>107,868</u>	<u>116,721</u>
Benefit obligation, end of year				
Change in plan assets:				
Fair value of plan assets, beginning of year	4,141,192	3,647,407	79,160	78,254
Actual return on plan assets	254,759	168,122	9,131	4,649
Employer contributions	285,132	146,347	1,299	1,964
Benefits paid	(176,572)	(159,211)	(5,067)	(5,707)
Acquisition of LUHS	-	338,527	-	-
	<u>4,504,511</u>	<u>4,141,192</u>	<u>84,523</u>	<u>79,160</u>
Fair value of plan assets, end of year				
Unfunded amount recognized June 30	(662,222)	(1,020,005)	(23,345)	(37,561)
Recognized in prepaid assets	-	-	1,379	-
Recognized in accrued liabilities	<u>\$ (662,222)</u>	<u>\$ (1,020,005)</u>	<u>\$ (24,724)</u>	<u>\$ (37,561)</u>

Actuarial gains and losses incurred during the years ended June 30, 2013 and 2012 are primarily related to changes in discount rates used to measure the plan's liabilities.

The accumulated benefit obligation and fair value of plan assets for the qualified defined benefit pension plans for the years ended June 30 are as follows:

	2013	2012
	(In thousands)	
	Pension Plans	
Accumulated benefit obligation	\$ 5,074,277	\$ 5,038,497
Fair value of plan assets	<u>4,504,511</u>	<u>4,141,192</u>
Funded status	<u>\$ (569,766)</u>	<u>\$ (897,305)</u>

Components of net periodic benefit cost for the years ended June 30 consisted of the following:

	2013	2012	2013	2012
	(In thousands)			
	Pension Plans		Postretirement Plans	
Service cost	\$ 143,567	\$ 141,408	\$ 884	\$ 1,023
Interest cost	255,483	255,990	5,371	6,254
Expected return on assets	(317,426)	(317,290)	(5,675)	(6,025)
Amortization of prior service cost	(23,092)	(19,438)	(7,318)	(7,318)
Recognized net actuarial loss	<u>122,718</u>	<u>70,336</u>	<u>1,243</u>	<u>1,283</u>
Net periodic benefit cost (income)	<u>\$ 181,250</u>	<u>\$ 131,006</u>	<u>\$ (5,495)</u>	<u>\$ (4,783)</u>

The amounts in unrestricted net assets, including amounts arising during the year and amounts reclassified into net periodic benefit cost, are as follows:

	(In thousands)		
	Pension Plans		
	Net Loss (Gain)	Prior Service Cost	Total
Balance at July 1, 2011	\$ 1,183,248	\$ (198,349)	\$ 984,899
Curtailments/settlements	(21,678)	-	(21,678)
Reclassified into net periodic benefit cost	(70,336)	19,438	(50,898)
Arising during the year	<u>750,047</u>	<u>(32,762)</u>	<u>717,285</u>
Balance at June 30, 2012	1,841,281	(211,673)	1,629,608
Reclassified into net periodic benefit cost	(122,718)	23,092	(99,626)
Arising during the year	<u>(158,207)</u>	<u>3,785</u>	<u>(154,422)</u>
Balance at June 30, 2013	<u>\$ 1,560,356</u>	<u>\$ (184,796)</u>	<u>\$ 1,375,560</u>

	(In thousands)		
	Postretirement Plans		
	Net Loss (Gain)	Prior Service Credit	Total
Balance at July 1, 2011	\$ 18,480	\$ (24,795)	\$ (6,315)
Curtailments/settlements	-	-	-
Reclassified into net periodic benefit cost	(1,283)	7,318	6,035
Arising during the year	<u>918</u>	<u>-</u>	<u>918</u>
Balance at June 30, 2012	18,115	(17,477)	638
Reclassified into net periodic benefit cost	(1,243)	7,318	6,075
Arising during the year	<u>(13,584)</u>	<u>-</u>	<u>(13,584)</u>
Balance at June 30, 2013	<u>\$ 3,288</u>	<u>\$ (10,159)</u>	<u>\$ (6,871)</u>

**All Plans
Grand
Total**

The following are estimated amounts to be amortized from unrestricted net assets into net periodic benefit cost during 2014:

	(In thousands)	
	Pension Plans	Postretirement Plans
Amortization of prior service credit	\$ (22,738)	\$ (5,763)
Recognized net actuarial loss (gain)	<u>98,729</u>	<u>(167)</u>
Total	<u>\$ 75,991</u>	<u>\$ (5,930)</u>

Assumptions used to determine benefit obligations and net periodic benefit cost were as follows:

	2013 Pension Plans	2012 Pension Plans	2013 Postretirement Plans	2012 Postretirement Plans
Benefit obligations:				
Discount rate	4.95%–5.45%	4.70%–5.05%	4.40%–5.20%	4.25%–4.85%
Rate of compensation increase in 2013 graduated to 4% by 2017	3.0 %	2.0 %	N/A	N/A
Net periodic benefit cost:				
Discount rate	4.70%–5.10%	5.95%–6.0%	4.25%–4.85%	5.10%–5.75%
Expected long-term return on plan assets	7.00%–7.50%	7.80%–8.0%	7.50 %	8.00 %
Rate of compensation	2.0 %	4.0 %	N/A	N/A

Approximately 95% of the Corporation's pension plan liabilities are measured using the 5.45% discount rate at June 30, 2013.

The Corporation uses an efficient frontier analysis approach in determining its asset allocation and long-term rate of return for plan assets. Efficient frontier analysis models the risk and return trade-offs among asset classes while taking into consideration the correlation among the asset classes. Historical market returns and risks are examined as part of this process, but risk-based adjustments are made to correspond with modern portfolio theory. Long-term historical correlations between asset classes are used, consistent with widely accepted capital markets principles. Current market factors, such as inflation and interest rates, are evaluated before long-term capital market assumptions are determined. The long-term rate of return is established using the efficient frontier analysis approach with proper consideration of asset class diversification and rebalancing. Peer data and historical returns are reviewed to check for reasonableness and appropriateness.

Health Care Cost Trend Rates – Assumed health care cost trend rates have a significant effect on the amounts reported for the postretirement plans. The postretirement benefit obligation includes assumed health care cost trend rates as follows:

	2013	2012
Medical and drugs, pre-age 65	7.8 %	8.3 %
Medical and drugs, post-age 65	7.8 %	8.3 %
Ultimate trend rate	5.0 %	5.0 %
Year rate reaches the ultimate rate	2018	2018

A one-percentage point change in assumed health care cost trend rates would have the following effects at June 30, 2013:

	(In thousands)	
	One-Percentage-Point Increase	One-Percentage-Point Decrease
Effect on postretirement benefit obligation	\$ 3,181	\$ (2,721)
Effect on total of service cost and interest	251	(210)

The Corporation's investment allocations at June 30, by investment category, are as follows:

	2013 Pension Plans	2012 Pension Plans	2013 Postretirement Plans	2012 Postretirement Plans
Investment category:				
Cash and cash equivalents	10 %	10 %	1 %	2 %
Marketable securities:				
U.S. and non-U.S equity securities	5	7	65	59
Equity mutual funds	7	2	-	-
Debt securities	30	35	34	39
Other investments:				
Commingled funds	9	11	-	-
Hedge funds	30	30	-	-
Private equity funds	6	5	-	-
Other	3	-	-	-
Total	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

The Corporation employs a total return investment approach whereby a mix of equities and fixed-income investments are used to maximize the long-term return of plan assets for a prudent level of risk. Risk tolerance is established through careful consideration of plan liabilities, plan funded status, and corporate financial condition. The investment portfolio contains a diversified blend of equity and fixed-income investments. Furthermore, equity investments are diversified across U.S. and non-U.S. stocks, as well as growth, value, and small and large capitalizations. Other investments, such as hedge funds, interest rate swaps, and private equity are used judiciously to enhance long-term returns while improving portfolio diversification. Derivatives may be used to gain market exposure in an efficient and timely manner; however, derivatives may not be used to leverage the portfolio beyond the market value of the underlying investments. Investment risk is measured and monitored on an ongoing basis through quarterly investment portfolio reviews, annual liability measurements, and periodic asset/liability studies. For the majority of the Corporation's pension plan investments, the combined target investment allocation at June 30, 2013 was U.S. and non-U.S. equity securities 15%; fixed-income obligations 35%; hedge funds 20%; long/short equity 15%; private equity 5%; opportunistic fixed income 7%; and real assets 3%.

The following tables summarize the Pension and Postretirement Plans' assets measured at fair value at June 30, 2013 and 2012. See Note 10 for definitions of Levels 1, 2, and 3 of the fair value hierarchy.

	2013			
	(In thousands)			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Pension plans:				
Cash and cash equivalents	\$ 452,032	\$ 11,073	\$ -	\$ 463,105
Equity securities	238,493	-	-	238,493
Debt securities				
Government and government agency obligations	-	322,538	-	322,538
Corporate bonds	-	1,000,922	1,632	1,002,554
Asset backed securities	-	34,342	-	34,342
Mutual funds				
Equity mutual funds	309,119	-	-	309,119
Fixed-income mutual funds	95,504	9,533	-	105,037
Commingled funds	-	416,453	-	416,453
Hedge funds	-	344,730	1,016,262	1,360,992
Private equity	-	-	251,228	251,228
Real estate partnerships	-	-	52	52
Other	598	-	-	598
Total pension plans' assets at fair value	<u>\$ 1,095,746</u>	<u>\$ 2,139,591</u>	<u>\$ 1,269,174</u>	<u>\$ 4,504,511</u>
Postretirement plans:				
Mutual funds				
Short-term investment mutual funds	\$ 817	\$ -	\$ -	\$ 817
Fixed-income mutual fund	28,321	-	-	28,321
Commingled funds	-	55,385	-	55,385
Total postretirement plans' assets at fair value	<u>\$ 29,138</u>	<u>\$ 55,385</u>	<u>\$ -</u>	<u>\$ 84,523</u>

	2012			
	(In thousands)			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Pension plans:				
Cash and cash equivalents	\$396,043	\$ 1,422	\$ -	\$ 397,465
Equity securities	273,125	682	-	273,807
Debt securities				
Government and government agency obligations	-	433,634	-	433,634
Corporate bonds	-	1,010,844	-	1,010,844
Asset backed securities	-	23,046	-	23,046
Mutual funds				
Equity mutual funds	96,352	-	-	96,352
Fixed-income mutual funds	11,393	7,617	-	19,010
Commingled funds	-	438,575	-	438,575
Hedge funds	-	39,693	1,211,388	1,251,081
Private equity	-	-	204,250	204,250
Real estate partnerships	-	-	520	520
Other	(7,392)	-	-	(7,392)
Total pension plans' assets at fair value	<u>\$769,521</u>	<u>\$1,955,513</u>	<u>\$1,416,158</u>	<u>\$4,141,192</u>
Postretirement plans:				
Mutual funds				
Short-term investment mutual funds	\$ 1,178	\$ -	\$ -	\$ 1,178
Fixed-income mutual fund	31,291	-	-	31,291
Commingled funds	-	46,638	-	46,638
Other	53	-	-	53
Total postretirement plans' assets at fair value	<u>\$ 32,522</u>	<u>\$ 46,638</u>	<u>\$ -</u>	<u>\$ 79,160</u>

Unfunded capital commitments related to Level 3 private equity investments totaled \$181.8 million and \$191.5 million at June 30, 2013 and 2012, respectively.

The Corporation's policy is to recognize transfers between all levels as of the beginning of the reporting period. There were no significant transfers to or from Levels 1 and 2 during the years ended June 30, 2013 or 2012.

See Note 10 for the Corporation's methods and assumptions to estimate the fair value of equity and debt securities, mutual funds, commingled funds, and hedge funds.

Private Equity – These assets include several private equity funds that invest primarily in the United States, Asia and Europe, both directly and on the secondary market, pursuing distressed opportunities and natural resources, primarily energy. These funds are valued at net asset value, which is calculated using the most recent fund financial statements.

Real Estate Partnerships – These assets are reported at fair value based on either independent appraisals performed by the general partner during the year, or estimated using discounted cash flow and market analysis, supported by sales comparison information.

Other – Represents unsettled transactions relating primarily to purchases and sales of plan assets, accrued income, and derivatives. Due to the short maturity of these assets and liabilities, the fair value is equal to the carrying amounts. Concerning derivatives, the Pension Plans are party to certain agreements, which are designed to manage exposures to equities and interest rate risks. These instruments are used for the purpose of hedging changes in the fair value of assets and actuarial present value of accumulated plan benefits that result from interest rate changes or as an efficient substitute for traditional securities. The fair value of the derivatives is estimated utilizing the terms of the derivative instruments and publicly available market yield curves. The Pension Plans' investment policies specifically prohibit the use of derivatives for speculative purposes.

The following tables summarize the changes in Level 3 Pension Plan assets for the years ended June 30:

	(In thousands)				
	Corporate Bonds	Hedge Funds	Private Equity	Real Estate Partnerships	Total
Balance at July 1, 2011	\$ -	\$ 1,045,751	\$ 134,336	\$ 3,848	\$ 1,183,935
Acquisition of LUHS	-	-	7,038	119	7,157
Realized gain	-	24,990	6,761	18	31,769
Unrealized (loss) gain	-	(29,924)	3,730	(480)	(26,674)
Purchases	-	537,598	75,340	-	612,938
Sales	-	(367,524)	(2,911)	(36)	(370,471)
Settlements	-	497	(20,044)	(2,949)	(22,496)
Balance at June 30, 2012	-	1,211,388	204,250	520	1,416,158
Realized gain	-	82,063	7,711	-	89,774
Unrealized (loss) gain	(142)	33,232	11,444	81	44,615
Purchases	1,774	286,768	63,668	-	352,210
Sales	-	(389,652)	(2,180)	(452)	(392,284)
Settlements	-	(240)	(33,665)	(97)	(34,002)
Transfers to Level 2	-	(207,297)	-	-	(207,297)
Balance at June 30, 2013	<u>\$ 1,632</u>	<u>\$ 1,016,262</u>	<u>\$ 251,228</u>	<u>\$ 52</u>	<u>\$ 1,269,174</u>

Transfers out of Level 3 to Level 2 were made for direct hedge funds where initial lock-up periods expired during fiscal 2013.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Corporation believes the valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Expected Contributions – The Corporation expects to contribute \$163.0 million to its Pension Plans, and \$1.4 million to its Postretirement Plans during the year ended June 30, 2014 under the Corporation's stated funding policy.

Expected Benefit Payments – The Corporation expects to pay the following for pension benefits, which reflect expected future service as appropriate, and expected postretirement benefits, before deducting the Medicare Part D subsidy.

	(In thousands)		
	Pension Plans	Postretirement Plans	Postretirement Medicare Part D Subsidy
2014	\$ 223,491	\$ 7,508	\$ 107
2015	231,604	7,707	104
2016	253,976	7,929	99
2017	280,171	8,092	94
2018	309,031	8,186	88
Years 2019–2023	1,938,177	40,463	335

9. COMMITMENTS AND CONTINGENCIES

Operating Leases – The Corporation leases various land, equipment, and facilities under operating leases. Total rental expense, which includes provisions for maintenance in some cases, was \$105.1 million and \$103.2 million for the years ended June 30, 2013 and 2012, respectively.

The following is a schedule of future minimum lease payments under operating leases as of June 30, 2013, that have initial or remaining lease terms in excess of one year:

	(In thousands)
Years ending June 30:	
2014	\$ 73,886
2015	58,281
2016	48,131
2017	39,093
2018	29,995
Thereafter	<u>94,327</u>
Total	<u>\$ 343,713</u>

Asset Retirement Obligations – The Corporation has conditional asset retirement obligations for certain fixed assets mainly related to the removal of asbestos contained within facilities and the removal of underground storage tanks.

A reconciliation of the asset retirement obligations at June 30 is as follows:

	2013 (In thousands)	2012
Asset retirement obligation, beginning of year	\$ 18,857	\$ 17,487
Accretion	716	587
Liabilities incurred	27	877
Liabilities settled	<u>(111)</u>	<u>(94)</u>
Asset retirement obligation, end of year	<u>\$ 19,489</u>	<u>\$ 18,857</u>

Litigation and Settlements –

On September 21, 2007, in Boise, Idaho a jury awarded \$58.9 million in damages to MRI Associates, LLP, an Idaho limited partnership (MRIA) against Saint Alphonsus Regional Medical Center and its subsidiary Saint Alphonsus Diversified Care, Inc. (collectively, “Saint Alphonsus”). The lawsuit involved Saint Alphonsus’ withdrawal from the MRIA partnership. The jury’s award was reduced by the trial judge to \$36.3 million, which was offset by the award of \$4.6 million to Saint Alphonsus, the value of its partnership interest in MRIA. St. Alphonsus appealed and, in October 2009, the Idaho Supreme Court overturned the trial court decision and remanded the case for a new trial. The second trial was held during October 2011 with a jury awarding approximately \$52 million in damages to MRIA. After Saint Alphonsus filed an objection, the trial court entered amended judgments indicating that the plaintiffs could execute alternative judgments which vary in amount from approximately \$20 million to \$52 million. Saint Alphonsus continues to have an offset of \$4.6 million plus 10% interest running from September 21, 2007. Saint Alphonsus filed a Notice of Appeal to the Idaho Supreme Court in May 2012, because the Corporation believes that the proof of damages is insufficient to sustain the jury’s award under Idaho law. The Corporation recorded management’s estimation for litigation expense of \$20 million in the consolidated statement of operations and changes in net assets during the year ended June 30, 2007. As of June 30, 2013 and 2012, the liability is included in other long-term liabilities in the consolidated balance sheets in the event of an unfavorable resolution of this matter.

In June 2007, the Corporation was added to litigation pending in the United States District Court for the Eastern District of Michigan, alleging that certain hospitals in Southeastern Michigan conspired to suppress the wages of nurses over a period of five years. The plaintiffs brought the action on their own behalf and on behalf of all others similarly situated and seeking certification of the class. The complaint alleges that there was a direct agreement among the executives of defendant hospitals to suppress compensation and that they shared non-public compensation information, which had an anticompetitive effect on wages. The complaint specifically references certain of the Corporation’s Southeast Michigan hospitals. Mediation was held in November 2011 and the parties reached a settlement in March 2013, the amount of which is immaterial to these financial statements.

The Corporation is involved in other litigation and regulatory investigations arising in the course of doing business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Corporation’s future consolidated financial position or results of operations.

10. FAIR VALUE MEASUREMENTS

The Corporation’s consolidated financial statements reflect certain assets and liabilities recorded at fair value. Assets and liabilities measured at fair value on a recurring basis in the Corporation’s consolidated balance sheets include cash, cash equivalents, equity securities, debt securities, mutual funds, commingled funds, hedge funds, securities lending collateral, and derivatives. Defined benefit retirement plan assets are measured at fair value on an annual basis. Liabilities measured at fair value on a recurring basis for disclosure only include debt.

Fair value is 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 fair value should be based on assumptions that market participants would use, including a consideration of non-performance risk.

To determine fair value, the Corporation uses various valuation methodologies based on market inputs. For many instruments, pricing inputs are readily observable in the market; the valuation methodology is widely accepted by market participants and involves little to no judgment. For other instruments, pricing inputs are less observable in the marketplace. These inputs can be subjective in nature and involve uncertainties and matters of considerable judgment. The use of different assumptions, judgments and/or estimation methodologies may have a material effect on the estimated fair value amounts.

The Corporation assesses the inputs used to measure fair value using a three-level hierarchy based on the extent to which inputs used in measuring fair value are observable in the market. The fair value hierarchy is as follows:

Level 1 – Quoted (unadjusted) prices for identical instruments in active markets

Level 2 – Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar instruments in active markets
- Quoted prices for identical or similar instruments in non-active markets (few transactions, limited information, non-current prices, high variability over time, etc.)
- Inputs other than quoted prices that are observable for the instrument (interest rates, yield curves, volatilities, default rates, etc.)
- Inputs that are derived principally from or corroborated by other observable market data

Level 3 – Unobservable inputs that cannot be corroborated by observable market data

Valuation Methodologies – Exchange-traded securities whose fair value is derived using quoted prices in active markets are classified as Level 1. In instances where quoted market prices are not readily available, fair value is estimated using quoted market prices and/or other market data for the same or comparable instruments and transactions in establishing the prices, discounted cash flow models, and other pricing models. These models are primarily industry-standard models that consider various assumptions, including time value and yield curve, as well as other relevant economic measures. The inputs to these models depend on the type of security being priced, but are typically benchmark yields, credit spreads, prepayment speeds, reported trades and broker-dealer quotes, all with reasonable levels of transparency. Generally, significant changes in any of those inputs in isolation would result in a significantly different fair value measurement. The Corporation classifies these securities as Level 2 within the fair value hierarchy.

The Corporation maintains policies and procedures to value instruments using the best and most relevant data available. The Corporation's Level 3 securities are primarily investments in hedge funds. The fair values of Level 3 investments in these securities are predominately valued using a net asset value per share, which is provided by third-party administrators; however, in some cases, they are obtained directly from the investment fund manager. We have not adjusted the prices we have obtained. Third-party administrators do not provide access to their proprietary valuation models, inputs, and assumptions. Accordingly, the Corporation reviews the independent reports of internal controls for these service providers. In addition, on a quarterly basis, the Corporation performs reviews of investment consultant industry peer group benchmarking and supporting relevant market data. Finally, all of the fund managers of the Corporation's Level 3 securities have an annual independent audit performed by an accredited accounting firm. The Corporation reviews these audited financials for ongoing validation of pricing used. Based on the information available, we believe that the fair values provided by the third-party administrators and investment fund managers are representative of prices that would be received to sell the assets at June 30, 2013 and 2012, respectively.

In instances where the inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest-level input that is significant to the fair value measurement in its entirety. The Corporation's assessment of the significance of a particular item to the fair value measurement in its entirety requires judgment, including the consideration of inputs specific to the asset.

Following is a description of the valuation methodologies the Corporation used for instruments recorded at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy:

Cash and Cash Equivalents – The carrying amounts reported in the consolidated balance sheets approximate their fair value. Certain cash and cash equivalents are included in investments and assets limited or restricted as to use in the consolidated balance sheets.

Commercial Paper – The fair value of commercial paper is based on amortized cost. Commercial paper is designated as Level 2 investments with significant observable inputs, including security cost, maturity, and credit rating. Commercial paper is classified as either cash and cash equivalents or marketable securities in the consolidated balance sheets depending upon the length to maturity when purchased.

Security Lending Collateral – The security lending collateral is invested in a Northern Trust sponsored commingled collateral fund, which is comprised primarily of short-term securities. The fair value amounts of the commingled collateral fund are determined using the calculated net asset value per share (or its equivalent) for the fund with the underlying investments valued using techniques similar to those used for marketable securities noted below.

Equity Securities – Equity securities are valued at the closing price reported on the applicable exchange on which the security is traded or are estimated using quoted market prices for similar securities.

Debt Securities – Debt securities are valued using quoted market prices and/or other market data for the same or comparable instruments and transactions in establishing the prices, discounted cash flow models and other pricing models. These models are primarily industry-standard models that consider various assumptions, including time value and yield curve, as well as other relevant economic measures.

Mutual Funds – Mutual funds are valued using the net asset value based on the value of the underlying assets owned by the fund, minus liabilities, divided by the number of shares outstanding, and multiplied by the number of shares owned.

Commingled Funds – Commingled funds are developed for investment by institutional investors only and therefore do not require registration with the Securities and Exchange Commission. Commingled funds are recorded at fair value based on either the underlying investments that have a readily determinable market value or based on net asset value, which is calculated using the most recent fund financial statements. Commingled funds are categorized as Level 2 unless they have a redemption restriction greater than 90 days, in which case they are categorized as Level 3.

Hedge Funds – The Corporation invests in various hedge fund strategies. These funds utilize either a direct or a “fund-of-funds” approach resulting in diversified multi-strategy, multi-manager investments. Underlying investments in these funds may include equities, fixed income securities, commodities, currencies and derivatives. These funds are valued at net asset value, which is calculated using the most recent fund financial statements. Hedge funds are categorized as Level 2, unless they have a redemption restriction greater than 90 days, in which case, they are categorized as Level 3.

The Corporation classifies its equity and debt securities, mutual funds, commingled funds and hedge funds as trading securities. Holding gains (losses) included in the excess of revenue over expenses for the years ended June 30, 2013 and 2012, were \$238.9 million and (\$44.3) million, respectively.

Equity Method Investments – The Corporation accounts for certain other investments using the equity method. These investments are structured as limited liability corporations and partnerships and are designed to produce stable investment returns regardless of market activity. These investments utilize a combination of “fund-of-funds” and direct fund investment resulting in a diversified multi-strategy, multi-manager investments approach. Some of these funds are developed by investment managers specifically for the Corporation’s use and are similar to mutual funds, but are not traded on a public exchange. Underlying investments in these funds may include other funds, equities, fixed-income securities, commodities, currencies and derivatives. Audited information is only available annually based on the limited liability corporations, partnerships or funds’ year-end. Management’s estimates of the fair values of these investments are based on information provided by the third-party administrators and fund managers or the general partners. Management obtains and considers the audited financial statements of these investments when evaluating the overall reasonableness of the recorded value. In addition to a review of external information provided, management’s internal procedures include such things as review of returns against benchmarks and discussions with fund managers on performance, changes in personnel or process, along with evaluations of current market conditions for these investments. Investment managers meet with the Corporation’s Investment Subcommittee of the Finance and Stewardship Committee of the Board of Directors on a periodic basis. Because of the inherent uncertainty of valuations, values may differ materially from the values that would have been used had a ready market existed. The balance of these investments at June 30, 2013 and 2012, was \$781.5 million and \$999.8 million, respectively. Unfunded capital commitments related to equity method investments totaled \$113.7 million and \$89.1 million at June 30, 2013 and 2012, respectively.

Cash and cash equivalents, equity and debt securities, mutual funds, commingled funds, hedge funds, and equity method investments totaled \$5,906 million and \$5,308 million at June 30, 2013 and 2012, respectively.

Interest Rate Swaps – The fair value of the Corporation’s derivatives, which are mainly interest rate swaps, are estimated utilizing the terms of the swaps and publicly available market yield curves along with the Corporation’s nonperformance risk as observed through the credit default swap market and bond market and based on prices for recent trades. These swap agreements are classified as Level 2 within the fair value hierarchy.

The following tables present information about the fair value of the Corporation's financial instruments measured at fair value on a recurring basis and recorded at June 30:

	2013			
	(In thousands)			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets:				
Cash and cash equivalents	\$ 1,283,675	\$ 46,370	\$ -	\$ 1,330,045
Security lending collateral	-	114,865	-	114,865
Equity securities	432,398	405	1,449	434,252
Debt securities:				
Government and government agency obligations	-	297,195	-	297,195
Corporate bonds	-	260,138	2,886	263,024
Asset backed securities	-	30,412	-	30,412
Other	-	11,731	-	11,731
Mutual funds:				
Equity mutual funds	494,910	-	-	494,910
Fixed-income mutual funds	725,890	2,944	-	728,834
Real estate investment funds	5,705	-	-	5,705
Other	5,218	2,674	-	7,892
Commingled funds	-	674,956	-	674,956
Hedge funds	-	304,262	419,509	723,771
Interest rate swaps	-	30,500	-	30,500
Total assets	<u>\$ 2,947,796</u>	<u>\$ 1,776,452</u>	<u>\$ 423,844</u>	<u>\$ 5,148,092</u>
Liabilities:				
Interest rate swaps	<u>\$ -</u>	<u>\$ 144,576</u>	<u>\$ -</u>	<u>\$ 144,576</u>

	2012			
	(In thousands)			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets:				
Cash and cash equivalents	\$ 1,295,525	\$ 55,634	\$ -	\$ 1,351,159
Security lending collateral	-	130,702	-	130,702
Equity securities	533,221	463	1,472	535,156
Debt securities:				
Government and government agency obligations	-	405,740	-	405,740
Corporate bonds	-	273,845	1,114	274,959
Asset backed securities	-	76,537	559	77,096
Other	-	6,795	-	6,795
Mutual funds:				
Equity mutual funds	199,080	39	-	199,119
Fixed-income mutual funds	157,334	3,338	-	160,672
Real estate investment funds	7,173	-	-	7,173
Other	2,403	2,363	-	4,766
Commingled funds and hedge funds	-	1,167,130	109,165	1,276,295
Interest rate swaps	-	27,183	-	27,183
Total assets	<u>\$ 2,194,736</u>	<u>\$ 2,149,769</u>	<u>\$ 112,310</u>	<u>\$ 4,456,815</u>
Liabilities:				
Interest rate swaps	<u>\$ -</u>	<u>\$ 205,111</u>	<u>\$ -</u>	<u>\$ 205,111</u>

The Corporation's policy is to recognize transfers between all levels as of the beginning of the reporting period. There were no significant transfers to or from Levels 1 and 2 during the years ended June 30, 2013 or 2012. Transfers out of Level 3 to Level 2 were made for direct hedge funds where initial lock-up periods expired during fiscal 2013.

The following table summarizes the changes in Level 3 assets for the years ended June 30:

	(In thousands)					
	Equity Securities	Government and Government Agency Obligations	Corporate Bonds	Asset Backed Securities	Hedge Funds	Total
Balance at July 1, 2011	\$ 500	\$ 116	\$ 2,467	\$ 715	\$ 8,600	\$ 12,398
Realized gain	35	-	(7)	44	-	72
Unrealized (loss) gain	(35)	-	(81)	-	2,361	2,245
Purchases	972	-	992	-	98,227	100,191
Settlements	-	-	-	(200)	-	(200)
Transfers to Level 2	-	(116)	(2,257)	-	(23)	(2,396)
Balance at June 30, 2012	1,472	-	1,114	559	109,165	112,310
Realized gain	-	-	(53)	(43)	-	(96)
Unrealized (loss) gain	(19)	-	(23)	43	40,568	40,569
Purchases	-	-	-	-	310,000	310,000
Settlements	(6)	-	(125)	(559)	-	(690)
Transfers (to) from Level 2	2	-	1,973	-	(40,224)	(38,249)
Balance at June 30, 2013	<u>\$ 1,449</u>	<u>\$ -</u>	<u>\$ 2,886</u>	<u>\$ -</u>	<u>\$419,509</u>	<u>\$423,844</u>

Investments in Entities that Calculate Net Asset Value per Share: The Corporation holds shares or interests in investment companies at year-end, included in commingled funds and hedge funds, where the fair value of the investment held is estimated based on the net asset value per share (or its equivalent) of the investment company. There were no unfunded commitments as of June 30, 2013 or 2012. The fair value and redemption rules of these investments are as follows:

Investments Held at June 30, 2013			
(In thousands)	Fair Value	Redemption Frequency	Redemption Notice Period
Commingled funds	\$ 615,684	Daily-Monthly	0-60 days
Hedge funds	<u>723,771</u>	Monthly, quarterly, semi-annually	30-95 days
Total	<u>\$ 1,339,455</u>		
Investments Held at June 30, 2012			
(In thousands)	Fair Value	Redemption Frequency	Redemption Notice Period
Commingled funds	\$ 965,096	Monthly	5 days
Hedge funds	<u>249,592</u>	Monthly, quarterly, semi-annually	30-95 days
Total	<u>\$ 1,214,688</u>		

The hedge fund category includes equity long/short hedge funds, multi-strategy hedge funds and relative value hedge funds. Equity long/short hedge funds invest both long and short, primarily in U.S. common stocks. Management of the fund has the ability to shift investments from value to growth strategies, from small to large capitalization stocks, and from a net long position to a net short position. Multi-strategy hedge funds pursue multiple strategies to diversify risks and reduce volatility. Relative value hedge funds' strategy is to exploit structural and technical inefficiencies in the market by investing in financial instruments that are perceived to be inefficiently priced as a result of business, financial or legal uncertainties.

The commingled fund category primarily includes investments in funds that invest in financial instruments of U.S. and non-U.S. entities, primarily bonds, notes, bills, debentures, currencies, and interest rate and derivative products.

The composition of investment returns included in the consolidated statement of operations and changes in net assets for the years ended June 30 is as follows:

	2013	2012
	(In thousands)	
Dividend, interest income and other	\$ 77,900	\$ 74,258
Realized gain, net	102,842	68,360
Realized equity gain (loss), other investments	69,693	(2,258)
Change in net unrealized gain (loss) on investments	<u>90,335</u>	<u>(146,640)</u>
Total investment return	<u>\$ 340,770</u>	<u>\$ (6,280)</u>
Included in:		
Operating income	\$ 9,600	\$ 13,300
Nonoperating items	325,646	(19,159)
Changes in restricted net assets	<u>5,524</u>	<u>(421)</u>
Total investment return	<u>\$ 340,770</u>	<u>\$ (6,280)</u>

In addition to investments, assets restricted as to use include receivables for unconditional promises to give cash and other assets net of allowances for uncollectible promises to give. Unconditional promises to give consist of the following at June 30:

	2013	2012
	(In thousands)	
Amounts expected to be collected in:		
Less than one year	\$ 10,904	\$ 8,632
One to five years	18,905	13,896
More than five years	<u>4,059</u>	<u>3,676</u>
	33,868	26,204
Discount to present value of future cash flows	(2,523)	(2,094)
Allowance for uncollectible amounts	<u>(2,829)</u>	<u>(2,301)</u>
Total unconditional promises to give, net	<u>\$ 28,516</u>	<u>\$ 21,809</u>

Patient Accounts Receivable, Estimated Receivables from Third-Party Payors, and Current Liabilities – The carrying amounts reported in the consolidated balance sheets approximate their fair value.

Long-Term Debt – The carrying amounts of the Corporation's variable rate debt approximate their fair values. The fair value of the Corporation's fixed rate long-term debt is estimated using discounted cash flow analyses, based on current incremental borrowing rates for similar types of borrowing arrangements. The fair value of the fixed rate long-term revenue and refunding bonds was

\$2,247 million and \$2,389 million at June 30, 2013 and 2012, respectively. Under the fair value hierarchy, these financial instruments are valued primarily using Level 2 inputs. The related carrying value of the fixed rate long-term revenue and refunding bonds was \$2,135 million and \$2,162 million at June 30, 2013 and 2012, respectively. The fair values of the remaining fixed rate capital leases, notes payable to banks, and mortgage loans are not materially different from their carrying values.

11. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative Financial Instruments – In the normal course of business, the Corporation is exposed to market risks, including the effect of changes in interest rates and equity market volatility. To manage these risks the Corporation enters into various derivative contracts, primarily interest rate swaps. Interest rate swaps are used to manage the effect of interest rate fluctuations.

Management reviews the Corporation's hedging program, derivative position, and overall risk management on a regular basis. The Corporation only enters into transactions it believes will be highly effective at offsetting the underlying risk.

Interest Rate Swaps – The Corporation utilizes interest rate swaps to manage interest rate risk related to the Corporation's variable interest rate debt, variable rate leases and a fixed-income investment portfolio. Cash payments on interest rate swaps totaled \$19.6 million and \$17.3 million for the years ended June 30, 2013 and 2012, respectively, and are included in nonoperating income.

Certain of the Corporation's interest rate swaps contain provisions that give certain counterparties the right to terminate the interest rate swap if a rating is downgraded below specified thresholds. If a ratings downgrade threshold is breached, the counterparties to the derivative instruments could demand immediate termination of the swaps. Such termination could result in a payment from the Corporation or a payment to the Corporation depending on the market value of the interest rate swap.

Certain of the Corporation's interest rate swaps are secured by \$11.2 million and \$89.4 million of collateral included in prepaid expenses and other current assets in the Corporation's consolidated balance sheets at June 30, 2013 and 2012, respectively.

Effect of Derivative Instruments on Excess of Revenue over Expenses – The following table represents the effect derivative instruments had on the Corporation's financial performance for the years ended June 30:

		2013	2012
		(In thousands)	
Derivatives Not Designated as Hedging Instruments	Location of Net Gain (Loss) Recognized in Excess of Revenue over Expenses or Unrestricted Net Assets	Amount of Net Gain (Loss) Recognized in Excess of Revenue over Expenses	
Excess of revenue over expenses:			
Interest rate swaps	Change in market value and cash payment on interest rate swaps	\$ 45,818	\$(114,468)
Interest rate swaps	Investment income	<u>(1,953)</u>	<u>1,087</u>
		\$ 43,865	\$(113,381)

Balance Sheet Effect of Derivative Instruments - The following table summarizes the estimated fair value of the Corporation's derivative financial instruments at June 30:

Derivatives Not Designated as Hedging Instruments	Consolidated Balance Sheet Location	2013 (In Thousands)	2012 (In Thousands)
Asset derivatives:			
Interest rate swaps	Investments	\$ 6,696	\$ 8,401
Interest rate swaps	Other assets	<u>23,804</u>	<u>18,782</u>
Total asset derivatives		<u>\$ 30,500</u>	<u>\$ 27,183</u>
Liability derivatives:			
Interest rate swaps	Other long-term liabilities	<u>\$ 144,576</u>	<u>\$ 205,111</u>

The counterparties to the interest rate swaps expose the Corporation to credit loss in the event of non-performance. At June 30, 2013 and 2012, an adjustment for non-performance risk reduced derivative assets by \$1.2 million and \$1.1 million and derivatives liabilities by \$5.3 million and \$14.6 million, respectively.

12. ENDOWMENTS

The Corporation's endowments consist of funds established for a variety of purposes. Endowments include both donor-restricted endowment funds and funds designated by the Board to function as endowments. Net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Corporation considers various factors in making a determination to appropriate or accumulate donor-restricted endowment funds.

The Corporation employs a total return investment approach whereby a mix of equities and fixed-income investments are used to maximize the long-term return of endowment funds for a prudent level of risk. The Corporation targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints. The Corporation can appropriate each year all available earnings in accordance with donor restrictions. The endowment corpus is to be maintained in perpetuity. Certain donor-restricted endowments require a portion of annual earnings to be maintained in perpetuity along with the corpus. Only amounts exceeding the amounts required to be maintained in perpetuity are expended.

Endowment net asset composition by type of fund at June 30 is as follows:

2013				
(In thousands)				
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
Donor-restricted endowment funds	\$ -	\$456	\$42,761	\$43,217
Board-designated endowment funds	<u>36,873</u>	<u>-</u>	<u>-</u>	<u>36,873</u>
Total endowment funds	<u>\$36,873</u>	<u>\$456</u>	<u>\$42,761</u>	<u>\$80,090</u>

2012				
(In thousands)				
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
Donor-restricted endowment funds	\$ -	\$438	\$40,670	\$41,108
Board-designated endowment funds	<u>34,291</u>	<u>-</u>	<u>-</u>	<u>34,291</u>
Total endowment funds	<u>\$34,291</u>	<u>\$438</u>	<u>\$40,670</u>	<u>\$75,399</u>

Changes in endowment net assets for the years ended June 30 include:

(In thousands)				
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
Endowment net assets, July 1, 2011	<u>\$34,988</u>	<u>\$446</u>	<u>\$34,462</u>	<u>\$69,896</u>
Investment return:				
Investment gain	1,477	7	(30)	1,454
Change in net realized and unrealized gain and loss	<u>(1,651)</u>	<u>(10)</u>	<u>(391)</u>	<u>(2,052)</u>
Total investment return	(174)	(3)	(421)	(598)
Contributions	91	-	636	727
Appropriation of endowment assets for expenditures	(624)	(5)	-	(629)
Acquisition of LUHS	-	-	6,671	6,671
Other	<u>10</u>	<u>-</u>	<u>(678)</u>	<u>(668)</u>
Endowment net assets, June 30, 2012	<u>34,291</u>	<u>438</u>	<u>40,670</u>	<u>75,399</u>
Investment return:				
Investment gain (loss)	1,139	13	1,071	2,223
Change in net realized and unrealized gain and loss	<u>2,174</u>	<u>14</u>	<u>1,207</u>	<u>3,395</u>
Total investment return	3,313	27	2,278	5,618
Contributions	51	-	1,230	1,281
Appropriation of endowment assets for expenditures	(782)	(9)	-	(791)
Other	<u>-</u>	<u>-</u>	<u>(1,417)</u>	<u>(1,417)</u>
Endowment net assets, June 30, 2013	<u>\$36,873</u>	<u>\$456</u>	<u>\$42,761</u>	<u>\$80,090</u>

The table below describes endowment amounts classified as permanently restricted net assets and temporarily restricted net assets at June 30:

	2013 (In thousands)	2012
Permanently restricted net assets:		
Hospital operations support	\$ 18,053	\$ 17,537
Medical program support	6,491	5,941
Scholarship funds	2,912	2,247
Research funds	7,869	8,241
Community service funds	5,756	5,496
Other funds	<u>1,680</u>	<u>1,208</u>
Total endowment funds classified as permanently restricted net assets	<u>\$ 42,761</u>	<u>\$ 40,670</u>
Temporarily restricted net assets:		
Term endowment funds	\$ 131	\$ 127
Other	<u>325</u>	<u>311</u>
Total endowment funds classified as temporarily restricted net assets	<u>\$ 456</u>	<u>\$ 438</u>

Funds with Deficiencies – Periodically, the fair value of assets associated with the individual donor-restricted endowment funds may fall below the level that the donor requires the Corporation to retain as a fund of perpetual duration. Deficiencies of this nature are reported in unrestricted net assets. These deficiencies result from unfavorable market fluctuations and/or continued appropriation for certain programs that was deemed prudent by the Corporation.

13. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 25, 2013, the date the consolidated financial statements were issued. The following subsequent events were noted:

Liquidity Facilities – In July 2013, the Corporation renewed the Amended and Restated 2010 Revolving Credit Agreements (2013 Credit Agreements) discussed in Note 6 with U.S. Bank National Association, which acts as an administrative agent for a group of lenders thereunder. The 2013 Credit Agreements establish a revolving credit facility for the Corporation, under which that group of lenders agrees to lend to the Corporation amounts that may fluctuate from time to time but, as of September 25, 2013, the amount available was \$731 million along with an option to increase that amount by \$200 million.

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APPENDIX C

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF CATHOLIC HEALTH EAST

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Catholic Health East
Consolidated Financial Statements
December 31, 2012 and 2011

Catholic Health East
Index
December 31, 2012 and 2011

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Report of Independent Auditors

To the Board of Directors
Catholic Health East

We have audited the accompanying consolidated financial statements of Catholic Health East and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2012 and 2011, and the related consolidated statements of operations, of changes in net assets and of cash flows for the years then ended.

Management's Responsibility for the 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 the 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 did not audit the financial statements of certain consolidated entities which statements reflect net assets of \$59,001,000 and \$77,471,000 as of December 31, 2012 and 2011, respectively, and excess of revenues over expenses of \$21,530,000 and \$12,508,000 for the years then ended. In addition, we did not audit the financial statements of certain unconsolidated entities which are represented in the following consolidated financial statements for 2012 and 2011 as investments in unconsolidated organizations of \$1,575,944,000 and \$1,275,608,000 as of December 31, 2012 and 2011, respectively, and equity in earnings of unconsolidated organizations of \$161,808,000 and \$146,038,000 for the years then ended. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for these entities, is based solely on the reports of the other auditors. 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, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company at December 31, 2012 and 2011, the results of their operations and their cash flow for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The social accountability information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

PricewaterhouseCoopers LLP

April 30, 2013

Catholic Health East
Consolidated Balance Sheets
Years Ended December 31, 2012 and 2011

(in thousands of dollars)

	2012	2011
Assets		
Current assets		
Cash and cash equivalents	\$368,351	\$576,447
Investments	154,115	130,636
Marketable securities whose use is limited	18,106	10,218
Patient accounts receivable, net of estimated uncollectibles of \$319,035 and \$297,799 for 2012 and 2011, respectively	426,227	410,575
Collateral received on securities pledged	67,972	130,364
Other accounts receivable	118,744	106,512
Prepaid expenses and inventories	104,604	102,134
Assets held for sale	69,159	84,299
Total current assets	1,327,278	1,551,185
Marketable securities and investments whose use is limited		
Board-designated funds	300,328	340,757
Trustee-held funds	82,743	174,153
Donor-restricted funds	111,545	126,342
Investments	598,431	429,975
Total marketable securities and investments whose use is limited	1,093,047	1,071,227
Property and equipment, net	1,879,120	1,774,277
Equity investments in managed funds	334,721	246,270
Investments in unconsolidated organizations	1,616,988	1,450,068
Assets held for sale	267,203	389,174
Goodwill	32,852	10,470
Other assets	206,282	189,695
Total assets	<u>\$6,757,491</u>	<u>\$6,682,366</u>
Liabilities and Net Assets		
Current liabilities		
Current portion of long-term debt and capital lease obligations	\$97,365	\$60,422
Portion of variable rate demand obligations classified as current	29,325	10,492
Accounts payable and accrued expenses	453,969	433,708
Collateral due broker on securities pledged	67,972	130,364
Estimated third party payor settlements, net	102,096	104,453
Other	152,659	164,851
Liabilities held for sale	101,105	115,605
Total current liabilities	1,004,491	1,019,895
Long-term debt, net	1,151,590	1,223,524
Other liabilities	149,397	139,869
Pension liabilities	417,481	438,537
Insurance liabilities, net of current portion	284,966	299,960
Other liabilities related to assets held for sale	318,811	326,593
Deferred revenue from entrance fees	91,059	92,085
Total liabilities	3,417,795	3,540,463
Net assets		
Unrestricted	3,146,859	2,954,583
Temporarily restricted	143,010	140,614
Permanently restricted	49,827	46,706
Total net assets	<u>3,339,696</u>	<u>3,141,903</u>
Total liabilities and net assets	<u>\$6,757,491</u>	<u>\$6,682,366</u>

The accompanying notes are an integral part of the consolidated financial statements.

Catholic Health East

Consolidated Statements of Operations

Years Ended December 31, 2012 and 2011

(in thousands of dollars)

	2012	2011
Unrestricted revenue, gains and other support		
Net patient service revenue, net of bad debt expense of \$234,952 and \$225,812 for 2012 and 2011, respectively	\$3,877,621	\$3,355,034
Other operating revenue, gains and other support	357,420	291,078
Total unrestricted revenue, gains and other support	4,235,041	3,646,112
Expenses		
Salaries, wages and benefits	2,298,084	1,954,805
Medical supplies	560,708	510,213
Purchased services, professional fees and other expenses	966,244	846,914
Depreciation and amortization	190,360	159,045
Interest	44,102	39,635
Insurance	57,066	45,451
Total expenses	4,116,564	3,556,063
Operating income before losses from St. Joseph's Health System	118,477	90,049
Losses from Saint Joseph's Health System	-	(31,249)
Operating income (including losses from St. Joseph's Health System)	118,477	58,800
Non-operating gains (losses)		
Investment returns, net	97,873	9,099
Equity in gains in earnings of unconsolidated organizations	135,405	90,258
Impairment losses	-	(4,571)
Gain on sale of assets	27,931	100,707
Unrestricted contribution income - St. Peter's Health Partners	-	322,947
Other non-operating losses	-	(474)
Loss on extinguishment of debt	(2,908)	(539)
Change in fair value of interest rate swaps	6,424	(1,232)
Total non-operating gains	264,725	516,195
Excess of revenue over expenses	\$383,202	\$574,995

The accompanying notes are an integral part of the consolidated financial statements.

Catholic Health East

Consolidated Statements of Changes in Net Assets

Years Ended December 31, 2012 and 2011

(in thousands of dollars)

	2012	2011
Unrestricted net assets		
Excess of revenue over expenses	\$383,202	\$574,995
Change in unrealized gains (losses) on available-for-sale securities	3,553	(3,638)
Decrease in pension liability adjustment - consolidated organizations	(15,219)	(143,002)
Decrease in pension liability adjustment - unconsolidated organizations	(8,875)	(30,485)
Net assets released from restriction for capital expenditures	10,418	35,478
Other changes	(9,032)	12,077
Increase in unrestricted net assets before discontinued operations	364,047	445,425
Loss from discontinued operations	(171,771)	(74,880)
Increase in unrestricted net assets	192,276	370,545
Temporarily restricted net assets		
Contributions	22,078	24,838
Investment income	1,272	685
Change in unrealized gains (losses) on investments	4,800	(648)
Net assets released from restrictions	(25,000)	(42,720)
Temporarily restricted contribution income - St. Peter's Health Partners	-	33,202
Other changes	(754)	(6,547)
Increase in temporarily restricted net assets	2,396	8,810
Permanently restricted net assets		
Contributions	670	75
Change in realized and unrealized gains on investments	1,248	147
Permanently restricted contribution income - St. Peter's Health Partners	-	18,670
Other changes	1,203	(656)
Increase in permanently restricted net assets	3,121	18,236
Increase in net assets	197,793	397,591
Net assets		
Beginning of year	3,141,903	2,744,312
End of year	<u>\$3,339,696</u>	<u>\$3,141,903</u>

The accompanying notes are an integral part of the consolidated financial statements.

Catholic Health East

Consolidated Statements of Cash Flows

Years Ended December 31, 2012 and 2011

(in thousands of dollars)

	2012	2011
Cash flows from operating activities		
Increase in net assets	\$197,793	\$397,591
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Loss from discontinued operations	171,771	74,880
Pension adjustment, including unconsolidated organizations	24,094	173,487
Loss on extinguishment of debt	2,908	539
Contribution income from contributed assets - St. Peter's Health Partners	-	(374,819)
Depreciation and amortization	190,360	159,045
Amortization of deferred entrance fees	(5,912)	(6,309)
Net realized gains on investments	(16,745)	(32,497)
Net unrealized (gains) losses on investments	(70,113)	23,379
Equity in earnings of unconsolidated organizations	(183,469)	(158,028)
Provision for bad debts	234,952	225,812
(Increase) decrease in market value of interest rate swaps	(6,424)	1,232
Restricted contributions and investment income received	(24,020)	(25,098)
Gain on sale of assets	(27,931)	(100,707)
Return on investment in health plan equity interests	7,674	34,643
Entrance fees received, net of refunds	4,886	1,635
Change in certain assets and liabilities		
Accounts receivable	(250,604)	(203,814)
Other receivables	(12,231)	47,776
Prepaid expenses, inventories and other assets	(19,057)	(69,866)
Assets held for sale	32,110	(25,475)
Accounts payable, accrued expenses and other current liabilities	20,261	(17,232)
Third party payables	(2,357)	20,430
Insurance and other liabilities	(33,516)	25,508
Pension liability	(36,275)	(33,439)
Net cash used in operating activities of discontinued operations	(66,771)	(83,109)
Net cash provided by operating activities	<u>131,384</u>	<u>55,564</u>
Cash flows from investing activities		
Additions to property and equipment	(382,619)	(193,905)
Cash contributed to St. Joseph's / Emory Healthcare Joint Operating Agreement	-	(57,117)
Cash received from St. Peter's Health Partners transaction	-	123,441
Proceeds from sale of health plan equity interests	-	194,000
Proceeds from sale of assets - Mercy Miami and Mercy Medical	-	144,000
Physician practice and surgery center acquisitions, net of cash	(22,382)	(10,438)
Posted collateral on interest rate swaps	-	(753)
Decrease (increase) in collateral received on securities pledged	62,392	(95,260)
(Purchases) sales of investments, managed funds and marketable securities whose use is limited, net	(54,780)	111,999
Proceeds from sale of assets	40,524	-
Net cash provided by (used in) investing activities of discontinued operations	87,374	(1,934)
Net cash (used in) provided by investing activities	<u>(269,491)</u>	<u>214,033</u>
Cash flows from financing activities		
Proceeds from restricted contributions and investment income received	24,020	25,098
Proceeds from issuance of long-term debt	201,450	51,045
Change in variable rate demand obligations classified as current	18,833	(12,186)
Repayments of long-term debt	(245,651)	(166,953)
(Decrease) increase in payable under collateral received on securities pledged	(62,392)	95,260
Net cash (used in) provided by financing activities of discontinued operations	(6,249)	3,884
Net cash used in financing activities	<u>(69,989)</u>	<u>(3,852)</u>
(Decrease) increase in cash and cash equivalents	(208,096)	265,745
Cash and cash equivalents		
Beginning of year	576,447	310,702
End of year	<u><u>\$368,351</u></u>	<u><u>\$576,447</u></u>
Supplemental disclosures of cash flow information		
Interest paid	\$46,683	\$44,127
Non-cash transaction	\$5,556	\$8,777

The accompanying notes are an integral part of the consolidated financial statements.

Catholic Health East

Notes to the Consolidated Financial Statements

December 31, 2012 and 2011

1. Organization and Mission Basis of Presentation

Catholic Health East (“CHE”, the “System”, or the “Company”) was incorporated as a Pennsylvania nonprofit corporation on October 1, 1997. CHE is a catholic, multi-facility health system sponsored by seven religious congregations and Hope Ministries. Each sponsoring congregation appoints a representative to the Sponsors Council which maintains certain reserve powers, including the election of the CHE Board of Directors. CHE serves to carry out the health care ministries of the sponsoring congregations. The mission of CHE is to be a community of persons committed to being a transforming, healing presence within the communities it serves.

The consolidated financial statements of CHE include activities of its Regional Health Corporations (“RHCs”) and related component corporations all of which are wholly or majority owned. These RHCs are located throughout eleven states and the healthcare activities provided by these RHCs include, but are not limited to, general acute care hospitals, long-term care facilities, skilled nursing facilities, behavioral health, residential facilities for the elderly, physician services, home health, outpatient surgery, and other services. A list of the name and location of each RHC is provided below.

Mercy Health System of Maine Portland, Maine	Sisters of Providence Health System, Inc. Springfield, Massachusetts
Mercy Community Health, Inc. West Hartford, Connecticut	St. Peter's Health Partners Albany, New York
St. James Mercy Health System, Inc. Hornell, New York	St. Francis Medical Center Trenton, New Jersey
Saint Michael's Medical Center Newark, New Jersey	Lourdes Health System Camden, New Jersey
St. Mary Medical Center Langhorne, Pennsylvania	Pittsburgh Mercy Health System, Inc. Pittsburgh, Pennsylvania
Mercy Health System of Southeastern Pennsylvania Conshohocken, Pennsylvania	Saint Joseph of the Pines, Inc. Southern Pines, North Carolina
St. Francis Hospital and Affiliates Wilmington, Delaware	Saint Joseph's Health System, Inc. Atlanta, Georgia
St. Mary's Health Care System, Inc. Athens, Georgia	Mercy Hospital, Inc. Miami, Florida
Mercy Medical Corporation Daphne, Alabama	Holy Cross Hospital, Inc. Fort Lauderdale, Florida

Catholic Health East

Notes to the Consolidated Financial Statements

December 31, 2012 and 2011

Catholic Health East and certain affiliated nonprofit corporations are generally exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

CHE and its RHCs also participate in various joint ventures and partnerships, commonly referred to as joint operating agreements. These arrangements enable CHE to provide healthcare services to the broader community through involvement in larger healthcare organizations or systems.

2. Summary of Significant Accounting Policies

Basis of Consolidation

The consolidated financial statements of CHE include the financial information of the RHCs and component corporations, the System's wholly owned captive insurance company, various philanthropic foundations of which the System maintains control, and various other organizations or corporations. All significant inter-company balances and transactions have been eliminated.

Use of Estimates

The preparation of these consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make assumptions, estimates, and judgments that affect the amounts reported in the consolidated financial statements, including the notes thereto, and related disclosures of commitments and contingencies, if any. Management considers critical accounting policies to be those that require more significant judgments and estimates in the preparation of the consolidated financial statements including, but not limited to, recognition of net patient service revenue, which includes contractual allowances and provisions for bad debt; estimates for healthcare professional and general liabilities; determination of fair values of certain financial instruments; and assumptions for measurement of pension liabilities. Management relies on historical experience and other assumptions believed to be reasonable relative to the circumstances in making judgments and estimates. Actual results could differ materially from these estimates.

Cash and Cash Equivalents

Cash and cash equivalents include liquid investments with a maturity of three months or less. The carrying value of cash and cash equivalents approximates fair value.

Investments and Investment Income

Investments in marketable equities with readily determinable fair market values and all investments in debt securities are measured at fair value in the consolidated balance sheets. Equity investments in managed funds, private partnerships, and other investments are accounted for under the equity method, which approximates fair value. Realized gains and losses on investments, unrealized gains and losses on trading securities, interest income (net of investment-related expenses), and dividends are included in investment returns, net, as part of non-operating gains and (losses) in the excess of revenue over expenses. Investment income restricted by donors or law is reported as an increase in temporarily or permanently restricted net assets.

Catholic Health East

Notes to the Consolidated Financial Statements

December 31, 2012 and 2011

The System's investments and marketable securities whose use is limited are invested and managed through the CHE Consolidated Investment Program (the "CIP Program"), and some investments are locally managed by the RHCs. Included in these investments are investments in managed funds, private partnerships, and other investments. The income (loss) from these managed funds is included in investment returns, net, in the accompanying consolidated statement of operations and change in net assets.

The System classifies all unrestricted investments as trading securities.

Investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with these securities and the level of uncertainty related to changes in their value, it is at least reasonably possible that changes in risks in the near term could materially affect account balances and the amounts reported in the consolidated balance sheets and statements of operations and change in net assets.

Marketable Securities and Investments Whose Use Is Limited

Marketable securities and investments whose use is limited primarily include marketable securities and investments designated by governance for future capital improvements and other purposes, in accordance with agreements with outside parties, by trustees under bond indenture agreements, self-insurance arrangements, and by donor restrictions.

Derivative Financial Instruments

The System recognizes all derivative instruments in the balance sheets at fair value. The change in the fair value of derivatives is recognized as a component of excess of revenues over expenses in the consolidated statements of operations for the years ended December 31, 2012 and 2011.

Inventories

Inventory is valued at the lower of cost (first-in, first-out) or market, net of reserves for obsolescence.

Assets Held for Sale

CHE has classified certain long-lived assets as assets held for sale in the consolidated balance sheets when the assets have met applicable criteria for this classification. CHE has classified \$336,362,000 and \$473,473,000 as held for sale at December 31, 2012 and 2011, respectively. The Company has also classified \$419,916,000 and \$442,198,000 at December 31, 2012 and 2011, respectively, as liabilities related to assets held for sale.

Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is expensed over the estimated useful life of each class of depreciable assets and is computed using the straight-line method based on the following estimated useful lives:

Building and Improvements	5-40 years
Leasehold improvements	3-20 years
Equipment	3-20 years

Catholic Health East

Notes to the Consolidated Financial Statements

December 31, 2012 and 2011

Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in the depreciation and amortization in the consolidated financial statements. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of constructing those assets. Repair and maintenance costs are expensed as incurred. When property, plant and equipment are retired, sold or otherwise disposed of, the asset's carrying amount and related accumulated depreciation are removed from the accounts and any gain or loss is included in operations.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support, and are excluded from excess of revenue over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Goodwill

CHE records as goodwill the excess of purchase price over the fair value of the identifiable net assets acquired. The Company's goodwill and other intangible assets with indefinite lives are not amortized; rather, they are tested for impairment, at least annually, through a process which first evaluates any triggering event associate with an impairment, and, second, an actual measurement of the impairment, if necessitated. The Company recorded goodwill additions of \$22,382,000 in 2012 related to acquisitions of physician practices and an ambulatory surgery center. The Company did not record any impairment to goodwill in 2011 or 2012.

Long-Lived Assets

CHE evaluates the carrying value of its long-lived assets for impairment when impairment indicators are identified. In the event that the carrying value of a long-lived asset is not supported by the fair value, the System will recognize an impairment loss for the difference. Fair value is based on the exchange price that would be received for an asset or paid to transfer a liability. In 2012, the System recorded an impairment loss of long-lived assets of \$105,000,000 related to Saint Michael's Medical Center. These assets are classified as held for sale as of December 31, 2012 and the impairment loss is included in losses from discontinued operations in the statement of operations and changes in net assets. The System recognized impairment losses of \$4,571,000 for the year ended December 31, 2011.

Investments in Unconsolidated Organizations

Investments in unconsolidated organizations represent CHE investments in joint operating agreements, joint ventures, or partnerships. The equity method is used to account for these investments.

Deferred Revenue from Advance Fees

Certain RHCs operate residential facilities for the elderly. Fees paid by residents upon entering into continuing care contracts, net of the portion that is refundable to the resident, are recorded as deferred revenue and amortized to income using the straight-line method over the estimated remaining life expectancy of the resident.

Catholic Health East

Notes to the Consolidated Financial Statements

December 31, 2012 and 2011

Accrued Paid Time Off

CHE records a liability for amounts due to employees for future absences which are attributable to services performed in the current and prior periods.

Deferred Debt Issuance Costs

Deferred debt issuance costs included in other assets at December 31, 2012 and 2011, totaling \$14,222,000 and \$18,240,000, respectively, are amortized using the straight-line method over the life of the related debt, which approximates the effective interest method.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the System has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained in perpetuity.

Net Patient Service Revenue

Third-party payors (Medicare, Medicaid, and commercial insurance payors) provide payments to the hospitals at amounts different from their established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounts from established charges, and per diem payments. Net patient service revenue is the estimated amount to be realized for services rendered, including estimated retroactive adjustments. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Allowance for Doubtful Accounts

The System records an allowance for doubtful accounts for estimated losses resulting from non-payment for services from patients or payers. Management routinely evaluates patient account collection history in determining the sufficiency of the allowance for doubtful accounts and provision for bad debts. The allowance for doubtful accounts for those patients with third-party insurance is determined based on contractual agreements with payers. The provision for bad debts for uninsured patients is based on historical collection experience. Accounts receivable are written off against the allowance for doubtful accounts when management determines that recovery is unlikely and collection efforts cease.

Charity Care

CHE provides services to all patients regardless of ability to pay. In accordance with the System's policy, a patient is classified as a charity patient based on income eligibility criteria as established by the *Federal Poverty Guidelines*. Charges for services to patients who meet the System's guidelines for charity care are not reflected in the accompanying consolidated financial statements. The costs (direct and indirect) associated with these services for charity care provided by the System approximate \$435,914,000 and \$339,190,000 in 2012 and 2011, respectively. These amounts do not include bad debt expense totaling \$234,952,000 and \$225,812,000 in 2012 and 2011, respectively, which is reflected separately in the consolidated statements of operations. The costs and provisions for bad debts do not include amounts classified as discontinued operations. Charity care data for services provided is based on the cost of patient care services with costs being determined by application of the standard cost-to-charge ratio.

Other Operating Revenue

Other revenue is derived from services other than the provision of health care services or coverage to patients or residents. This revenue consists primarily of federal and state grants, unrestricted contributions, incentive payments received for meeting Federal and State Electronic Health Record meaningful use requirements, rental income, income from health plan operations, support services,

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parking garages, gift shop income, cafeteria income, maintenance fee income, foundation investment income, and other miscellaneous income.

Non-Operating Gains (Losses)

Non-operating gains (losses) consist primarily of investment returns, which include investment income, dividends, net unrealized gains (losses) on trading securities, and realized gains and losses on trading securities; equity in earnings of unconsolidated organizations; restructuring expenses and impairment losses; losses on extinguishment of debt; contribution income for contributed assets; gains on the sale of assets; and the change in the fair value of interest rate swaps.

Excess of Revenue over Expenses

The statements of operations include the excess of revenue over expenses. Changes in unrestricted net assets which are excluded from excess of revenue over expenses include unrealized gains and losses on available for sale investments of unconsolidated organizations; permanent transfers of assets to and from affiliates for other than goods and services, pension adjustments, the cumulative effect of change in accounting principle, discontinued operations, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

Donor-Restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the consolidated financial statements.

Income Taxes

Catholic Health East and certain affiliated nonprofit corporations are generally exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Accounting guidance for income taxes clarifies the accounting for uncertainty of income tax positions. This guidance defines the threshold for recognizing tax return positions in the financial statements as "more likely than not" that the position is sustainable, based on its technical merits. The guidance also provides guidance on the measurement, classification and disclosure of tax return positions in the financial statements. There was no impact from this guidance on CHE's consolidated financial statements during the years ended December 31, 2012 and 2011.

Adoption of Accounting Pronouncements

On January 1, 2012, the Company adopted FASB issued ASU 2011-07, *Presentation and Disclosure of Patient Service Revenue, the Provision for Bad Debts, and Allowance for Doubtful Accounts*. This guidance requires the Company to modify the presentation of its consolidated statement of operations and changes in net assets by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue. Additionally, the guidance requires enhanced disclosure about the Company's policies for recognizing revenue and assessing bad debts, patient service revenue (net of

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contractual allowances and discounts), and qualitative and quantitative information about changes in the allowance for doubtful accounts.

In May 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-04, *Fair Value Measurement-Topic 820: Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards*, to provide a consistent definition of fair value and ensure that the fair value measurement and disclosure requirements are similar between U.S. GAAP and International Financial Reporting Standards. ASU 2011-04 changes certain fair value measurement principles and enhances disclosure requirements, particularly for Level 3 fair value measurements. ASU 2011-04 was effective during the fiscal year ended December 31, 2012 and is applied prospectively. The adoption of ASU 2011-04 did not have a material effect on CHE's financial statements.

On January 1, 2011, the Company adopted FASB issued ASU 2010-24, *Presentation of Insurance Claims and Related Insurance Recoveries*, which prohibits the offsetting of conditional or unconditional liabilities with anticipated insurance recoveries from third parties. The adoption of this guidance did not have a significant impact on the consolidated financial statements.

On January 1, 2011, the Company adopted FASB issued ASU 2010-23, *Measuring Charity Care for Disclosure*, that requires health care entities to use cost as the measurement basis for charity care disclosures and defines cost as the direct and indirect costs of providing charity care. The accompanying notes to the consolidated financial statements reflect the amended disclosure requirements. The cost of caring for charity care patients is disclosed in the social accountability supplemental schedule. The cost of charity care provided to patients is disclosed in the supplementary financial information schedule that accompanies these financial statements. This guidance amended disclosure requirements only; therefore, there was no impact to the Company's consolidated financial statements upon adoption.

Reclassifications

Certain amounts have been reclassified in the prior year's financial statements to conform to the classifications used in the current year.

3. Net Patient Service Revenue

Net patient service revenue from the Medicare and Medicaid programs, exclusive of managed care, accounted for approximately 34.3% and 10.7%, respectively, of total net patient service revenues in 2012, and 29.0% and 9.6%, respectively of total net patient service revenue in 2011. Compliance with laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Management believes that adequate provision has been made for adjustments that may result from reviews by third-party payors. Estimated net settlements related to Medicare and Medicaid, collectively, of \$70,327,000 and \$65,225,000 in 2012 and 2011, respectively, are included as a component of current liabilities in the accompanying consolidated balance sheets. The amounts recorded for these estimated settlements approximate their fair value.

Net patient service revenue includes approximately \$15,922,000 and \$4,170,000 in 2012 and 2011, respectively, related to favorable changes in estimates for prior year cost report reopenings, appeals, and tentative and final cost reports, of which some are still subject to audit, additional reopening, and/or appeals.

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The Company recognizes patient service revenue associated with services provided to patients who have third-party insurance based on contractual agreements with payers. For uninsured patients who do not qualify for charity care, the Company recognizes revenue based on a self pay discount policy. The Company records a provision for bad debts based on historical collection experience. The following summarizes net patient service revenue for the years ended December 31:

(in thousands of dollars)

	2012		2011	
	Gross		Gross	
	Charges	Deductions	Charges	Deductions
Medicare	\$5,618,273	\$4,310,978	\$5,007,959	\$3,908,977
Medicaid	1,335,423	911,835	1,365,156	1,027,660
Managed care and other	7,108,836	4,946,267	6,441,040	4,483,612
Uninsured	811,709	592,588	674,909	487,969
	<u>\$14,874,241</u>	<u>10,761,668</u>	<u>\$13,489,064</u>	<u>9,908,218</u>
Provision for bad debts		234,952		225,812
Net patient service revenue		<u>\$3,877,621</u>		<u>\$3,355,034</u>

4. Marketable Securities and Investments Whose Use Is Limited and Equity Investments in Managed Funds

The composition of investments at December 31 is as follows:

(in thousands of dollars)

	2012	2011
Reported at fair value		
Cash and cash equivalents	\$262,904	\$357,333
Marketable equity securities	552,529	452,084
Marketable debt securities	449,835	402,664
	<u>1,265,268</u>	<u>1,212,081</u>
Reported under the equity method		
Managed funds	334,721	246,270
	<u>\$1,599,989</u>	<u>\$1,458,351</u>

A portion of CHE's long-term investment assets are held in the CIP Program. The CIP Program is structured under a Program Participation Agreement (the "Agreement") between each participant RHC and CHE. All investments in the CIP Program are professionally managed under the administration of CHE.

Participants' investments held in the CIP Program are assigned a weighted value for the period of time the funds are invested in the CIP Program. Investment income from the CIP Program, including interest income, dividends, and realized gains and losses on sales of securities, and unrealized gains and losses are distributed to participants based on their weighted value of investment.

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The underlying fair value of investments in the CIP Program, which are traded on national exchanges (except for managed funds), is based on the final reported sales price on the last business day of the year. The fair value of investments traded in over-the-counter markets is based on the average of the last recorded bid and asked prices.

CHE participates in a securities lending program wherein some investments are loaned on an overnight basis to various brokers. CHE receives lending fees and earns interest and dividends on the loaned securities. These securities are returnable on demand and are collateralized by cash deposits and U.S. Treasury Obligations. Collateral received is at 100% of the fair value of the securities on loan. CHE is indemnified against borrower default by the financial institution acting as lending agent. At December 31, 2012 and 2011, securities with a fair market value of \$67,972,000 and \$130,634,000, respectively, were loaned under securities lending agreements.

Investment returns, net, is comprised of the following for the years ended December 31:

(in thousands of dollars)

	2012	2011
Unrestricted net assets		
Investment returns, net		
Interest and dividends	\$12,568	\$15,518
Net realized gains	15,192	16,960
Net unrealized gains (losses) on investments - trading securities	70,113	(23,379)
	<u>\$97,873</u>	<u>\$9,099</u>
Net change in unrealized gains on available for sale securities (held by unconsolidated organizations)	<u>\$3,553</u>	<u>(\$3,638)</u>
Temporarily restricted net assets		
Other changes in temporarily restricted net assets		
Investment income		
Interest and dividends	\$967	\$631
Net realized gains on investments	305	54
	<u>\$1,272</u>	<u>\$685</u>
Net unrealized gains (losses) on investments	<u>\$4,800</u>	<u>(\$648)</u>
Permanently restricted net assets		
Other changes in permanently restricted net assets		
Net realized and unrealized gains on investments	<u>\$1,248</u>	<u>\$147</u>

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The following managed fund investments are recorded under the equity method of accounting, which approximates the net asset value per share of the investments as of December 31:

<i>(in thousands of dollars)</i>	2012			
	<u>Recorded Value</u>	<u>Unfunded Commitments</u>	<u>Commitment Term</u>	<u>Redemption Terms</u>
Fund of Hedge Funds	\$283,502	\$0	n/a	Quarterly, semiannually, or anniversary date
Real Estate	22,767	\$5,042	2-10 years	Redemption permitted upon expiration of commitment term
Private Equity	28,452	\$14,109	3-15 years	Redemption permitted upon expiration of commitment term
Total	<u><u>\$334,721</u></u>			

<i>(in thousands of dollars)</i>	2011			
	<u>Recorded Value</u>	<u>Unfunded Commitments</u>	<u>Commitment Term</u>	<u>Redemption Terms</u>
Fund of Hedge Funds	\$200,307	\$0	n/a	Quarterly, semiannually, or anniversary date
Real Estate	18,544	\$6,987	3-11 years	Redemption permitted upon expiration of commitment term
Private Equity	27,419	\$12,363	4-12 years	Redemption permitted upon expiration of commitment term
Total	<u><u>\$246,270</u></u>			

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5. Fair Value Measurements

The System adheres to applicable accounting guidance for fair value measurements. This guidance defines fair value, establishes a framework for measuring fair value under accounting principles generally accepted in the United States of America and requires certain disclosures about fair value measurements. Fair value is defined under the guidance as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

As a basis for considering assumptions, the guidance establishes a hierarchical framework for measuring fair value (the fair value hierarchy) as follows:

Level 1: Quoted prices in active markets for identical assets.

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar instruments; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Financial instruments measured at fair value are based on one or more of the three valuation techniques noted in the fair value guidance. 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).

Income approach: Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques and option-pricing models).

The System measures its interest rate swaps at fair market value on a recurring basis. The fair market value of the interest rate swaps is determined based on financial models that consider current and future market interest rates and adjustments for non-performance risk.

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Financial instruments at fair value at December 31, 2012 and 2011 are as follows:

(in thousands of dollars)

	2012				<u>Valuation Technique</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	
Consolidated investment program:					
Cash and cash equivalents (1)	\$44,984	\$33,440	\$ -	\$78,424	Market
Marketable equity securities (2)	323,521	146,147	-	469,668	Market
Marketable debt securities (3)	54,830	171,183	-	226,013	Market
Total consolidated investment program	<u>423,335</u>	<u>350,770</u>	<u>-</u>	<u>774,105</u>	
Locally invested:					
Cash and cash equivalents (1)	184,480	-	-	184,480	Market
Marketable equity securities (2)	69,564	13,297	-	82,861	Market
Marketable debt securities (3,4)	30,395	188,467	4,960	223,822	Market
Total locally invested	<u>284,439</u>	<u>201,764</u>	<u>4,960</u>	<u>491,163</u>	
Total marketable securities and investments whose use is limited at fair value	<u>\$707,774</u>	<u>\$552,534</u>	<u>\$4,960</u>	<u>1,265,268</u>	
Managed funds				<u>334,721</u>	
Total marketable securities and investments whose use is limited and managed funds				<u>\$1,599,989</u>	
Derivative financial instruments					
Interest rate swaps - asset (5)	<u>\$ -</u>	<u>\$1,552</u>	<u>\$ -</u>		Market
	2011				<u>Valuation Technique</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	
Consolidated investment program:					
Cash and cash equivalents (1)	\$63,099	\$63,579	\$ -	\$126,678	Market
Marketable equity securities (2)	292,688	3,425	-	296,113	Market
Marketable debt securities (3)	44,668	109,280	-	153,948	Market
Total consolidated investment program	<u>400,455</u>	<u>176,284</u>	<u>-</u>	<u>576,739</u>	
Locally invested:					
Cash and cash equivalents (1)	230,655	-	-	230,655	Market
Marketable equity securities (2)	143,137	12,834	-	155,971	Market
Marketable debt securities (3,4)	88,524	155,597	4,595	248,716	Market
Total locally invested	<u>462,316</u>	<u>168,431</u>	<u>4,595</u>	<u>635,342</u>	
Total marketable securities and investments whose use is limited at fair value	<u>\$862,771</u>	<u>\$344,715</u>	<u>\$4,595</u>	<u>1,212,081</u>	
Managed funds				<u>246,270</u>	
Total marketable securities and investments whose use is limited and managed funds				<u>\$1,458,351</u>	
Derivative financial instruments					
Interest rate swaps - liability (5)	<u>\$ -</u>	<u>(\$4,872)</u>	<u>\$ -</u>		Market

There were no transfers between fair value levels for the years ended December 31, 2012 and 2011.

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- (1) **Cash & cash equivalents** - The fair value of cash and cash equivalents, consisting primarily of cash and money market funds, is classified as Level 1, as these financial instruments are highly liquid. The fair value of certificates of deposit and commercial paper are classified as Level 2 Cash and Cash Equivalents because their valuations are based on multiple sources of information, including quoted prices from active and non-active markets, and amortized costs which approximates fair value.
- (2) **Marketable equity securities** – Equity securities include both domestic equity and international equity asset classes. Investments in certain equity securities represent investments in commingled funds consisting primarily of equity securities. These investments are classified as Level 2 because although they are traded in an active market for daily closing prices measured primarily on a NAV basis, their closing prices are not published or available on active exchanges. At December 31, 2012 and 2011, notice periods are generally three (3) business days, according to provisions of the respective investment agreements. Investments in other equity (common and preferred) securities that are not considered commingled funds are measured at fair value using quoted market prices on active exchanges. They are classified as Level 1 as they are traded in an active market for which daily closing stock prices are readily available.
- (3) **Marketable debt securities** – Investments in certain fixed income securities represent investments in registered investment companies consisting primarily of fixed income securities. These investments, as well as investments in U.S. Government securities, are classified as Level 1 because they are traded in an active market for which daily closing prices, measured primarily on a NAV basis, are available. Investments in other fixed income securities that are not considered registered investment companies or U.S. Government securities are comprised primarily of corporate debt instruments and mortgage-backed securities issued by government sponsored agencies. These fixed income securities are classified as Level 2 based on multiple sources of information, which may include quoted market prices from either markets that are not active or are for the same or similar assets in active markets. Investments in certain fixed securities represent investments in commingled funds consisting primarily of fixed securities. These investments are classified as Level 2 because although they are traded in an active market for daily closing prices measured primarily on a NAV basis, their closing prices are not published or available on active exchanges.
- (4) **Perpetual trusts** – Perpetual trusts are assessed a net asset value per share for these alternative investments that has been calculated in accordance with investment company rules, which among other requirements, indicates that the underlying investments be measured at fair value. They are classified as Level 3 because of the nature of the perpetual trust investment and its transparency to the underlying investments within the trust.
- (5) **Interest rate swaps** - The interest rate swap agreements are valued using a pricing service at net present value. These evaluated prices render these instruments Level 2. The volatility in the fair value of the swap agreements change as long-term interest rates change.

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6. Property and Equipment

The following summarizes property and equipment at December 31:

<i>(in thousands of dollars)</i>	2012	2011
Land and improvements	\$110,573	\$102,496
Buildings and improvements	2,128,451	2,060,368
Equipment	<u>1,596,472</u>	<u>1,459,998</u>
	3,835,496	3,622,862
Less: Accumulated depreciation and amortization	<u>(2,123,726)</u>	<u>(1,972,665)</u>
	1,711,770	1,650,197
Construction in progress	<u>167,350</u>	<u>124,080</u>
	<u><u>\$1,879,120</u></u>	<u><u>\$1,774,277</u></u>

At December 31, 2012 and 2011, approximately \$590,248,000 and \$567,791,000 of property and equipment, net, is pledged as collateral under various loan agreements. Interest cost, net of related interest income, totaling approximately \$1,939,000 and \$3,181,000 was capitalized to construction in progress during 2012 and 2011, respectively.

7. Investments in Unconsolidated Organizations

Catholic Health East has investments in unconsolidated organizations totaling \$1,616,988,000 and \$1,450,068,000 at December 31, 2012 and 2011, respectively. Several significant investments, which are accounted for under the equity method, comprise this balance including, but not limited to, the following:

BayCare Health System

CHE has a fifty percent interest in BayCare Health System Inc. and Affiliates ("BayCare"), a Florida not-for-profit corporation exempt from state and federal income taxes. BayCare was formed in 1997 pursuant to a Joint Operating Agreement ("JOA") among the not-for-profit, tax-exempt members of the Catholic Health East BayCare Participants, Morton Plant Mease Health Care, Inc, and South Florida Baptist Hospital, Inc. (collectively, the Members). BayCare consists of three community health alliances located in the Tampa Bay area of Florida including St. Joseph's-Baptist Healthcare Hospital, St. Anthony's Health Care, and Morton Plant Mease Health Care with an aggregate of approximately 2,900 acute care beds. CHE has the right to appoint nine of the twenty-one members of the Board of Directors of BayCare. At December 31, 2012 and 2011, CHE's recorded investment in BayCare totaled \$1,350,732,000 and \$1,138,120,000, excluding wholly owned subsidiaries and other beneficial interests.

Catholic Health System, Inc.

CHE has a one-third interest in Catholic Health System, Inc. and Subsidiaries ("CHS"). CHS, formed in 1998, is a not-for-profit integrated delivery healthcare system in Western New York jointly sponsored by the Sisters of Mercy, Ascension Health System, the Franciscan Sisters of St. Joseph, and the Diocese of Buffalo. CHE, Ascension Health System, and the Diocese of Buffalo are the corporate members of CHS. CHS operates several organizations, the largest of which are four acute care hospitals located in Buffalo, New York, Mercy Hospital of Buffalo, Kenmore Mercy Hospital, Sisters of Charity Hospital, and St. Joseph Hospital. At December 31, 2012 and 2011, CHE's recorded investment in CHS totaled \$12,116,000 and \$12,914,000, respectively.

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Emory Healthcare/St. Joseph's Health System

On December 31, 2011, CHE entered into a joint operating agreement with Emory Healthcare as described in Note 18, and retains a forty-nine percent equity interest in Emory Healthcare/St. Joseph's Health System ("EH/SJHS"). EH/SJHS operates several organizations, including two acute care hospitals, St. Joseph's Hospital of Atlanta, and John's Creek Hospital. At December 31, 2012 and 2011, CHE's recorded investment in EH/SJHS totaled \$60,519,000 and \$142,175,000, respectively.

Condensed consolidated balance sheets of BayCare, including wholly owned foundations and other beneficial interests, CHS and EH/SJHS as of December 31 are as follows:

(in thousands of dollars)

	Baycare		CHS		EH/SJHS	
	2012	2011	2012	2011	2012	2011
Assets	\$4,750,607	\$4,014,123	\$778,333	\$682,748	\$446,739	\$639,369
Liabilities	\$1,908,513	\$1,597,252	\$737,110	\$639,128	\$322,692	\$313,233
Net assets	\$2,842,094	\$2,416,871	\$41,223	\$43,620	\$124,047	\$326,136

The following amounts have been recognized in the accompanying consolidated statements of operations and changes in net assets related to the investments in BayCare, CHS and EH/SJHS for the years ended December 31:

(in thousands of dollars)

	Baycare		CHS		EH/SJHS
	2012	2011	2012	2011	2012
Equity in earnings of unconsolidated organizations	\$211,786	\$74,611	\$9,187	\$8,747	(\$84,873)
Net unrealized losses on investments	-	19	-	-	-
Other changes in unrestricted and restricted net assets	825	(7,965)	(9,986)	(20,356)	(4,006)
	<u>\$212,611</u>	<u>\$66,665</u>	<u>(\$799)</u>	<u>(\$11,609)</u>	<u>(\$88,879)</u>

Additionally, certain RHCs have investments in unconsolidated organizations, the most significant of which is an investment in a Medicaid HMO joint venture at Mercy Health System of Southeastern Pennsylvania ("Mercy SEPA"). These investments total \$193,621,000 and \$156,859,000 in 2012 and 2011, respectively. CHE's proportionate share of the income of these investments was \$34,050,000 and \$70,846,000 for the years ended December 31, 2012 and 2011, respectively.

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8. Long-Term Debt

At December 31, long-term debt consisted of the following:

<i>(in thousands of dollars)</i>	2012	2011
Revenue bonds		
Catholic Health East Health System Revenue Bonds		
Various Fixed Rate Series issued from 1998 to 2012; coupon rates ranging from 2.25% to 7.375%; annual principal payments through 2040	\$870,596	\$912,292
Various Variable Rate Series issued from 1997 to 2008; rates ranging from 0.03% to 0.36%; annual principal payments through 2036	99,955	103,825
Various Variable Rate Series swapped to fixed rating ranging from 1.09% to 1.17%; annual principal payments through 2034	27,660	27,740
Taxable Rate Series issued 1999 with rate of 7.62%; annual principal payments through 2017	3,710	4,415
	<u>1,001,921</u>	<u>1,048,272</u>
Other issues under \$10,000	16,054	16,570
Less amortization and unamortized (discount) premium	13,524	789
Mortgages payable		
JP Morgan/Chase mortgage payable in monthly fixed principal installments of \$56; interest at Libor plus 150 basis points through May 2021	5,681	6,356
Rensselaer County Industrial Development Agency and Albany County Industrial Development Agency, bearing interest at a fixed rate ranging from 4.36% - 5.375%	4,749	10,680
Various HUD insured mortgages (5.56% to 5.64%) payable through January 2027	11,360	11,986
Other mortgages and notes payable under \$5,000, individually	4,365	4,921
Notes payable		
North Ridge VA Center, LTD (5.04%), semi-annual principal payments through 2023	32,320	34,601
Notes payable due at various dates through 2027; various rates	63,098	21,635
Revolving credit agreement, due in 2014	76,450	81,185
Capital lease obligations payable in various monthly amounts	<u>48,758</u>	<u>57,443</u>
Total long-term debt and obligations under capital leases	1,278,280	1,294,438
Less: Current maturities of long term debt	(97,365)	(60,422)
Less: Portion of variable rate demand obligations classified as current	<u>(29,325)</u>	<u>(10,492)</u>
Total long-term debt	<u>\$1,151,590</u>	<u>\$1,223,524</u>

Aggregate maturities of long-term debt and capital lease obligations as of December 31, 2012 are shown below.

<i>(in thousands of dollars)</i>	
2013	\$126,690
2014	60,337
2015	56,405
2016	55,705
2017	128,195
Thereafter	837,424
Unamortized discount and imputed interest	<u>13,524</u>
	<u>\$1,278,280</u>

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The fair value of the System's long term debt is based on quoted market prices or estimates using discounted cash flow analyses, based on the participating facility's incremental borrowing rates for similar types of borrowing arrangements (Level 2). The fair value of the System's long-term debt at December 31, 2012 and 2011 was \$1,279,868,000 and \$1,343,421,000, respectively, compared to the carrying value of \$1,244,868,000 and \$1,214,421,000, respectively. This excludes capital leases and mortgage notes.

On June 1, 2012 CHE issued \$147,640,000 of Series 2012A Hospital Revenue Bonds through the Delaware County Authority (Pennsylvania) Health System, the City of Tampa, Florida Health, and North Carolina Medical Care Commission Health System. The bonds were issued as fixed rate bonds with interest rates ranging from 4.0% to 5.25%. The proceeds of this issue were used to refund and redeem certain of the outstanding Series 1998A Revenue Bonds issued previously and to pay the costs of issuance. As part of this transaction, CHE recorded a loss on extinguishment of debt totaling \$2,908,000.

On December 31, 2011, CHE transferred the outstanding debt of St. Joseph's Hospital, including the Series 2007A Revenue Bonds of \$9,900,000, the Series 2009 Revenue Bonds of \$68,970,000, and the Series 2010 Revenue Bonds of \$40,135,000 to the St. Joseph's/Emory Healthcare Joint Operating Agreement described in Note 18. Subsequent to the transfer date, the debt is guaranteed by Emory University and is no longer an obligation of the CHE Obligated Group.

On June 1, 2011, CHE repaid the outstanding debt of Mercy Hospital, Miami, including the Series 1998 Hospital Revenue Bonds of \$10,000,000, the Series 2002 Hospital Revenue Bonds of \$35,000,000, the Series 2003C Hospital Revenue Bonds of \$14,000,000, the Series 2008 Hospital Revenue Bonds of \$31,900,000, and the Series 2009 Hospital Revenue Bonds of \$29,300,000. The debt was repaid with proceeds from the sale of certain entities of Mercy Hospital, Miami to HCA as described in Note 18.

On February 3, 2011, St. Peter's Health Care Services issued \$34,200,000 of Series 2011 Hospital Revenue Bonds through the City of Albany Capital Resource Corporation. The bonds were issued as fixed rate bonds with interest rates ranging from 3.0% to 6.25%. The proceeds of this issue were used for St. Peter's Hospital Master Facilities Plan building and equipment projects, to fund a debt service reserve fund, to pay capitalized interest, and to pay the costs of issuance.

Certain CHE constituent corporations are members of the CHE Obligated Group. Under the Amended and Restated Master Trust Indenture dated January 1, 1998 and amended and restated as of September 30, 2006, Obligated Group members provide a revenue pledge and are joint and severally liable on all obligations outstanding under the Master Indenture. Additionally, the Obligated Group has agreed to comply with certain covenants including the repayment of principal and interest, notification regarding admission or withdrawal of members of the Obligated Group, to deliver financial statements and other related information by specified due dates, to maintain insurance, and to maintain a long-term debt service coverage of at least 1.10 to 1.00.

Pursuant to loan agreements between CHE and various RHCs, promissory notes have been executed by each RHC in amounts equal to the amount of proceeds necessary to defease previously existing debt and provide for capital projects.

In prior years, CHE advance refunded certain of its bonds which are no longer reflected in the consolidated financial statements since CHE has legally satisfied its obligation through defeasance. Funds are held in an irrevocable escrow with a trustee and are expected to be sufficient to satisfy the obligations.

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CHE maintains a revolving credit loan facility which is structured through a consortium with five banks and extends through November 30, 2017. The credit facility totals \$300,000,000 with an option to increase the credit facility to \$350,000,000. At December 31, 2012 and 2011, approximately \$32,812,000 and \$43,697,000, respectively, of the total credit facility was obligated for standby letters of credit. Additionally, approximately \$101,300,000 and \$106,035,000 at December 31, 2012 and 2011, respectively, had been borrowed against the total credit facility. Borrowings under this agreement may be repaid at any time and are payable upon termination of the agreement. These borrowings were used to finance various capital projects at several of the RHCs. Use of the credit facility for standby letters of credit is limited to \$100,000,000 of the total credit facility.

Certain of the System's variable rate demand bonds are supported by irrevocable letters of credit with expiration dates in 2013 and 2014. CHE is the guarantor for these letters of credit. The letters of credit and dates of expiration are as follows:

<u>RHC</u>	<u>Associated Bond Issue</u>	<u>Expiration</u>
Mercy Medical Corporation	Series 1997	11/1/2013
St. Mary Medical Center	Series 1997	11/1/2013
Holy Cross Hospital	Series 1997	11/1/2013
Holy Cross Hospital	Series 2000	12/31/2014
St. Francis Medical Center	Series 2003	12/31/2014
St. Joseph of the Pines, Inc.	Series 2008	4/23/2014

Blended Cost of Debt Program

CHE maintains a Blended Cost of Debt Program (the "Debt Program") to provide a uniform cost of debt for participating RHCs and to mitigate the interest rate risk of an RHC.

Under the Debt Program, all debt costs, excluding taxable debt, capitalized leases, and short-term borrowing, are blended. The calculation of the blended costs incorporates bond interest, both fixed and variable, debt-related fees, such as letters of credit, credit enhancement, remarketing, auction, as well as periodic rating agency, bond trustee, master trustee and issuing authority fees, net swap payments/receipts and put/guaranty receipts, along with other miscellaneous fees related to tax-exempt debt issued by CHE and its affiliates.

Participants in the Debt Program make periodic payments to CHE. Each participant's periodic payment is based on their respective percentage of total indebtedness included in the Debt Program. Principal payments are not blended. Participants make their scheduled principal payments to CHE in the month they are due.

9. Derivative Financial Instruments

CHE has entered into derivative transactions for the purpose of reducing interest rate volatility and to reduce interest expense. CHE has entered into fixed-to-floating interest rate swaps, total return swaps, basis swaps, and fixed-payor swaps.

At December 31, 2012 and 2011, fourteen *basis swap* transactions were outstanding in the CHE Debt Program with notional amounts totaling \$717,000,000 and maturity dates ranging from February 2023 to December 2028. In the basis swap transactions, CHE receives a floating taxable rate and pays a floating tax-exempt rate. CHE has elected not to designate these interest rate swap agreements as hedges for financial reporting purposes.

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At December 31, 2012 and 2011, four and six *fixed-to-floating interest rate swap* agreements, respectively, were outstanding in the CHE Debt Program. The fixed-to-floating swaps had notional amounts totaling \$95,000,000 and \$150,000,000 at December 31, 2012 and 2011, respectively, and maturity dates ranging from March 2014 to April 2017. These fixed-to-floating interest rate swap agreements effectively convert a portion of the System's fixed rate debt to a floating rate basis and are not designated as hedges for financial reporting purposes.

At December 31, 2012 and 2011, four *fixed-payor interest rate swap* agreements, were outstanding in the CHE Debt Program. The fixed-payor swaps had notional amounts totaling \$27,700,000 and maturity dates ranging from November 2032 to November 2034. Under these interest rate swap agreements CHE pays a fixed rate and receives a variable rate. Additionally, the cash flows from these interest rate swap agreements equal the rates on the bonds and therefore effectively convert the debt to a fixed rate. The notional amount of these interest rate swap agreements declines in relation to the annual principal payments on the hedged debt. CHE has elected not to designate these interest rate swap agreements as hedges for financial reporting purposes.

At December 31, 2012 and 2011, five and seven *total return swap* agreements, respectively, were outstanding in the CHE Debt Program. The total return swaps had notional amounts totaling \$85,525,000 and \$104,300,000 at December 31, 2012 and 2011, respectively, and maturity dates ranging from June 2013 to May 2014. Under these swap agreements, CHE receives a fixed rate on the amount corresponding to the par amount of the outstanding bonds, and pays the Securities Industry and Financial Markets Association ("SIFMA") index. CHE has elected not to designate these interest rate swap agreements as hedges for financial reporting purposes.

At December 31, 2012, three *fixed-to-floating interest rate swaps* were outstanding outside the CHE Debt Program with notional amounts totaling \$47,180,000 and maturity dates ranging from November 2013 to August 2033. These fixed-to-floating swaps were not outstanding as of December 31, 2011. In accordance with certain of these swap agreements a collateral account may be required as security for the swap.

The fair value of derivative instruments at December 31 is as follows:

(in thousands of dollars)

	2012		2011	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Interest rate contracts				
Basis	Other assets	\$5,938	Other liabilities	(\$6,344)
Fixed-to-floating	Other assets	\$1,314	Other assets	\$2,291
Fixed-payor	Other liabilities	(\$7,115)	Other liabilities	(\$6,231)
Total return	Other assets	\$7,130	Other assets	\$10,525
Fixed-to-floating, non CHE	Other liabilities	(\$5,715)	Other liabilities	(\$5,113)
		<u>\$1,552</u>		<u>(\$4,872)</u>

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The effects of derivative instruments on the consolidated statements of operations and changes in net assets for 2012 and 2011 are as follows:

(in thousands of dollars)

		Amount of Gain (Loss) Recognized in Statement of Operations	
		2012	2011
Interest rate contracts			
Basis	Change in fair value of interest rate swaps	\$12,282	(\$9,984)
Fixed-to-floating	Change in fair value of interest rate swaps	(977)	1,058
Fixed-payor	Change in fair value of interest rate swaps	(884)	(2,777)
Total return	Change in fair value of interest rate swaps	(3,397)	10,526
Fixed-to-floating, non CHE	Change in fair value of interest rate swaps	(600)	(55)
Total		<u>\$6,424</u>	<u>(\$1,232)</u>

Certain of CHE's derivative instruments contain credit-risk-related provisions that require CHE and its counterparties to post collateral in varying amounts based on respective credit ratings. If CHE's debt were to fall below investment grade, the counterparties to the derivative instruments would require CHE to post collateral only if the aggregate position of all derivative instruments is negative. Based on CHE's current credit rating, the System was not required to post collateral as of December 31, 2012 or 2011. Locally held derivative instruments (non-CHE) required posted collateral at December 31, 2012 and 2011 in the amount of \$474,000 and \$753,000, respectively.

10. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the System has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained in perpetuity. Temporarily restricted net assets at December 31 are available for the following purposes:

(in thousands of dollars)

	2012	2011
Temporarily restricted net assets		
Education and research	\$5,746	\$5,397
Building and equipment	28,180	27,406
Patient care	14,916	16,480
Cancer Center/research	7,431	6,110
Other	86,737	85,221
	<u>\$143,010</u>	<u>\$140,614</u>

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Permanently restricted net assets at December 31 are restricted as follows:

<i>(in thousands of dollars)</i>	2012	2011
Permanently restricted net assets		
Investments to be held in perpetuity, the income from which is expendable to support health care services (reported as operating income)	\$37,897	\$36,272
Endowments requiring income to be added to the original gift	2,426	2,282
Other	9,504	8,152
	<u>\$49,827</u>	<u>\$46,706</u>

The System classifies the portions of donor-restricted endowment funds of perpetual duration as permanently restricted net assets. Permanently restricted net assets of the System are comprised of a) the original value of gifts donated to the System through a permanent endowment, b) the original value of subsequent gifts to the System through a permanent endowment, and c) accumulations to the permanent endowment in accordance with applicable donor gift instruments. Any portions of donor-restricted endowment funds that are not classified as permanently restricted are appropriated in accordance with donor intent.

The System considers the following factors in determining if donor-restricted endowment funds are accumulated or appropriated:

- 1) the duration and preservation of the fund
- 2) the purposes of the System's donor-restricted endowment funds
- 3) general economic conditions
- 4) effect of possible inflation or deflation
- 5) the expected total investment return and appreciation of investments
- 6) other resources of the System
- 7) investment policies of the System

The System's permanently restricted net assets consist of individual endowment accounts. Unless otherwise directed by the donor, gifts received for endowments are invested in accordance with the System's investment policy. Unless otherwise directed by the donor, the System annually appropriates a certain percentage of each endowment fund, which is then available for spending in accordance with the donor's intent. In order to preserve the real value of a donor's gift and to sustain funding consistent with donor intent, the annual appropriation rate is set to strike a reasonable balance between long-term objectives of preserving and growing each endowment fund for the future and providing stable, annual appropriations.

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The composition of endowment fund net assets, by type of fund, at December 31, 2012 and 2011 are as follows:

(in thousands of dollars)

	2012		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Donor-restricted endowment funds	\$ -	\$82,466	\$49,827
Board-designated endowment funds	17,864	445	-
Total endowment funds	<u>\$17,864</u>	<u>\$82,911</u>	<u>\$49,827</u>

	2011		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Donor-restricted endowment funds	\$0	\$82,089	\$46,706
Board-designated endowment funds	17,635	809	-
Total endowment funds	<u>\$17,635</u>	<u>\$82,898</u>	<u>\$46,706</u>

Changes in the composition of endowment fund net assets as of December 31, 2012 and 2011 are as follows:

(in thousands of dollars)

	2012		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Endowment fund net assets, beginning of year	\$17,635	\$82,898	\$46,706
Investment return:			
Realized investment income	31	425	755
Unrealized investment gains	183	4,825	518
Net appreciation	-	741	(25)
Total investment return	<u>214</u>	<u>5,991</u>	<u>1,248</u>
Other changes in endowment funds	15	(5,978)	1,873
Endowment fund net assets, end of year	<u>\$17,864</u>	<u>\$82,911</u>	<u>\$49,827</u>

	2011		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Endowment fund net assets, beginning of year	\$17,517	\$67,810	\$27,972
Investment return:			
Realized investment income	202	364	945
Unrealized investment losses	(94)	(480)	(768)
Net appreciation	-	341	(32)
Total investment return	<u>108</u>	<u>225</u>	<u>145</u>
Other changes in endowment funds	10	14,863	18,589
Endowment fund net assets, end of year	<u>\$17,635</u>	<u>\$82,898</u>	<u>\$46,706</u>

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11. Insurance

Professional and general liability risk is insured through Stella Maris Insurance Company, Ltd. a wholly owned, captive insurance company, commercial insurance and reinsurance companies, and self-insured programs. Excess insurance over self-insured amounts and coverage provided by the captive has been purchased from the commercial insurance and reinsurance markets. The excess professional liability coverage is provided on a claims-made basis. There are known claims and incidents that may result in the assertion of additional claims, as well as claims from unknown incidents that may be asserted arising from services provided to patients. CHE has employed independent actuaries to estimate the ultimate costs, if any, of the settlement of such claims. Accrued malpractice losses have been discounted at a rate of 4.0% at December 31, 2012 and 2011, and in management's opinion provide an adequate reserve for loss contingencies.

CHE maintains a large deductible program for workers' compensation. Losses from asserted claims and from unasserted claims identified under CHE's incident reporting systems are accrued based on estimates that incorporate CHE's experience, relevant trends, and other factors. CHE has employed independent actuaries to estimate the ultimate costs, if any, of the settlement of such claims. Accrued workers' compensation losses have been discounted at a rate of 4.0% at December 31, 2012 and 2011, and in management's opinion provide an adequate reserve for loss contingencies.

Total amounts accrued under these programs as current liabilities approximate \$19,642,000 and \$18,901,000 at December 31, 2012 and 2011, respectively. Total amounts accrued under these programs as long-term liabilities approximate \$284,966,000 and \$299,960,000 at December 31, 2012 and 2011, respectively.

Bank-administered trust and other accounts have been established for the purpose of segregating assets. These trusts are funded based on actuarial estimates and can only be used for payment of malpractice losses, related expenses, and administrative costs of the trusts. Assets of the trusts are included in marketable securities whose use is limited.

The total amount charged to expense under these self-insured programs was \$57,066,000 and \$45,451,000 in 2012 and 2011, respectively.

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12. Pension Plans

The System maintains non-contributory defined benefit pension plans that vary from one RHC to another, collectively, "the Plan." CHE has amended substantially all defined benefit pension plans to freeze service accruals.

The following table sets forth the change in benefit obligation and the change in fair value of plan assets based on the measurement date, and the amounts recognized in the consolidated financial statements at December 31:

<i>(in thousands of dollars)</i>	2012	2011
Changes in benefit obligation:		
Benefit obligation, beginning of year	\$1,261,197	\$1,031,184
Service cost	6,654	10,178
Interest cost	54,091	52,707
Actuarial loss	75,548	130,724
Benefits paid	(57,493)	(35,654)
Plan amendments	-	(28,278)
Plan mergers & divestitures	(1,647)	116,849
Curtailment	(3,285)	-
Other	-	(16,513)
Benefit obligation, end of year	<u>\$1,335,065</u>	<u>\$1,261,197</u>
Accumulated benefit obligation, end of year	\$1,316,982	\$1,227,766
Change in plan assets:		
Fair value of plan assets, beginning of year	\$822,660	\$740,648
Actual return on plan assets	91,941	567
Employer contributions	60,476	48,027
Benefits paid	(57,493)	(35,654)
Asset transfers	-	69,072
Fair value of plan assets, end of year	<u>\$917,584</u>	<u>\$822,660</u>
Funded status		
Fair value of plan assets	\$917,584	\$822,660
Projected benefit obligation	<u>(1,335,065)</u>	<u>(1,261,197)</u>
Funded status	<u>(417,481)</u>	<u>(438,537)</u>
Amount recognized, end of year	<u><u>(\$417,481)</u></u>	<u><u>(\$438,537)</u></u>
 Amounts recognized in unrestricted net assets		
Net actuarial gain	\$46,014	\$184,392
Amortization of actuarial loss	(13,573)	(9,039)
Prior service cost	4,606	(1,218)
Current year prior service cost	-	(44,790)
Curtailment charge	(3,090)	-
Plan mergers	-	22,894
Total	<u><u>\$33,957</u></u>	<u><u>\$152,239</u></u>

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The following table sets forth the components of net periodic benefit cost for the applicable plan(s) at December 31:

<i>(in thousands of dollars)</i>	2012	2011
Components of net periodic benefit cost:		
Service cost	\$6,654	\$10,178
Interest cost	54,091	52,707
Expected return on plan assets	(62,408)	(61,061)
Amortization of prior service costs	(4,606)	1,218
Amortization of actuarial loss	13,573	9,039
Other adjustments	(195)	-
Net periodic benefit cost	\$7,109	\$12,081

The net actuarial loss that will be amortized from unrestricted net assets in the net periodic benefit cost in 2013 is \$14,194,000.

The assumptions used to determine the benefit obligation and periodic benefit cost at December 31 are as follows:

	2012	2011
Assumptions used to determine the benefit obligation at December 31:		
Weighted average discount rate	3.55% - 4.05%	4.15% - 5.00%
Weighted average rate of compensation increases	2.50%	3.75% - 4.25%
Weighted average expected long-term rate of return on plan assets	7.50%	7.5% - 8.50%
Assumptions used to determine periodic benefit cost at December 31:		
Weighted average discount rate	4.15% - 4.60%	4.90% - 5.55%
Weighted average rate of compensation increases	3.75% - 4.25%	3.75% - 4.25%
Weighted average expected long-term rate of return on plan assets	7.5% - 8.00%	7.5% - 8.50%

Investment Policy and Asset Allocations – In developing the assumption for the expected rate of return on assets, CHE evaluates historical returns, the level of expected returns on risk-free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested, and the expectations for future returns of each asset class. The expected rate of return for each asset class is then weighted based on the target asset allocation to develop the assumption for the expected long-term rate of return on assets. For plans with frozen service accruals, the investment policy was modified to allow for asset allocation changes over time as the plans become more fully funded in order to de-risk the plans. This strategy utilizes a “glide path” approach, consisting of a series of target asset allocations for various funded ratio levels, reduces exposure to return seeking assets (marketable equity securities and managed funds) and increases exposure to the liability-hedging assets (cash and marketable debt securities) over time. The Company continually evaluates the asset allocation strategy relative to changing market conditions, pension assumptions, and overall funded status of the plans.

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The weighted average asset allocation for the plan at December 31 and the target allocation for calendar year 2012 and 2011, by asset category, are as follows:

Asset category	Target Allocation 2012	2012	Target Allocation 2011	2011
	From-To		From-To	
Cash & marketable debt securities	18.8%-40.0%	21.6 %	18.8%-40.0%	22.5 %
Marketable equity securities & managed funds	60.0%-81.2%	78.4 %	60.0%-81.2%	77.5 %
	100.0%	100.0%	100.0%	100.0%

The portfolio is diversified among a mix of assets including large and small cap, domestic and foreign equities, fixed income, managed funds, and cash. Asset mix is targeted to a specific allocation, either intermediate or long-term, that is established by evaluating expected return, standard deviation, and correlation of various assets against the plan's long-term objectives. Asset performance is monitored quarterly and rebalanced if asset classes exceed explicit ranges. The investment policy governs permitted types of investments, and outlines specific benchmarks and performance percentiles. The Investment Subcommittee of the Stewardship Committee of the CHE Board oversees the pension investment program and monitors investment performance. Risk is closely monitored through the evaluation of portfolio holdings and tracking the beta and standard deviation of the portfolio performance.

The following table presents the Plan's financial instruments as of December 31, 2012 measured at fair value on a recurring basis using the fair value hierarchy defined in Note 5. The investments are not included in the marketable securities whose use is limited in the accompanying consolidated balance sheet. These investments are maintained separately in a pension investment program that is controlled by a trustee:

(in thousands of dollars)

	2012				<u>Valuation Technique</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	
Pension investment program:					
Cash and cash equivalents	\$109,534	\$8,422	\$ -	\$117,956	Market
Marketable equity securities	260,093	306,215	-	566,308	Market
Marketable debt securities	42,197	107,988	-	150,185	Market
Managed funds	-	17,873	65,262	83,135	Market
Total pension investment program	<u>\$411,824</u>	<u>\$440,498</u>	<u>\$65,262</u>	<u>\$917,584</u>	

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	2011				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	<u>Valuation Technique</u>
Pension investment program:					
Cash and cash equivalents	\$44,761	\$20,863	\$ -	\$65,624	Market
Marketable equity securities	471,063	36,297	-	507,360	Market
Marketable debt securities	66,446	91,456	-	157,902	Market
Managed funds	-	-	91,774	91,774	Market
Total pension investment program	<u>\$582,270</u>	<u>\$148,616</u>	<u>\$91,774</u>	<u>\$822,660</u>	

The fair value of these investments is offset against the projected benefit obligation of the associated defined benefit plans and the resulting unfunded liability is recorded by the System.

The table below sets forth a summary of changes in the fair value of the Level 3 assets for the Plan for the period from December 31, 2011 to December 31, 2012.

(in thousands of dollars)

	2012	2011
Fair value January 1	\$91,774	\$75,493
Purchases	18,156	-
Realized gains	2,353	441
Unrealized losses	(126)	(2,950)
Other changes	(23,970)	21,479
Sales	(22,925)	(2,689)
Fair value December 31	<u>\$65,262</u>	<u>\$91,774</u>

There were no transfers in or out of levels 1 and 2 for the year ended December 31, 2012.

Contributions – Expected contributions to the defined benefit plans in 2013 are approximately \$52,169,000.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

(in thousands of dollars)

2013	\$52,443
2014	55,254
2015	57,537
2016	62,221
2017	66,049
2018-2021	<u>370,706</u>
	<u>\$664,210</u>

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13. Concentration of Credit Risk

CHE grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at December 31 was as follows:

	2012	2011
Managed care	31.9 %	31.1 %
Medicare	24.0 %	23.8 %
Medicaid	9.5 %	11.0 %
Self-pay	11.9 %	11.3 %
Other third-party payors	11.9 %	14.4 %
Commercial	10.8 %	8.4 %
	<u>100.0 %</u>	<u>100.0 %</u>

In addition, CHE invests its cash and cash equivalents primarily with banks and financial institutions. These deposits may be in excess of federally insured limits. Management believes that the credit risk related to these deposits is minimal.

14. Commitments and Contingencies

The RHCs are defendants in various lawsuits relating primarily to rendering of health care services. In each instance, management of the respective RHCs is of the opinion that the liability, if any, resulting there from will be covered by insurance or will not have a material adverse impact on the consolidated financial statements of CHE. In addition, certain CHE entities have been contacted by governmental agencies regarding alleged violations of practices for certain services. Management of the respective RHCs has performed, with the advice and assistance of outside legal counsel, an evaluation of billing practices and compliance with related laws and regulations. In the opinion of management, after consultation with outside legal counsel, the ultimate outcome of these matters will not have a material adverse impact on the consolidated financial statements of CHE.

On March 29, 2013, the Company was notified that it is a defendant in a lawsuit which challenges the church plan status of the Company's defined benefit pension plans. The Company believes it will prevail in defense of this matter.

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15. Leases

The RHCs lease office space and certain equipment under noncancelable operating leases. Rental expense was approximately \$79,885,000 and \$79,211,000 in 2012 and 2011, respectively.

Future minimum lease payments for all noncancelable leases as of December 31, 2012 are as follows:

(in thousands of dollars)

2013	\$52,110
2014	43,479
2015	38,862
2016	33,380
2017	27,339
Thereafter	97,125
	<u>\$292,295</u>

16. Functional Expenses

CHE provides general health care services to residents within their geographic location including acute care, skilled nursing, outpatient care, home healthcare, physician practices, and behavioral services. Expenses related to providing these services at December 31 are as follows:

(in thousands of dollars)

	2012	2011
Health care services	\$3,314,936	\$2,885,340
General and administrative	801,628	670,723
	<u>\$4,116,564</u>	<u>\$3,556,063</u>

17. Assets Held for Sale and Discontinued Operations

On January 14, 2013, Mercy Health System of Maine (Mercy Maine) entered into a definitive agreement with Eastern Maine Health System (EMHS) under which EMHS would assume control over Mercy Maine and its component corporation. As of December 31, 2012 and 2011, Mercy Maine's assets and liabilities have been reclassified as held for sale. The operating results of Mercy Maine are reflected as discontinued operations in the consolidated statements of operations.

On February 8, 2013, Saint Michael's Medical Center entered into an asset purchase agreement (APA) under which the hospital would be acquired by another healthcare organization. Certain assets and liabilities of Saint Michael's Medical Center have been classified as held for sale on the consolidated balance sheets as of December 31, 2012 and 2011. The operating results of Saint Michael's Medical Center are reflected as discontinued operations in the consolidated statements of operations.

Additionally, the Boards of Directors at certain of the Company's RHCs have approved management plans to divest or otherwise exit certain services lines and asset groups. Service lines and asset groups subject to such management plans are collectively referred to as the Disposal Group.

Catholic Health East
Notes to the Consolidated Financial Statements
December 31, 2012 and 2011

Details of the assets held for sale, the related liabilities, and discontinued operations of the Disposal Group at December 31 are provided below:

<i>(in thousands of dollars)</i>	2012	2011
Assets Held for Sale and Related Liabilities		
Current assets	\$69,159	\$84,299
Property, plant, and equipment, net	267,203	389,174
Total assets	<u>\$336,362</u>	<u>\$473,473</u>
Current liabilities	\$101,105	\$115,605
Other long-term liabilities	318,811	326,593
Total liabilities	<u>\$419,916</u>	<u>\$442,198</u>
Discontinued Operations		
Unrestricted revenues, gains and other support		
Net patient service revenue	\$427,026	\$527,097
Other operating revenue	36,302	51,441
Total revenues	<u>463,328</u>	<u>578,538</u>
Expenses		
Salaries, wages and benefits	256,762	317,447
Medical supplies	70,573	93,816
Purchased services, professional fees, and other expenses	144,847	186,427
Depreciation and amortization	21,529	25,898
Interest	20,529	24,411
Insurance	5,985	8,733
Total expenses	<u>520,225</u>	<u>656,732</u>
Operating loss before impairment	(56,897)	(78,194)
Non-operating losses on sale of assets	(4,481)	(3,254)
Impairment costs and other non-operating charges	(110,393)	6,568
Operating loss	<u>(\$171,771)</u>	<u>(\$74,880)</u>

Saint Michael's Medical Center classified tax-exempt revenue bonds as Liabilities related to Assets Held for Sale totaling \$237,705,000 and \$241,700,000 at December 31, 2012 and 2011, respectively. The bonds are issued through and guaranteed by the New Jersey Health Care Facilities Financing Authority as fixed rate bonds with interest rates ranging from 5.0% to 5.5% and annual principal payments through 2038. The bonds are excluded from the CHE Obligated Group.

Catholic Health East
Notes to the Consolidated Financial Statements
December 31, 2012 and 2011

Aggregate principal payments are as follows:

(in thousands of dollars)

2013	\$4,435
2014	4,490
2015	4,900
2016	4,950
2017	5,425
Thereafter	213,505
	<u>\$237,705</u>

As a condition to closing of the transaction with the purchaser as described above, the New Jersey Health Care Facilities Financing Authority would agree to provide a release of Saint Michael's obligation on the tax-exempt bonds.

18. Significant Events

Maxis Health System

On February 28, 2012, the Company closed Marian Community Hospital, which provided acute care and behavioral health services in the Carbondale, PA service area. The operations of Marian Community Hospital are classified as discontinued operations in the accompanying consolidated statements of operations and changes in net assets at December 31, 2011.

St. Peter's Health Partners

On October 1, 2011, St. Peter's Health Care Services ("SPHCS"), Northeast Health ("NEH"), and Seton Health ("Seton") contributed their net assets to form St. Peter's Health Partners. In accordance with applicable accounting guidance on not-for-profit mergers and acquisitions, the Company recorded contribution income of \$374,819,000 reflecting the fair value of the contributed assets of NEH and Seton on the transaction date. Of this amount, \$322,947,000 represents unrestricted net assets and is included as a non-operating gain in the accompanying statement of operations and changes in net assets at December 31, 2011. Temporarily restricted net assets and permanently restricted net assets of \$33,201,000 and \$18,671,000, respectively, were recorded as restricted contribution income in the accompanying consolidated statement of changes in net assets.

The 2011 consolidated statement of operations reflects the activity of NEH and Seton from the date of the transaction (October 1, 2011) to December 31, 2011. No consideration was exchanged for the net assets contributed.

Catholic Health East

Notes to the Consolidated Financial Statements

December 31, 2012 and 2011

The fair value of assets, liabilities, and net assets contributed by NEH and Seton at October 1, 2011 were as follows:

<i>(in thousands of dollars)</i>	Total NEH & Seton
Assets	
Cash and cash equivalents	\$123,441
Assets limited as to use and investments	147,858
Patient accounts receivable , net	48,331
Property plant and equipment	307,167
Other assets	63,960
Total assets acquired	<u>\$690,757</u>
Liabilities	
Accounts payable and accrued expenses	\$44,927
Estimated amounts due to third party payers	16,094
Long-term debt	118,449
Accrued pension and post retirement benefits	38,438
Other liabilities	98,030
Total liabilities assumed	<u>315,938</u>
Net Assets	
Unrestricted	322,947
Temporarily restricted	33,201
Permanently restricted	18,671
Total net assets	<u>374,819</u>
Total liabilities and net assets	<u>\$690,757</u>

A summary of the financial results of NEH and Seton included in the consolidated statement of operations and changes in net assets from the period October 1, 2011 through December 31, 2011 is as follows:

<i>(in thousands of dollars)</i>	Total NEH & Seton
Total operating revenues	<u>\$135,025</u>
Total operating expenses	<u>131,417</u>
Operating income	3,608
Non operating gains	<u>4,681</u>
Excess of revenues over expenses	<u>8,289</u>
Net assets released from restriction used for capital purchases	373
Pension adjustment	(6,209)
Other changes	<u>4,291</u>
Increase in unrestricted net assets	<u>\$6,744</u>

Catholic Health East

Notes to the Consolidated Financial Statements

December 31, 2012 and 2011

A summary of the financial results of the Company for the year ended December 31, 2011, as if the transaction had occurred on January 1, 2011 is as follows (unaudited):

<i>(in thousands of dollars)</i>	CHE 2011
Total operating revenues	<u>\$4,048,326</u>
Total operating expenses	<u>3,946,563</u>
Operating income, before losses from St. Joseph's Health System	101,763
Losses from Saint Joseph's Health System	<u>(31,249)</u>
Operating income (including losses from St. Joseph's Health System)	70,514
Non-operating gains	<u>184,983</u>
Excess of revenues over expenses	<u>255,497</u>
Changes in unrestricted net assets	<u>(139,794)</u>
Increase in unrestricted net assets before discontinued operations	115,703
Loss from discontinued operations	<u>(38,527)</u>
Increase in unrestricted net assets	<u>\$77,176</u>

Saint Joseph's Health System

On December 31, 2011, the Company contributed certain assets and liabilities of St. Joseph's Health System to a joint operating company ("JOC") with Emory Healthcare in exchange for a 49% non-controlling ownership interest. The entities contributed to the JOC include St. Joseph's Hospital of Atlanta, Saint Joseph's Real Estate Corporation, Saint Joseph's Service Corporation, The Medical Group of Saint Joseph's, Saint Joseph's Translational Research Institute, and the International College of Robotic Surgery. An equity investment resulting from the transaction is included in investments in unconsolidated organizations in the accompanying consolidated balance sheets and is detailed further in Note 7. The related operating loss of \$31,249,000 at December 31, 2011 was classified separately within operating income on the consolidated statement of operations.

Mercy Health System of Southeastern Pennsylvania

On November 30, 2011, Mercy SEPA Mercy Health System of Southeastern Pennsylvania sold its equity ownership interests in certain Medicaid managed care organizations to Independence Blue Cross and Blue Cross/Blue Shield of Michigan. As consideration for the sale, Mercy Health System received a lump sum cash payment of \$194.0 million and a \$43.0 million pledge to the Mercy Health System Foundation to be paid over a seven (7) year period, which is included in other assets in the accompanying consolidated balance sheet at December 31, 2011. Mercy Health System recognized a gain on sale of \$94.9 million related to this transaction, which is included in the December 31, 2011 statement of operations and changes in net assets.

Catholic Health East

Notes to the Consolidated Financial Statements

December 31, 2012 and 2011

Mercy Hospital, Miami

On May 1, 2011, the Company sold certain entities of Mercy Hospital, Miami to Hospital Corporation of America ("HCA"). The entities sold included Mercy Hospital, Sister Emmanuel Hospital for Continuing Care, Mercy Medical Development, and Mercy Physician Group. The results of these operations are reflected as discontinued operations in the accompanying statement of operations and changes in net assets at December 31, 2011. Proceeds from the sale were used primarily to satisfy long-term debt obligations of Mercy Hospital, Miami.

19. Subsequent Events

CHE evaluated the impact of subsequent events through April 30, 2013, representing the date at which the consolidated financial statements were issued.

On January 16, 2013, the Company and Trinity Health, an Indiana non-profit corporation, entered into a Consolidation Agreement, subject to regulatory approval and other closing conditions, under which the Company and Trinity Health would consolidate into a new non-profit organization. The transaction is expected to be completed in 2013.

In January 2013, CHE issued \$39.1 million of Series 2012 Hospital Revenue Bonds through Green County (Georgia) Development Authority. The bonds were issued as fixed rate bonds with interest rates ranging from 4.0% to 5.0%. The proceeds of this issue will be used to fund the construction of a replacement facility for Good Samaritan Hospital in Greensboro, Georgia, and to pay the costs of issuance.

In January 2013, CHE issued \$63.6 million of Series 2012B Hospital Revenue Bonds through the Saint Mary Hospital Financing Authority (Pennsylvania). The bonds were issued as variable rate bonds with an average annual interest rate 3.5%. The proceeds of these bonds were used to finance certain qualifying electronic health record expenditures at CHE's System Office, Mercy SEPA, and St. Mary Langhorne, and to pay the costs of issuance.

Supplemental Financial Information

Catholic Health East

Social Accountability Supplemental Schedule - Unaudited

December 31, 2012 and 2011

Social Accountability

In keeping with the mission and purpose of CHE, to carry out the health care ministries of the sponsoring congregations by serving as a community of persons committed to being a transforming, healing presence within the communities it serves, and in particular the needs of the poor, the System strives to maximize the provision of services in its communities and in collaboration with other organizations. A portion of CHE's overall operating expense relates to costs incurred in providing and meeting certain community needs for which CHE is not directly compensated.

A standard reporting and accountability process is utilized throughout CHE to estimate the net cost of these services, referred to as Social Accountability Costs, which provides a basis of accountability and reporting to the communities served for purposes of disclosing the utilization of resources. Costs reported are net of contributions or grants that have been provided to CHE and designated for these purposes.

The information presented below has been calculated and is presented in accordance with the Catholic Health Association's, *A Guide for Planning and Reporting Community Benefits*, Copyright 2012. Social accountability costs for the years ended December 31 are as follows:

<i>(in thousands of dollars)</i>	2012	2011
Cost of care for those who are poor	\$70,310	\$57,691
Cost of community benefit programs	76,175	73,788
Other public programs	11,425	9,786
Unpaid cost of Medicaid programs	96,133	79,827
Social accountability costs	<u>\$254,043</u>	<u>\$221,092</u>
Percentage of operating expenses	<u>5.5%</u>	<u>4.8%</u>
Unpaid cost of Medicare programs	<u>\$147,349</u>	<u>\$197,923</u>

The cost of care of the poor is based on the System's estimated net cost of providing services to those unable to pay. The cost of the community benefit programs reflects the costs to develop and provide programs that are developed and provided to meet special community needs that would not otherwise be available. Volunteer service reflects both internal and external services provided to support patient care activities and community programs. The difference between amounts reimbursed to the System under the Medicare and Medicaid programs and the estimated cost of providing care for these respective programs is reflected as an unpaid cost of the program.

APPENDIX D

**UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF
CATHOLIC HEALTH EAST**

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CATHOLIC HEALTH EAST

Quarterly Report

**Management's Discussion and Analysis
and
Consolidated Financial Information**

**For the Six Months Ended
June 30, 2013
(Unaudited)**

8/14/2013

Catholic Health East
Management's Discussion and Analysis
For the Six Months Ended June 30, 2013

Summary

Operating results and other financial information for the six months ended June 30, 2013 for Catholic Health East (CHE or the System) are attached. These financial statements have been prepared by management. For comparison purposes, these financial statements and related variance explanations have been prepared comparing the balance sheet to the three month period ended December 31, 2012 (prior year-end or prior year) and comparing the statement of operations for the six months of 2013 to the six months of 2012 (or prior period or same period last year).

Catholic Health East

Consolidation with Trinity Health

On May 1, 2013, CHE and Trinity Health merged into a new non-profit corporation, CHE Trinity Inc. Year-to-date, transaction costs of approximately \$4.4 million have been incurred and are reflected in the consolidated statement of operations.

St Joseph's Hospital Health Center

On July 9, 2013, CHE Trinity Inc. executed a non-binding letter of intent with St. Joseph's Hospital Health Center in Syracuse, New York. The parties are currently in the due diligence phase.

Series 2012 Revenue Bonds

In January 2013, CHE issued \$39.1 million of Series 2012 Hospital Revenue Bonds through the Green County (Georgia) Development Authority. The bonds were issued as fixed rate bonds with interest rates ranging from 4.0% to 5.0%. The proceeds of this issue will be used to fund the construction of a replacement facility for Good Samaritan Hospital in Greensboro, Georgia, and to pay the costs of issuance.

Series 2012B Revenue Bonds

In January 2013, CHE issued \$63.6 million of Series 2012B Hospital Revenue Bonds through the Saint Mary Hospital Financing Authority (Pennsylvania). The bonds were issued as variable rate bonds with an average annual interest rate 3.5%. The proceeds of these bonds were used to finance certain qualifying electronic health record expenditures at CHE's System Office, Mercy SEPA, and St. Mary Langhorne, and to pay the costs of issuance.

Meaningful Use Incentive Payments

The American Reinvestment and Recovery Act of 2009 (ARRA) designated \$19 billion in funding to be used for incentive payments to healthcare providers and professionals who implement and meaningfully use electronic health records (EHRs) and data by 2014. Incentive payments are available through both the Medicare and Medicaid programs. During 2013, through CHE's CareLink initiative, various providers and professionals within CHE are implementing electronic health records and attesting as meaningful users of EHRs. Meaningful Use incentive payments of \$36.7 million were included in the 2013 operating budget. As of June 30, 2013, \$2.5 million of incentive payments have been recorded as income in the statement of operations.

Mercy Health System of Maine

On January 14, 2013, Mercy Health System of Maine (Mercy Maine) entered into a definitive agreement with Eastern Maine Health System (EMHS) under which EMHS would assume control over Mercy Maine and its component corporation. As of June 30, 2013 and December 31, 2012, Mercy Maine's assets and liabilities have been reclassified as held for sale. The results of Mercy Maine are reflected as discontinued

operations in the consolidated statement of operations, totaling year-to-date gains (losses) of approximately \$524 thousand and (\$7.7) million as of June 30, 2013 and 2012, respectively. The transaction is expected to be completed in 2013.

Saint Michael's Medical Center

On February 8, 2013, Saint Michael's Medical Center entered into an asset purchase agreement (APA) under which the hospital would be acquired by Prime Healthcare Services. Certain assets and liabilities of Saint Michael's Medical Center have been classified as held for sale on the consolidated balance sheet as of June 30, 2013 and December 31, 2012. The results of Saint Michael's Medical Center's operations are reflected as discontinued operations in the consolidated statement of operations (including impairment of long-lived assets), totaling year-to-date losses of approximately \$7.3 million and \$11.9 million as of June 30, 2013 and 2012, respectively. The transaction is expected to be completed in 2013.

Maxis Health System

In 2012, CHE completed a closure of Marian Community Hospital, which provided acute care and behavioral health services in the Carbondale, PA service area. The dissolution activities of Marian Community Hospital are classified as discontinued operations, with year-to-date losses of approximately \$2.4 million and \$2.3 million as of June 30, 2013 and 2012, respectively.

Balance Sheet

Through June 30, 2013, unrestricted net assets increased from the prior year by \$277.7 million, or 8.8%. The primary drivers of this increase are operating income of \$20.9 million, net investment gains from the CHE investment program (net of operating investment income) of \$65.0 million, income from joint operating agreements of \$57.8 million, and a favorable change in the market value of interest rate swaps of \$6.5 million. These increases are partially offset by losses from discontinued operations of \$11.5 million, and transaction costs of \$4.4 million. Additionally, in June 2013 CHE recorded a pension adjustment of \$147.1 million, driven by increases in the pension discount rate of approximately 75 basis points as well as favorable pension investment performance. Inclusive of the pension adjustment, CHE's total net assets increased over the prior year by \$291.0 million, or 8.7%.

At June 30, 2013, unrestricted cash and investments decreased \$93.7 million to \$1.46 billion when compared to the prior year end. Through June 30, 2013, days cash on hand decreased 16.5 days to 128.4 days compared to the prior year of 144.9 days; this decrease is due to growth in expense per day, as well as an increase in accounts receivable of \$33.9 million, and capital expenditures of \$146.9 million.

Year-to-date, net patient accounts receivable increased \$33.9 million or 7.9% when compared to prior year, due primarily to growth in physician practice receivables. Net days in accounts receivable year to date of 41.5 represents an increase of 1.4 days compared to the prior year.

Other receivables decreased \$4.6 million, primarily related to a decrease in premium and reinsurance recoveries receivables at Stella Maris. Prepaid expenses, inventories and other current assets decreased \$4.7 million due to decreases in deferred reinsurance premiums at Stella Maris.

Collateral received on securities pledged (recorded as an asset) and collateral due broker on securities pledged (recorded as a liability) both decreased by \$29.3 million as compared to prior year.

Year-to-date, total investments in joint operating agreements (BayCare Health System, Catholic Health System and Saint Joseph's/Emory Healthcare) increased by \$79.8 million over the prior year.

Capital spending through June 30, 2013 totaled \$146.9 million. Significant capital projects year-to-date in 2013 include St. Mary's, Athens replacement hospital construction project (\$10.5 million), St. Francis, Trenton community health center at Bordentown (\$19.6 million), CareLink implementation (\$6.8 million), physician alignment strategies (\$5.9 million), ambulatory care expansion (\$5.3 million), PACE programs (\$1.4 million) and ITSS infrastructure (\$14.0 million)

Other long term assets decreased \$7.5 million due primarily to a decrease in the State of New Jersey controlled debt service fund at St. Michael's of \$6.2 million for a scheduled interest payment, and receipt of a payment towards a long term receivable from University of Pittsburgh Medical Center at Pittsburgh Mercy Health system.

Total current liabilities decreased \$53.0 million due to decreases in accounts payable of \$18.8 million, collateral due broker on securities pledged by \$29.3 million and decreases in third party payables of \$12.7 million. This is partially offset by increases in credit balances that are recorded as other current liabilities.

Insurance liabilities increased \$9.8 million due to increases in IBNR at Stella Maris. Pension liabilities decreased by \$182.4 million due to favorable pension liability adjustments based on updated plan valuations (described on page 1) and contributions made to pension plans. Other long term liabilities decreased \$24.8 million due to decreases in unearned premium reserves at Stella Maris.

The Average Payment Period decreased from 61.0 days at December 31, 2012 to 53.1 days at June 30, 2013, or 7.9 days.

Operations

The six months ended June 30, 2013 operating income of \$16.5 million is unfavorable compared to the prior period operating income of \$55.4 million by \$38.9 million. The year-to-date operating margin of 0.8% is unfavorable compared to the prior period of 2.6%. At June 30, 2013, excess of revenues over expenses totaling \$147.1 million compares unfavorably to prior period of \$147.4 million by \$298 thousand. The year-to-date excess margin of 6.3% compares unfavorably to the prior period margin of 6.7%.

Year-to-date net patient service revenue totaling \$2.0 billion is favorable to the prior period by \$45.2 million or 15.6%. Year-to-date, total discharges are unfavorable to the prior period by 4.0%. Other revenue is unfavorable compared to prior period by \$18.0 million. Operating investment income is \$4.6 million favorable to the prior period. Total operating revenue is favorable compared to prior period by \$74.2 million, or 3.5%.

Year-to-date, total operating expenses are unfavorable compared to the prior period by \$108.7 million, or 5.3%. Salaries and benefits are unfavorable to prior period by \$57.5 million or 5.0%. Combined medical supplies and drug expenses are unfavorable compared to the prior year by \$10.2 million or 3.6%.

Total year-to-date purchased services and other expenses are unfavorable compared to prior year by \$39.8 million, or 8.4%. Depreciation and amortization is unfavorable to prior period by \$6.9 million, or 7.2%. Interest expense is unfavorable to prior period by \$1.1 million, or 5.0%. Insurance expense is favorable to prior period by \$6.8 million or 18.0%.

Investment Returns

Investment returns include both realized and unrealized investment income and losses. Year-to-date, the net investment gain in the CHE investment program is \$76.0 million. This amount includes \$40.6 million in realized investment gains and \$35.4 million in unrealized gains.

SPECIAL NOTE CONCERNING FORWARD-LOOKING STATEMENTS

Certain statements or elements included in Management's Discussion and Analysis section of this document may include certain "forward-looking statements" which involve known and unknown risks and uncertainties inherent in the operation of healthcare facilities. Actual actions or results may differ materially from those discussed above. Specific factors that might cause such differences include competition from other healthcare facilities in the service areas of Catholic Health East's Regional Health Corporations, federal and state regulation of healthcare providers, and reimbursement policies of the state and federal governments and managed care organizations. In particular, statements preceded by, followed by or that include the words "believes," "estimates," "expects," "anticipates," "plans," "intends," "scheduled" or other similar expressions are or may constitute forward-looking statements.

CATHOLIC HEALTH EAST
Consolidated Balance Sheets
(In Thousands)

	<u>Actual</u> <u>06/30/13</u>	<u>Audit</u> <u>12/31/12</u>	<u>\$ Change</u>		<u>Actual</u> <u>06/30/13</u>	<u>Audit</u> <u>12/31/12</u>	<u>\$ Change</u>
ASSETS				LIABILITIES AND NET ASSETS			
Current Assets				Current Liabilities			
Cash & investments	\$477,057	\$540,572	(\$63,515)	Current installments of long term debt	\$100,175	\$99,365	\$810
Patient accounts receivables, net	460,096	426,227	33,869	Accounts payable	245,874	264,673	(18,799)
Third party receivables	22,149	23,380	(1,231)	Accrued expenses	192,896	189,297	3,599
Other accounts receivable	114,129	118,744	(4,615)	Third party payables	112,744	125,476	(12,732)
Prepaid expenses and inventories	99,931	104,604	(4,673)	Collateral due broker on securities pledged	38,719	67,972	(29,253)
Collateral received on securities pledged	38,719	67,972	(29,253)	Other current liabilities	161,061	152,659	8,402
Assets held for sale	102,084	69,159	32,925	Liabilities related to assets held for sale	96,119	101,105	(4,986)
Total Current Assets	<u>1,314,165</u>	<u>1,350,658</u>	<u>(36,493)</u>	Total Current Liabilities	<u>947,588</u>	<u>1,000,547</u>	<u>(52,959)</u>
Property, plant & equipment, net	1,925,628	1,879,120	46,508	Long term debt, net	1,239,333	1,178,915	60,418
Investments	615,612	598,431	17,181	Liabilities related to assets held for sale	318,533	318,811	(278)
Assets whose use is limited	75,538	131,204	(55,666)	Other liabilities	124,632	149,396	(24,764)
Board designated self insurance funds	219,900	215,832	4,068	Insurance liabilities	308,693	298,870	9,823
Trustee held funds	122,325	82,743	39,582	Pension liabilities	235,047	417,481	(182,434)
Donor restricted funds	123,448	111,545	11,903	Deferred revenue from entrance fees	91,871	91,059	812
				Total Liabilities	<u>3,265,697</u>	<u>3,455,079</u>	<u>(189,382)</u>
Investments in joint operating agreements	1,503,170	1,423,367	79,803	Net Assets:			
Investments in unconsolidated organizations	205,298	193,621	11,677	Unrestricted	3,424,520	3,146,859	277,661
Equity investments in managed funds	296,305	288,013	8,292	Temporarily restricted	156,215	143,010	13,205
Assets held for sale	249,411	267,203	(17,792)	Permanently restricted	49,919	49,827	92
Other assets	245,551	253,038	(7,487)	Total Net Assets	<u>3,630,654</u>	<u>3,339,696</u>	<u>290,958</u>
Total Assets	<u>\$6,896,351</u>	<u>\$6,794,775</u>	<u>\$101,576</u>	Total Liabilities and Net Assets	<u>\$6,896,351</u>	<u>\$6,794,775</u>	<u>\$101,576</u>

CATHOLIC HEALTH EAST
Consolidated Statement of Operations
Unaudited

	Six Months Ending June 30		\$ Change Favorable/ (Unfavorable)	% Change
	2013	2012		
	(In thousands)			
Unrestricted revenue, gains & other support				
Net patient service revenue	\$2,008,887	1,963,641	\$45,246	2.3%
Equity in income from unconsolidated organizations	11,436	5,099	6,337	124.3%
Operating investment income	11,023	6,466	4,557	70.5%
Other operating revenue	156,657	138,647	18,010	13.0%
	<u>2,188,003</u>	<u>2,113,853</u>	<u>74,150</u>	<u>3.5%</u>
Expenses				
Salaries & benefits	1,201,871	1,144,373	(57,498)	(5.0%)
Medical supplies & drugs	295,384	285,229	(10,155)	(3.6%)
Depreciation and amortization	102,804	95,916	(6,888)	(7.2%)
Interest	23,750	22,624	(1,126)	(5.0%)
Insurance	30,824	37,577	6,753	18.0%
Purchased services & other	512,450	472,696	(39,754)	(8.4%)
	<u>2,167,083</u>	<u>2,058,415</u>	<u>(108,668)</u>	<u>(5.3%)</u>
Operating income before transaction costs	20,920	55,438	(34,518)	(62.3%)
Transaction costs	(4,415)	-	(4,415)	0.0%
Operating income	16,505	55,438	(38,933)	(70.2%)
Non-operating gains (losses)				
Investment returns, net	64,968	34,955	30,013	85.9%
Other non-operating gains	-	1,784	(1,784)	(100.0%)
Loss on extinguishment of debt	(1,057)	(2,908)	1,851	63.7%
Increase in fair value of interest rate swaps	6,480	3,750	2,730	72.8%
Gain on sale of assets	2,406	1,925	481	25.0%
Equity in income from JOAs and unconsolidated organizations	57,758	52,414	5,344	10.2%
Excess of revenues over expenses	147,060	147,358	(298)	(0.2%)
Unrealized gains on investments, related to JOAs and unconsolidated organizations	845	1,502	(657)	(43.7%)
Loss from discontinued operations	(11,511)	(29,386)	17,875	60.8%
Pension adjustment	147,052	(109)	147,161	135010.1%
Other changes	(5,785)	(6,243)	458	7.3%
Increase in unrestricted net assets	\$277,661	\$113,122	\$164,539	145.5%

Catholic Health East
Consolidated Statement of Changes in Net Assets

(000's Omitted)

	Six Months Ending	
	June 30	
	Actual 2013	Actual 2012
Unrestricted net assets:		
Excess of revenues over expenses	\$147,060	\$147,358
Change in unrealized gains on available for sale investments	845	1,502
Pension adjustment	147,052	(109)
Loss from discontinued operations	(11,511)	(29,386)
Other changes	(5,785)	(6,243)
Increase in unrestricted net assets	<u>277,661</u>	<u>113,122</u>
Temporarily restricted net assets:		
Contributions	18,101	9,533
Realized gains on investments	3,815	700
Unrealized gains on investments	1,423	388
Net assets released from restrictions	(9,229)	(3,445)
Other changes	(905)	5,253
Increase in temporarily restricted net assets	<u>13,205</u>	<u>12,429</u>
Permanently restricted net assets:		
Contributions	3	66
Realized and unrealized gains on investments	596	512
Other changes	(507)	214
Increase in permanently restricted net assets	<u>92</u>	<u>792</u>
 Increase in net assets	 290,958	 126,343
 Net assets, beginning of the year	 <u>3,339,696</u>	 <u>3,141,903</u>
Net assets, end of the year	<u><u>\$3,630,654</u></u>	<u><u>\$3,268,246</u></u>

Catholic Health East
Consolidated Statement of Cash Flows
June 30, 2013
(in thousands of dollars)

	Six Months Ending	
	June 30	
	Actual 2013	Actual 2012
Cash flow from operating activities		
Change in net assets	\$290,958	\$126,343
Loss on discontinued operations	11,511	29,386
Depreciation and amortization	102,804	95,916
Amortization of deferred entrance fees	(2,854)	(2,958)
Gain on sale of assets	(2,406)	(1,925)
Pension adjustment	(147,052)	109
Equity in earnings of unconsolidated organizations	(91,480)	(70,685)
Loss on extinguishment of debt	1,057	2,908
Net realized and unrealized gains on investments	(75,991)	(42,900)
Increase in market value of interest rate swaps	(6,480)	(3,750)
Entrance fees received net of refunds	3,666	2,857
Provision for bad debts	107,236	122,801
(Decrease) increase in:		
Accounts receivable	(141,105)	(180,665)
Assets held for sale	(15,133)	13,705
Prepaid expenses, other receivables & other assets	19,369	40,865
Increase (decrease) in:		
Payables and accrued expenses	(17,284)	(23,894)
Liabilities related to assets held for sale	(5,264)	-
Pension liabilities	(35,382)	(12,362)
Other liabilities	(10,707)	(39,270)
Net cash used in operating activities of discontinued operations	(11,511)	(8,658)
Net cash (used in) provided by operating activities	(26,048)	47,823
Cash flow from investing activities		
Additions to property and equipment	(146,915)	(145,453)
Decrease on collateral received on securities pledges	29,253	57,281
Decrease (increase) in investments and marketable securities whose use is limited	50,637	(102,945)
Other	(190)	(6,661)
Net cash used in investing activities	(67,215)	(197,778)
Cash flow from financing activities		
Repayment of long term debt	(42,635)	(169,614)
Proceeds of issuance of long-term debt	102,806	147,640
Cost of issuance of long-term debt	(1,170)	(11,971)
Decrease on collateral received on securities pledges	(29,253)	(57,281)
Net cash provided by (used in) financing activities	29,748	(91,226)
Net decrease in cash	(63,515)	(241,181)
Cash and cash equivalents, beginning of period	540,572	719,291
Cash and cash equivalents, end of period	<u>\$477,057</u>	<u>\$478,110</u>

CATHOLIC HEALTH EAST
Consolidated Statement of Operations
Unaudited

	Six Months Ending June 30		\$ Change Favorable/ (Unfavorable)	% Change
	2013	2012		
	(In thousands)			
Unrestricted revenue, gains & other support				
Net patient service revenue	\$2,008,887	1,963,641	\$45,246	2.3%
Equity in income from unconsolidated organizations	11,436	5,099	6,337	124.3%
Operating investment income	11,023	6,466	4,557	70.5%
Other operating revenue	156,657	138,647	18,010	13.0%
	<u>2,188,003</u>	<u>2,113,853</u>	<u>74,150</u>	<u>3.5%</u>
Expenses				
Salaries & benefits	1,201,871	1,144,373	(57,498)	(5.0%)
Medical supplies & drugs	295,384	285,229	(10,155)	(3.6%)
Depreciation and amortization	102,804	95,916	(6,888)	(7.2%)
Interest	23,750	22,624	(1,126)	(5.0%)
Insurance	30,824	37,577	6,753	18.0%
Purchased services & other	512,450	472,696	(39,754)	(8.4%)
	<u>2,167,083</u>	<u>2,058,415</u>	<u>(108,668)</u>	<u>(5.3%)</u>
Operating income before transaction costs	20,920	55,438	(34,518)	(62.3%)
Transaction costs	(4,415)	-	(4,415)	0.0%
Operating income	16,505	55,438	(38,933)	(70.2%)
Non-operating gains (losses)				
Investment returns, net	64,968	34,955	30,013	85.9%
Other non-operating gains	-	1,784	(1,784)	(100.0%)
Loss on extinguishment of debt	(1,057)	(2,908)	1,851	63.7%
Increase in fair value of interest rate swaps	6,480	3,750	2,730	72.8%
Gain on sale of assets	2,406	1,925	481	25.0%
Equity in income from JOAs and unconsolidated organizations	57,758	52,414	5,344	10.2%
Excess of revenues over expenses	147,060	147,358	(298)	(0.2%)
Unrealized gains on investments, related to JOAs and unconsolidated organizations	845	1,502	(657)	(43.7%)
Loss from discontinued operations	(11,511)	(29,386)	17,875	60.8%
Pension adjustment	147,052	(109)	147,161	135010.1%
Other changes	(5,785)	(6,243)	458	7.3%
Increase in unrestricted net assets	\$277,661	\$113,122	\$164,539	145.5%

CATHOLIC HEALTH EAST
Financial Ratios & Statistics

FINANCIAL INDICATORS	Six Months Ending		% Change	Audit 12/31/12
	June 30			
	2013	2012		
Liquidity Ratios				
Days cash on hand	128.4	153.6	(16.4%)	144.9
Days revenue in accounts receivable	41.5	44.3	6.3%	40.1
Average payment period	53.1	8.7	510.3%	61.0
Leverage Ratios				
Debt to capitalization	27.0%	31.9%	15.4%	27.7%
Debt service coverage (MTI)	2.58	3.87	(33.3%)	2.65
Cash to debt	118.2%	113.5%	4.1%	132.2%
Profitability Ratios				
Operating margin	0.8%	2.6%	(69.2%)	2.8%
Excess margin	6.3%	6.7%	(6.0%)	9.1%
Return on assets	8.1%	3.4%	138.2%	2.8%
Return on equity	15.3%	6.9%	121.7%	5.8%

STATISTICAL INDICATORS	Six Months Ending		Change Favorable/ (Unfavorable)	% Change Favorable/ (Unfavorable)
	June 30			
	2013	2012		
Acute Care				
Beds in operations	3,660	3,660	0	0.0%
Total discharges	84,501	87,997	(3,496)	(4.0%)
Total patient days	419,733	431,457	(11,724)	(2.7%)
Acute length of stay	4.97	4.90	(0.07)	(1.4%)
Outpatient, primary care and emergency room visits	2,249,495	1,940,900	308,595	15.9%
Long Term Care				
Long term care & skilled nursing facility patient days	323,824	356,776	(32,952)	(9.2%)
Other				
Home health visits	473,567	524,904	(51,337)	(9.8%)

CATHOLIC HEALTH EAST
Payor Mix
Unaudited

	<u>Six Months Ending</u>	
	<u>June 30</u>	
	<u>2013</u>	<u>2012</u>
PAYOR MIX BY NET PATIENT REVENUE		
Medicare	36.9%	38.1%
Medicaid	6.7%	6.5%
Self pay	4.6%	4.6%
Medicare managed care	12.4%	11.4%
Medicaid managed care	12.5%	12.0%
Other managed care	13.6%	13.9%
Commercial	8.6%	8.8%
Other	4.7%	4.7%
Total	<u>100.0%</u>	<u>100.0%</u>

APPENDIX E
SUMMARY OF FINANCING DOCUMENTS

The following is a summary of certain provisions of the Tenth Supplemental Bond Indenture (the “Supplemental Bond Indenture”) and the Idaho Bond Indenture (the “Idaho Bond Indenture”) and together with the Supplemental Bond Indenture, the “Bond Indentures”), and the Eighth Supplemental Sublease (the “Ohio Sublease”) and the Idaho Loan Agreement (each, a “Financing Agreement”) and, collectively, the “Financing Agreements”), which are not described elsewhere in this Official Statement.

These summaries do not purport to be comprehensive and reference should be made to each of said documents for a full and complete statement of their provisions.

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DEFINITIONS OF CERTAIN TERMS

The following are definitions of certain terms used in this Summary of Financing Documents. All capitalized terms not defined below or elsewhere in this Official Statement (including APPENDIX C to this Official Statement) have the meanings set forth in the related Bond Indenture.

“Additional Payments” means the payments so designated and required to be made by Trinity Health pursuant to the Idaho Loan Agreement.

“Additional Rent Payments” means the payments so designated and required to be made by Trinity Health pursuant to the Ohio Sublease.

“Alternate Credit Facility” means a letter of credit, including, if applicable, a confirming letter of credit, bond insurance policy or similar credit facility issued and delivered to the applicable Bond Trustee or Tender Agent, as appropriate, by a commercial bank, savings institution, insurer, pension fund or other financial institution, which by its terms shall constitute the irrevocable undertaking of the related Issuer thereof to pay the principal of and interest on the related Series of the Bonds when due, delivered to the applicable Bond Trustee or Tender Agent, as appropriate, pursuant to the applicable Financing Agreement and the related Bond Indenture which replaces a Credit Facility then in effect, in each case as from time to time amended, supplemented or modified.

“Alternate Liquidity Facility” means a line of credit, letter of credit, standby purchase agreement or similar liquidity facility issued by one or more commercial banks, savings institutions (with respect to the Idaho Bond Indenture) pension funds or other financial institutions and delivered or otherwise made available to the Tender Agent in accordance with the applicable Financing Agreement and the related Bond Indenture which replaces a Liquidity Facility then in effect, in each case as from time to time amended, supplemented or modified.

“Alternate Rate” means, with respect to a Series of Bonds, on any Rate Determination Date for any Interest Rate Mode, and for any current long-term unenhanced ratings assigned by Moody’s, Fitch, or S&P to the Parity Debt of the Obligated Group (for purposes of this definition, a “Parity Debt Rating”), the rate per annum set forth in the following tables. The applicable Tender Agent shall make the determinations required by this determination, upon notification from the applicable Issuer, if there is no applicable Remarketing Agent, if the applicable Remarketing Agent fails to make any such determination or if the applicable Remarketing Agent has suspended its remarketing efforts in accordance with the applicable Remarketing Agreement.

Prior to a Determination of Taxability:	
If the Parity Debt Rating level (Moody’s/S&P/Fitch) equals:	The Alternate Rate shall equal the greater of:
Aaa/AAA/AAA	110% of SIFMA and 1.00%
Aa2/AA+/AA+	125% of SIFMA and 2.00%
Aa3/AA-/AA-	150% of SIFMA and 3.00%
A3/A-/A- or higher	175% of SIFMA and 4.00%
Baa1/BBB+/BBB+	225% of SIFMA and 6.00%
Baa2/BBB/BBB	250% of SIFMA and 7.00%
Baa3/BBB-/BBB-	300% of SIFMA and 8.00%
Below Baa3/BBB-/BBB-	400% of SIFMA and 12.00%

From and After a Determination of Taxability:	
If the Parity Debt Rating level (Moody's/S&P/Fitch) equals:	The Alternate Rate shall equal the greater of:
Aaa/AAA/AAA	110% of One-Month LIBOR and 1.00%
Aa2/AA+/AA+	125% of One-Month LIBOR and 2.00%
Aa3/AA-/AA-	150% of One-Month LIBOR and 3.00%
A3/A-/A- or higher	175% of One-Month LIBOR and 4.00%
Baa1/BBB+/BBB+	225% of One-Month LIBOR and 8.00%
Baa2/BBB/BBB	250% of One-Month LIBOR and 10.00%
Baa3/BBB-/BBB-	300% of One-Month LIBOR and 12.00%
Below Baa3/BBB-/BBB-	400% of One-Month LIBOR and 14.00%

In the event there is a split among such ratings, the Alternate Rate with respect to a Series of Bonds will be determined as follows: if ratings are in effect (i) from only one of Moody's, S&P or Fitch, the Alternate Rate of such Series of Bonds shall be equal to the level set forth above corresponding to such rating, (ii) from any two of Moody's, S&P or Fitch, the Alternate Rate of such Series of Bonds shall be equal to the level set forth above corresponding to the lower rating from either of such Rating Agencies (provided, however, that if the levels set forth above corresponding to the ratings differ by more than one level, the Alternate Rate of such Series of Bonds shall be equal to the level set forth above corresponding to the rating one level above the lower of the two ratings), (iii) from all three of Moody's, S&P and Fitch and only two of such ratings are equivalent, the Alternate Rate of such Series of Bonds shall be equal to the level set forth above corresponding to such two equivalent ratings and (iv) from all three of Moody's, S&P and Fitch, and none of such ratings are equivalent, the Alternate Rate of such Series of Bonds shall be equal to the level set forth above corresponding to the middle rating. Any change in the Alternate Rate of a Series of Bonds shall apply from and after the date of such Rating change.

"Automatic Termination Event" means an event of default set forth in a Reimbursement Agreement between Trinity Health and a Liquidity Facility Provider which would result in the immediate termination or suspension of the Liquidity Facility prior to its stated expiration date without prior notice from the applicable Liquidity Facility Provider to the Tender Agent.

"Basic Rent Payments" means the payments so designated and required to be made by Trinity Health pursuant to the Ohio Sublease.

"Benefitted Organizations" means, collectively, the Designated Affiliates (as such term is defined in the Master Indenture) expected to receive advances of proceeds of the related Series of the Bonds.

"Bond Indenture" means the applicable Bond Indenture, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Bond Indenture.

"Business Day" means any day other than (i) a Saturday or Sunday or (ii) a day on which the Principal Corporate Trust Office or the Designated Office of the applicable Bond Trustee, Paying Agent or the Remarketing Agent are required or authorized to be closed or (iii) a day on which the office of the applicable Credit Facility Provider or Liquidity Facility Provider at which it will pay draws or advances are required or authorized to be closed or (iv) a day on which The New York Stock Exchange is closed.

"Calculation Agent" means the applicable Bond Trustee or an agent appointed by the applicable Bond Trustee to calculate the FRN Rate.

“Call Protection Date” means, with respect to each subsequent Tender Period, the date determined pursuant to the applicable provisions of the related Indenture.

“Code” means the Internal Revenue Code of 1986, as amended, or any successor statute thereto and any regulations promulgated thereunder.

“Continuing Disclosure Agreement” means that certain continuing disclosure agreement, by and between Trinity Health and The Bank of New York Mellon Trust Company, N.A., as Dissemination Agent, dated as of October 3, 2013, as it may be amended from time to time in accordance with the terms thereof.

“Conversion” has the meaning ascribed to such term in the related Bond Indenture.

“Conversion Date” means with respect to the related Series of the Bonds in a particular Interest Rate Mode, the day on which the interest rate on the related Series of the Bonds changes to another Interest Rate Mode.

“Conversion Notice” means the notice from Trinity Health to the other Notice Parties of Trinity Health’s intention to change the Interest Rate Mode with respect to the related Series of the Bonds.

“Costs of Issuance Fund” means, as applicable, the fund so designated and established pursuant to the Idaho Bond Indenture and the fund so designated and established pursuant to the Ohio Bond Indenture.

“Credit Facility” means a letter of credit, including, if applicable, a confirming letter of credit, bond insurance policy or similar credit facility issued and delivered to the applicable Bond Trustee or Tender Agent, as appropriate, by a commercial bank, savings institution, insurer, pension fund or other financial institution, which by its terms shall constitute the irrevocable undertaking of the related Issuer thereof to pay the principal of and interest on the related Series of the Bonds when due, delivered to the applicable Bond Trustee or Tender Agent, as appropriate, pursuant to the applicable Financing Agreement, or, in the event of the delivery of an Alternate Credit Facility, such Alternate Credit Facility.

“Credit Facility Provider” means the commercial bank, savings institution, insurer, pension fund, or other financial institution issuing a Credit Facility or an Alternate Credit Facility.

“Credit Facility Provider Failure” or “Liquidity Facility Provider Failure” means a failure of the applicable Credit Facility Provider or Liquidity Facility Provider, as applicable, to pay a properly presented and conforming draw or request for advance under the Credit Facility or Liquidity Facility, as applicable, or the filing or commencement of any bankruptcy or insolvency proceedings by or against the applicable Credit Facility Provider or Liquidity Facility Provider, as applicable, or the applicable Credit Facility Provider or Liquidity Facility Provider, as applicable, shall declare a moratorium on the payment of its unsecured debt obligations or shall repudiate the Credit Facility or Liquidity Facility, as applicable.

“Credit Group” has the meaning set forth in the Master Indenture.

“Current Mode” has the meaning specified in the related Bond Indenture.

“Daily Mode” means the Interest Rate Mode during which the related Series of the Bonds bear interest at the Daily Rate.

“Daily Rate” means the per annum interest rate on any Bond in the Daily Mode determined pursuant to the related Bond Indenture.

“Daily Rate Period” means the period during which a Bond of a Series in the Daily Mode shall bear interest at a Daily Rate, which shall be from the Business Day upon which a Daily Rate is set to but not including the next succeeding Business Day.

“Delayed Remarketing Period” has the meaning specified in the related Bond Indenture.

“Determination of Taxability” means, and shall occur when, (i) the applicable Bond Trustee receives written notice from Trinity Health or the applicable Issuer, supported by an opinion of Bond Counsel selected and approved by Trinity Health, that interest on the Bonds of the applicable Series is includable in the gross income of Bondholders of such Series of Bonds for federal income tax purposes or (ii) the applicable Bond Trustee receives a copy of a written adverse determination sent to the related Issuer or a bondholder by the Internal Revenue Service asserting that interest on the applicable Series of Bonds is includable in the gross income of Bondholders of such Series of Bonds for federal income tax purposes, which adverse determination results in the right to seek administrative appeal before the IRS Office of Appeals; provided, however, that such a claim shall not be deemed a Determination of Taxability unless Trinity Health and the applicable Issuer are afforded reasonable opportunity (at Trinity Health’s sole expense and for a period not to exceed six months) to pursue any judicial or administrative remedy available to Trinity Health or the applicable Issuer with respect to such claim and such judicial or administrative actions have resulted in a final determination that it is taxable.

“Diley Ridge Medical Center” means Diley Ridge Medical Center, a nonprofit corporation existing under the laws of the State of Ohio.

“Eligible Bonds” means any Bonds of a Series other than Liquidity Facility Bonds or Bonds owned by, for the account of, or on behalf of, the related Issuer or any member of the Credit Group.

“Event of Default” means any of the events specified in the related Bond Indenture.

“Existing Indenture” means the Amended and Restated Indenture of Trust (Bond Indenture), dated as of June 1, 1998, as supplemented and amended.

“Expiration Date,” when used with respect to a Liquidity Facility or a Credit Facility for a Series of Bonds, means (i) the date upon which the Liquidity Facility or Credit Facility is scheduled to expire (taking into account any extensions of such Expiration Date by virtue of extensions of a particular Liquidity Facility or Credit Facility, from time to time) in accordance with its terms and (ii) a Liquidity Facility Cancellation Date.

“Favorable Opinion of Bond Counsel” means an opinion of Bond Counsel addressed to the related Issuer and the applicable Bond Trustee to the effect that the action proposed to be taken is authorized or permitted by the related Bond Indenture and the related Act and will not result in the inclusion of interest on the related Series of the Bonds in gross income for federal income tax purposes.

“FINRA” means the Financial Industry Regulatory Authority, its successors and assigns.

“Fixed Rate” means the per annum interest rate on any Bond in the Fixed Rate Mode determined pursuant to the related Bond Indenture.

“Fixed Rate Bond” means a Bond of a Series in the Fixed Rate Mode.

“Fixed Rate Mode” means the Interest Rate Mode during which the related Series of the Bonds bear interest at the Fixed Rate.

“Fixed Rate Period” means for the related Series of the Bonds in the Fixed Rate Mode, the period from the Conversion Date upon which the related Series of the Bonds were converted to the Fixed Rate Mode to but not including the Maturity Date for the related Series of the Bonds.

“Flexible Index Interest Period” means the period during which a Bond of a Series shall bear interest in the Flexible Index Mode, as provided in the related Bond Indenture.

“Flexible Index Mode” means the Mode in which the interest rate payable with respect to the related Series of the Bonds is adjusted pursuant to the related Bond Indenture, and the Tender Period of which does not exceed 270 days.

“Flexible Mode” means the Interest Rate Mode during which the related Series of the Bonds bear interest at the Flexible Rate.

“Flexible Rate” means the per annum interest rate on a Bond of a Series in the Flexible Mode determined for such Bond pursuant to the related Bond Indenture. The Bonds in the Flexible Mode may bear interest at different Flexible Rates.

“Flexible Rate Bond” means a Bond of a Series in the Flexible Mode.

“Flexible Rate Period” means the period of from one to 270 calendar days (which period must end on a day preceding a Business Day) during which a Flexible Rate Bond shall bear interest at a Flexible Rate, as established by the Remarketing Agent pursuant to the related Bond Indenture. The Bonds in the Flexible Mode may be in different Flexible Rate Periods.

“FRN Rate” means a variable interest rate on the related Series of the Bonds established in accordance with the related Bond Indenture.

“FRN Rate Mode” means the Interest Rate Mode during which the related Series of the Bonds bear interest at a FRN Rate.

“FRN Rate Percentage” means, with respect to any Conversion of the related Series of the Bonds to a FRN Rate Period, the percentage determined by the Remarketing Agent on or prior to the Conversion Date pursuant to the related Bond Indenture.

“FRN Rate Period” means each period during which a FRN Rate is in effect.

“FRN Rate Spread” means, with respect to any Conversion of the related Series of the Bonds to a FRN Rate Period, the spread determined by the Remarketing Agent on or prior to the Conversion Date pursuant to the related Bond Indenture.

“Health System” means, with respect to the Idaho Bond Indenture, Saint Alphonsus Health System, Inc. (formerly known as Trinity Health Oregon-Idaho, Inc.) an Idaho nonprofit corporation duly organized and existing under the law of the State of Idaho, and its successors.

“Hospitals” means, with respect to the Ohio Bond Indenture, Mount Carmel Health and St. Ann’s Hospital of Columbus, Inc., which were merged into System on July 1, 2012.

“Index” means any of (a) One Month LIBOR, (b) the Three Month LIBOR Rate, (c) SIFMA, (d) the Consumer Price Index or (e) any other index chosen by Trinity Health in consultation with the Remarketing Agent and, with respect to the Idaho Bond Indenture, the Idaho Issuer.

“Index Interest Period” means the period during which a Bond of a Series shall bear interest in the Index Mode, as provided in the related Bond Indenture.

“Index Mode” means the Mode in which the interest rate payable with respect to the related Series of the Bonds is adjusted pursuant to the related Bond Indenture.

“Index Spread” means, with respect to a Tender Period, a fixed per annum rate determined by the Remarketing Agent in accordance with the related Bond Indenture.

“Index Tender Rate” means the rate of interest, determined for any Interest Accrual Period, equal to the sum of (a) the SIFMA Average Index Rate calculated for such Interest Accrual Period and (b) the Index Spread applicable for the related Tender Period.

“Initial Window Spread” means, with respect to the initial Window Rate Period, the spread determined in connection with the pricing of the Bonds and with respect to any Conversion to a Window Rate Period, the spread determined by the Remarketing Agent on or prior to the Conversion Date pursuant to the related Bond Indenture.

“Interest Account” means the account by that name in the applicable Revenue Fund established pursuant to the related Bond Indenture.

“Interest Accrual Date” means with respect to any period during which Bonds bear interest at an Index Tender Rate, the first day of each Tender Period and, thereafter, each Interest Payment Date during that Tender Period.

“Interest Accrual Period” means the period during which a Bond of a Series accrues interest payable on the next Interest Payment Date applicable thereto. Each Interest Accrual Period shall commence on (and include) the last Interest Payment Date to which interest has been paid (or, if no interest has been paid, from the date of original authentication and delivery of the related Series of the Bonds) to, but not including, (a) the next Interest Payment Date on which interest is to be paid, or (b) any Redemption Date, as applicable. If, at the time of authentication of any Bond, interest is in default or overdue on the related Series of the Bonds, such Bond shall bear interest from the date to which interest has previously been paid in full or made available for payment in full on Outstanding Bonds of the related Series.

“Interest Component” means the maximum amount stated in the Liquidity Facility or Credit Facility, as applicable (as reduced and reinstated from time to time in accordance with the terms thereof), which may be drawn for the payment of the portion of the Purchase Price of tendered Bonds corresponding to interest accrued on the tendered Bonds.

“Interest Coverage Rate” means the rate per annum which is used in the Liquidity Facility or Credit Facility, as applicable, to calculate the Interest Component of such Liquidity Facility or Credit Facility, as applicable.

“Interest Payment Date” means each date on which interest is to be paid and is: (i) with respect to the related Series of the Bonds in the Flexible Mode, each Mandatory Purchase Date applicable thereto; (ii) with respect to the related Series of the Bonds in the Daily Mode, the Weekly Mode, the Flexible

Index Mode, the FRN Rate Mode, or the Index Mode, the first Business Day of each calendar month; (iii) with respect to the related Series of the Bonds in a Term Rate Mode (other than during a Three Month Term Rate Period) or a Fixed Rate Mode, the first day of the sixth calendar month following the month in which such Term Rate Mode or a Fixed Rate Mode takes effect, and the first day of each sixth calendar month thereafter or, upon the receipt by the applicable Bond Trustee of a Favorable Opinion of Bond Counsel, any other six-month interval chosen by Trinity Health (beginning with the first such day which is at least three months after the Conversion Date) and, with respect to a Term Rate Period, the final day of the current Interest Period if other than a regular six-month interval; (iv) with respect to the related Series of the Bonds in the Three Month LIBOR Indexed Mode or a Term Rate Mode during a Three Month Term Rate Period, each March 1, June 1, September 1 and December 1 (beginning with the first such day after the applicable Conversion Date); (v) with respect to Bonds in the Window Mode, the first Thursday of each calendar month, or if the first Thursday is not a Business Day, the next succeeding Business Day; (vi) (without duplication as to any Interest Payment Date listed above) each Maturity Date, Mandatory Purchase Date and Redemption Date; (vii) each Unscheduled Mandatory Tender Date on which all Outstanding Bonds of the related Series are purchased as provided in the related Bond Indenture; (viii) each Scheduled Mandatory Tender Date and (ix) with respect to any Liquidity Facility Bonds, the day set forth in the Reimbursement Agreement.

“Interest Period” means, for the related Series of the Bonds in a particular Interest Rate Mode, the period of time that the related Series of the Bonds bear interest at the rate (per annum) which becomes effective at the beginning of such period, and shall include a Flexible Rate Period, a Daily Rate Period, a Weekly Rate Period, a Three Month LIBOR Interest Period, a Term Rate Period, a Fixed Rate Period, a Flexible Index Interest Period, an Index Interest Period, a FRN Rate Period and a Window Rate Period.

“Interest Rate Mode” means, as the context may require, the Flexible Mode, the Daily Mode, the Weekly Mode, the Term Rate Mode, the Fixed Rate Mode, the Three Month LIBOR Indexed Mode, the Flexible Index Mode, the Index Mode, the FRN Rate Mode or the Window Mode.

“Investment Securities” means any of the following that at the time are legal investments under the laws of the State of Idaho with respect to the Idaho Bonds for moneys held under the Idaho Bond Indenture or the State of Ohio with respect to the Ohio Bonds for moneys held under the Supplemental Bond Indenture and then proposed to be invested in the related Bond Indenture, provided that each obligation shall mature, or will be subject to redemption by the holder thereof at the option of such holder, not later than the respective dates when the moneys will be required for the purposes intended:

(I) (a) United States Government Obligations as described in clause (1) of the definition thereof,

(b) (1) obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America:

- Export Import Bank
- Farm Credit System Financial Assistance Corporation
- Rural Economic Community Development Administration (formerly the Farmers Home Administration)
- General Services Administration
- U.S. Maritime Administration
- Small Business Administration
- Government National Mortgage Association (GNMA)
- U.S. Department of Housing & Urban Development (PHA's)
- Federal Housing Administration
- Federal Financing Bank,

(2) direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:

- Obligations of the Resolution Funding Corporation (REFCORP)
- Senior debt obligations of the Federal Home Loan Bank System,

(3) obligations of any other federal agency which obligations represent the full faith and credit of the United States of America,

(c) with respect to the Ohio Indenture, direct obligations of, or obligations the timely payment of principal of and interest on which are unconditionally guaranteed by the State of Ohio, if the State of Ohio has ratings at the time of purchase on its outstanding general obligation debt from S&P and Moody's equal to or higher than the Rating Category of "A,"

(d) certificates of deposit or banker's acceptances issued by any bank (including the applicable Bond Trustee and its affiliates) which is insured by the Federal Deposit Insurance Corporation ("FDIC"), and with respect to the Ohio Bond Indenture which so long as required by the related Act, is a member of the Federal Reserve System, and, which, at the time of purchase, has a short term "Bond Deposit" rating of "P-1" or better by Moody's and a "Short Term CD" rating of "A-1" or better by S&P,

(e) repurchase agreements collateralized by United States Government Obligations (with respect to the Ohio Bond Indenture, described in clause (1) of "United States Government Obligations") or obligations of any federal agency described in clause (b) above, (or with respect to the Ohio Bond Indenture United States Government Obligations described in clause (2) or (3) of "United States Government Obligations,") with any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction or any commercial bank insured by the FDIC, if at the time of purchase (i) such broker/dealer or bank has an uninsured, unsecured and unguaranteed obligation rated "P 1" or "A 3" or better by Moody's and "A 1" or "A " or better by S&P or (ii) the parent entity of such broker/dealer or commercial bank meets the rating requirements of clause (i) above and issues a guarantee of full and timely performance of the obligations of such broker/dealer or commercial bank under the repurchase agreement; provided:

(1) a master repurchase agreement or specific written repurchase agreement governs the transactions; and

(2) the securities are held by the applicable Bond Trustee or an independent third party acting solely as agent ("Agent") for the applicable Bond Trustee free and clear of any lien, and such third party is (A) a Federal Reserve Bank or (B) a bank which is a member of the FDIC and which has combined capital, surplus and undivided profits of not less than \$50 million and the applicable Bond Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the applicable Bond Trustee; and

(3) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of the applicable Bond Trustee; and

(4) the repurchase agreement has a term of 180 days or less, the collateral securities are valued no less frequently than weekly and the applicable Bond Trustee or

the Agent will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two Business Days of such valuation; and

(5) the fair market value of the securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 102%; and

(f) commercial paper that is rated at the time of purchase within the two highest Rating Categories by at least two of S&P, Moody's and Fitch and that matures not more than 270 days after the date of purchase; and

(g) with respect to the Ohio Bond Indenture, mutual funds composed solely of investments described in this definition including money market mutual funds of a registered investment company for which the Bond Trustee or an affiliate provides services and receives a fee, and with respect to the Idaho Bond Indenture, mutual funds (including those for which the related Bond Trustee or an affiliate performs services for a fee, whether as a custodian, transfer agent, investment advisor or otherwise) composed solely of investments otherwise described in this definition; and

(II) (a) with respect to the Ohio Bond Indenture, United States Government Obligations described in clause (2) or (3) of "United States Government Obligations,"

(b) bonds or notes issued by any state or municipality which are rated at the time of purchase by Moody's and S&P equal to or higher than A,

(c) rights to receive the principal of and/or the interest on such Investment Securities whether through direct ownership as evidenced by physical possession of such obligations or unmatured interest coupons or by registration as to ownership on the books of the related issuer or its duly authorized paying agent or transfer agent or securities depository, or certificates or other instruments evidencing an undivided ownership interest in payments of the principal of and/or interest on such obligations, and

(d) investment agreements collateralized by United States Government Obligations or obligations of any federal agency described in clause (I)(b) above, with any institution (1) whose debt securities are rated at the time of purchase equal to or higher than "A," (or the highest Rating Category of short term obligations if the investment is a short term obligation) by S&P and Moody's or (2) if the parent entity of such institution meets the rating requirements of clause (1) in the related Bond Indenture and issues a guarantee of full and timely performance of the obligations of such institution under the investment agreement; provided:

(1) a specific written agreement governs the transaction; and

(2) the securities are held free and clear of any lien by the applicable Bond Trustee or an independent third party acting solely as agent ("Agent") for the applicable Bond Trustee, and such third party is (A) a Federal Reserve Bank or (B) a bank which is a member of the FDIC and which has combined capital, surplus and undivided profits of not less than \$50 million and the applicable Bond Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the applicable Bond Trustee; and

(3) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of the applicable Bond Trustee; and

(4) the fair market value of the securities in relation to the amount invested under the investment agreement is equal to at least 102%.

(e) investments in a taxable or tax-exempt money market fund including those for which the Bond Trustee, its parent holding company or any affiliates or subsidiaries of the Bond Trustee or such parent holding company provide investment advisory or other management services (i) of the Bond Trustee, or (ii) registered under the Federal Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, and having a rating by S&P's of "AA" or "AA-G."

"Liquidity Facility" means a line of credit, a standby bond purchase agreement, letter of credit or similar liquidity facility issued by a commercial bank, savings institution, pension fund or other financial institution which, by its terms, shall provide for the payment of the Purchase Price of Bonds tendered and not remarketed, and delivered to the applicable Bond Trustee pursuant to the applicable Financing Agreement, or, in the event of the delivery of an Alternate Liquidity Facility, such Alternate Liquidity Facility.

"Liquidity Facility Bonds" means Bonds purchased with moneys drawn under (or otherwise obtained pursuant to the terms of) a Liquidity Facility, but excluding Bonds no longer considered to be Liquidity Facility Bonds in accordance with the terms of the Liquidity Facility.

"Liquidity Facility Cancellation Date" means the effective date of the cancellation of a Liquidity Facility pursuant to the related Bond Indenture.

"Liquidity Facility Purchase Account" means the account by that name created in the related Bond Indenture.

"Liquidity Facility Provider" means any commercial bank, insurance company, pension fund or other financial institution which provides a Liquidity Facility or Alternate Liquidity Facility for the related Series of the Bonds.

"Loan Default Event" means any of the events specified in of the applicable provisions of the applicable Financing Agreement.

"Loan Repayments" means the payments so designated and required to be made by Trinity Health pursuant to the applicable Financing Agreement.

"Long-Term Mode" means a Three Month LIBOR Indexed Mode, a Term Rate Mode (except during a Three Month Term Rate Period), a FRN Rate Mode or a Fixed Rate Mode.

"Mandatory Purchase Date" means: (i) with respect to a Flexible Rate Bond the first Business Day following the last day of each Flexible Rate Period with respect to such Bond, (ii) for Bonds in the Term Rate Mode or the FRN Rate Mode, the first Business Day following the last day of each Term Rate Period or each FRN Rate Period, as applicable, (iii) any Conversion Date (except a Conversion between the Daily Mode and the Weekly Mode), (iv) any Substitution Date, (v) the fifth Business Day prior to the Expiration Date, (vi) the date specified by the applicable Bond Trustee following the occurrence of an event of default (other than as a result of an Automatic Termination Event) under the Reimbursement

Agreement, which date shall be a Business Day selected by the applicable Bond Trustee that is not later than the Business Day preceding the termination date specified by the applicable Credit Facility Provider or the applicable Liquidity Facility Provider and is at least twenty days after the applicable Bond Trustee's receipt of notice of such event of default from the applicable Credit Facility Provider or the applicable Liquidity Facility Provider; (vii) the date specified by the applicable Bond Trustee following receipt of notice by the applicable Bond Trustee from the applicable Credit Facility Provider that the Credit Facility will not be reinstated following a drawing to pay interest on the related Series of the Bonds (other than interest on Bonds no longer Outstanding after such drawing) which date shall be a Business Day not more than five days after the applicable Bond Trustee's receipt of such notice, (viii) for Bonds in the Daily Mode or Weekly Mode, any Business Day specified by Trinity Health not less than 20 days after the applicable Bond Trustee's receipt of a notice from Trinity Health of its intent to exercise the option to cause a mandatory tender of the related Series of the Bonds and in no event later than the day preceding the Expiration Date, and (ix) a Window Mandatory Tender Date.

"Mandatory Tender Date" means each date on which the related Series of the Bonds are subject to mandatory tender as provided in the related Bond Indenture and shall include a Bank Purchase Date.

"Mandatory Tender Window" means, during a Window Rate Period, (i) a period of 210 days, beginning on the Business Day a Window Optional Tender Notice is received by the Remarketing Agent, or (ii) a period of such other number of days specified by the Remarketing Agent, with the consent of Trinity Health, in a written notice to the related Issuer, the applicable Bond Trustee, the Tender Agent, the applicable Liquidity Facility Provider (if any) and the applicable Credit Facility Provider (if any). Any change in the Mandatory Tender Window shall become effective only on a Window Mandatory Tender Date or any other Mandatory Purchase Date for all of the related Series of the Bonds that occurs during such Window Rate Period.

"MMI Procedures" means the Securities Depository's Operational Arrangements and the Issuing/Paying Agent General Operating Procedures for Money Market Instruments as the same may be amended and modified from time to time.

"Mode" means, as the context may require, the Daily Mode, the Weekly Mode, the Term Rate Mode, the Fixed Rate Mode, the Flexible Mode, the Three Month LIBOR Indexed Mode, the Flexible Index Mode, the Index Mode, the FRN Rate Mode, or the Window Mode.

"New Mode" has the meaning specified in the related Bond Indenture.

"Obligated Group Agent" means Trinity Health or any other Person designated as the "Obligated Group Agent" pursuant to the Master Indenture.

"One Month LIBOR" means the rate for deposits in U.S. dollars with one-month maturity as published by Reuters (or such other service as may be nominated by the British Bankers Association, for the purpose of displaying London interbank offered rates for U.S. dollar deposits) as of 11:00 A.M., London time, on the applicable Reset Date, except that, if such rate is not available on the applicable Reset Date, One Month LIBOR means a rate determined on the basis of the rates at which deposits in U.S. dollars for a one-month maturity and in a principal amount of at least U.S. \$1,000,000 are offered at approximately 11:00 A.M., London time, on the applicable Reset Date, to prime banks in the London interbank market by the Reference Banks (as defined in "Three Month LIBOR Rate" below). The Quotation Agent shall request the principal London office of each of such Reference Banks to provide a quotation of its rate. If at least two such quotations are provided, One Month LIBOR will be the arithmetic mean of such quotations. If fewer than two quotations are provided, One Month LIBOR will be the arithmetic mean of the rates quoted by three (if three quotations are not provided, two or one, as

applicable) major banks in New York City, selected by the Quotation Agent, at approximately 11:00 A.M. on the applicable Reset Date for loans in U.S. dollars to leading European banks in a principal amount of at least U.S. \$1,000,000 having a one-month maturity. If none of the banks in New York City selected by the Quotation Agent is then quoting rates for such loans, then One Month LIBOR for the ensuing interest period will mean One Month LIBOR as of the immediately preceding applicable Reset Date.

“Par Call Date” “ means (a) for a FRN Rate Period of three years or longer, the date six months prior to the end of the then current FRN Rate Period, or (b) the date specified in a notice to the Bond Trustee delivered in accordance with the related Bond Indenture.

“Person” means an individual, corporation, firm, association, partnership, trust or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“Principal Account” means the account by that name in the applicable Revenue Fund established pursuant to the related Bond Indenture.

“Principal Payment Date” means any date upon which the principal amount of Bonds is due under the related Bond Indenture, including the Maturity Date, any Serial Maturity Date and any Redemption Date, or the date the maturity of any Bond is accelerated pursuant to the terms of the related Bond Indenture and otherwise.

“Project” means, with respect to the Ohio Bonds, the “2013 Ohio Projects” as such term is defined in the applicable Tax Certificate and Agreement, as the same may be modified from time to time in accordance with the provisions of the applicable Tax Certificate and Agreement and with respect to the Idaho Bonds, as described in the Idaho Loan Agreement.

“Project Fund” means, as applicable, the fund by that name established pursuant to the Idaho Bond Indenture and the fund by that name established pursuant to the Ohio Bond Indenture.

“Purchase Date” means (i) for a Bond of a Series in the Daily Mode or the Weekly Mode, any Business Day selected by the Beneficial Owner of said Bond pursuant to the provisions of the related Bond Indenture, and (ii) any Mandatory Purchase Date.

“Purchase Price” means: (a) with respect to any Bonds of a Series to be purchased on any Purchase Date, Mandatory Purchase Date, Scheduled Mandatory Tender Date or Unscheduled Mandatory Tender Date which is not an Interest Payment Date, an amount equal to 100% of the principal amount of any Bonds of a Series purchased on such date, plus unpaid accrued interest, if any, to such date; and (b) with respect to any Bonds of a Series to be purchased on any Purchase Date, Mandatory Purchase Date, Scheduled Mandatory Tender Date or Unscheduled Mandatory Tender Date which is an Interest Payment Date, an amount equal to 100% of the principal amount of any Bonds of a Series purchased on such date.

“Quotation Agent” means the quotation agent designated by Trinity Health to perform the duties of a Quotation Agent set forth in the related Bond Indenture.

“Rate Determination Date” means any date on which the interest rate on Bonds is determined, which, (i) in the case of the Flexible Mode, will be the first day of an Interest Period; (ii) in the case of the Daily Mode, will be each Business Day commencing with the first day (which must be a Business Day) the related Series of the Bonds become subject to the Daily Mode; (iii) in the case of the Weekly Mode, (A) each Wednesday or, if Wednesday is not a Business Day, then the Business Day next succeeding such Wednesday and (B) a day not later than the Business Day preceding a Conversion Date, a

Substitution Date or a Mandatory Purchase Date specified in clause (viii) of the definition of Mandatory Purchase Date; (iv) in the case of the Term Rate Mode, will be a Business Day no earlier than fifteen (15) Business Days and no later than the Business Day next preceding the first day of an Interest Period (and with respect to a Three Month Term Rate Period will be the fifth Business Day preceding the first day of each Three Month Term Rate Period), as determined by the Remarketing Agent; (v) in the case of the Three Month LIBOR Indexed Mode, will be a date that is two (2) London Business Days preceding the first day of each Three Month LIBOR Interest Period; (vi) in the case of the Fixed Rate Mode, will be a date determined by the Remarketing Agent which will be at least one Business Day prior to the Conversion Date; (vii) in the case of the FRN Rate Mode, each applicable Reset Date; (viii) in the case of the Window Mode, each Thursday or if Thursday is not a Business Day, then the Business Day next succeeding such Thursday; and (ix) in the case of the Flexible Index Mode and the Index Mode, will be the date determined according to the related Bond Indenture.

“Rebate Fund” means, as applicable, the related Rebate Fund established pursuant to the Idaho Bond Indenture and the related Rebate Fund established pursuant to the Ohio Bond Indenture.

“Redemption Date” means the date fixed for redemption of Bonds subject to redemption in any notice of redemption given in accordance with the terms of the related Bond Indenture.

“Redemption Fund” means, as applicable, the fund by that name established pursuant to the Idaho Bond Indenture and the fund by that name established pursuant to the Ohio Bond Indenture.

“Redemption Price” means, with respect to any Bond (or portion thereof), the principal amount of such Bond (or portion) plus the applicable premium, if any, and accrued interest to, but not including, the Redemption Date, payable upon redemption thereof pursuant to the provisions of such Bond and the related Bond Indenture.

“Remarketing Proceeds Account” means the account by that name created in the related Bond Indenture.

“Remarketing Window” has the meaning given in the related Bond Indenture.

“Required Stated Amount” means at any time of calculation, an amount equal to the aggregate principal amount of all Bonds of a Series then Outstanding together with interest accruing thereon (assuming an annual rate of interest equal to the Interest Coverage Rate) for the period specified in a Certificate of the Obligated Group Agent to be the minimum period specified by the Rating Agencies then rating the related Series of the Bonds as necessary to obtain (or maintain), in the case of a Liquidity Facility, the short-term rating of the related Series of the Bonds or, in the case of a Credit Facility, the long-term rating of the related Series of the Bonds.

“Reset Date” means the Conversion Date upon which the related Series of the Bonds begin bearing interest at a FRN Rate, and thereafter during a FRN Rate Period, every Thursday or if any Thursday is not a U.S. Government Securities Business Day, the next succeeding U.S. Government Securities Business Day, subject to being changed to a different day of the week as provided in the related Bond Indenture.

“Responsible Officer” means, when used with respect to the applicable Bond Trustee, any vice president, assistant vice president, senior associate, associate or other officer of the applicable Bond Trustee within the corporate trust office specified in the related Bond Indenture (or any successor corporate trust office) customarily performing functions similar to those performed by the persons who at the time will be such officers, respectively, or to whom any corporate trust matter is referred at the

corporate trust office specified in the related Bond Indenture because of such person's knowledge of and familiarity with the particular subject and having direct responsibility for the administration of the related Bond Indenture.

"Revenue Fund" means, as applicable, the fund by that name established pursuant to the Idaho Bond Indenture and the fund by that name established pursuant to the Ohio Bond Indenture.

"Revenues" means all amounts received by an Issuer or the applicable Bond Trustee for the account of such Issuer pursuant or with respect to the applicable Financing Agreement or the related Obligation, including, without limiting the generality of the foregoing, Loan Repayments with respect to the Idaho Bonds and Base Rent Payments with respect to the Ohio Bonds, as applicable, (including both timely and delinquent payments and any late charges, and whether paid from any source), prepayments, insurance proceeds, condemnation proceeds and all interest, profits or other income derived from the investment of amounts in any fund or account established pursuant to the related Bond Indenture, but not including any Administrative Fees and Expenses or any moneys required to be deposited in the related Rebate Fund.

"Scheduled Mandatory Tender" means the mandatory tender for purchase of Bonds in the Index Mode or the Flexible Index Mode pursuant to the provisions of the related Bond Indenture and excludes any mandatory tender of Bonds in the Index Mode or the Flexible Index Mode pursuant to the applicable provisions of the related Bond Indenture.

"Scheduled Mandatory Tender Date" means, with respect to each Tender Period, the date determined pursuant to the applicable provisions of the related Bond Indenture.

"Scheduled Mandatory Tender Failure" means the failure of Trinity Health to pay or provide for the payment of the Purchase Price of all Bonds of a Series required to be purchased on a Scheduled Mandatory Tender Date pursuant to the applicable provisions of the related Bond Indenture.

"Serial Bonds" means the related Series of the Bonds maturing on the Serial Maturity Dates, as determined pursuant to the applicable provisions of the related Bond Indenture.

"Serial Maturity Dates" means the dates on which the Serial Bonds mature, as determined pursuant to the applicable provisions of the related Bond Indenture.

"Serial Payments" means the payments to be made in payment of the principal of the Serial Bonds on the Serial Maturity Dates.

"Short-Term Mode" means the Daily Mode, the Weekly Mode, the Flexible Mode, the Flexible Index Mode, the Index Mode, the Term Rate Mode (during a Three Month Term Rate Period only) or the Window Mode.

"SIFMA" or "SIFMA Index" means, as of any date, the per annum rate published or reported by Municipal Market Data on its SIFMA Municipal Swap Index most recently available, or if the SIFMA Municipal Swap Index is no longer published or reported, the rate per annum published or reported on the S&P Weekly High Grade Index (formerly the J.J. Kenny Index), or if neither the SIFMA Municipal Swap Index nor the S&P Weekly High Grade Index is published, such alternate interest rate index as the Remarketing Agent shall select as most comparable to the SIFMA Municipal Swap Index.

"SIFMA Average Index Rate" means, during each Interest Accrual Period, the per annum rate equal to the average of SIFMA in effect for each day in such Interest Accrual Period.

“Sinking Fund Installment” means the amount required by the applicable provisions of the related Bond Indenture to be paid by an Issuer on any single date for the retirement of Bonds.

“Special Record Date” means the date established by the applicable Bond Trustee pursuant to the related Bond Indenture as a record date for the payment of defaulted interest on the related Series of the Bonds.

“Special Redemption Account” means the account by that name in the Redemption Fund established pursuant to the related Bond Indenture.

“Substitution Date” means (i) the date upon which an Alternate Credit Facility or Alternate Liquidity Facility is scheduled to be substituted for the Credit Facility or Liquidity Facility then in effect, or (ii) the effective date of a Credit Facility or Liquidity Facility issued or delivered with respect to Bonds not then covered by a Credit Facility or Liquidity Facility.

“Supplement” means that certain Supplemental Indenture Number Three, dated as of October 30, 2013, from Trinity Health, as Obligated Group Agent on behalf of the Obligated Group, to the Master Trustee, pursuant to which the related Obligation is issued.

“Supplemental Bond Indenture” means any indenture hereafter duly authorized and entered into between an Issuer and the applicable Bond Trustee, supplementing, modifying or amending the related Bond Indenture; but only if and to the extent that such Supplemental Bond Indenture is specifically authorized under the related Bond Indenture.

“System” means Mount Carmel Health System, a nonprofit corporation existing under the laws of the State of Ohio.

“Tender Agent” means the commercial bank, trust company or other entity which may from time to time be appointed to serve as Tender Agent under the related Bond Indenture. Until such time as an alternate Tender Agent is appointed, the Tender Agent will be the applicable Bond Trustee.

“Tender Notice” means a notice delivered by Electronic Means or in writing that states (i) the principal amount of such Bond to be purchased pursuant to the applicable provisions of the related Bond Indenture, (ii) the Purchase Date on which such Bond is to be purchased, (iii) applicable payment instructions with respect to the related Series of the Bonds being tendered for purchase and (iv) an irrevocable demand for such purchase.

“Tender Notice Deadline” means (i) during the Daily Mode, 11:00 A.M. on any Business Day and (ii) during the Weekly Mode, 5:00 P.M. on the Business Day seven days prior to the applicable Purchase Date.

“Tender Period” means, with respect to Bonds bearing interest in a Flexible Index Mode, a period determined pursuant to the applicable provision of the related Bond Indenture.

“Tender Period Standard Date” means, with respect to any Tender Period, during a Flexible Index Mode or an Index Mode, the date which is six months prior to the Scheduled Mandatory Tender Date for such Tender Period.

“Term Rate” means the per annum interest rate for the related Series of the Bonds in the Term Rate Mode determined pursuant to the applicable provision of the related Bond Indenture.

“Term Rate Mode” means the Interest Rate Mode during which the related Series of the Bonds bear interest at the Term Rate.

“Term Rate Period” means the period from (and including) the Conversion Date or the date of initial issuance of the related Series of the Bonds, as applicable, to (but excluding) the last day of the first period that the related Series of the Bonds shall be in the Term Rate Mode as established by Trinity Health for the related Series of the Bonds pursuant to the applicable provisions of the related Bond Indenture and, thereafter, the period from (and including) the beginning date of each successive Interest Period selected for the related Series of the Bonds by Trinity Health pursuant to the related Bond Indenture while it is in the Term Rate Mode to (but excluding) the commencement date of the next succeeding Interest Period, including another Term Rate Period. Except as otherwise provided in the related Bond Indenture (including during a Three Month Term Rate Period), an Interest Period for the related Series of the Bonds in the Term Rate Mode must be at least 180 days in length.

“Three Month LIBOR Index Rate” means the per annum interest rate borne by the related Series of the Bonds during each Three Month LIBOR Interest Period determined in accordance with the related Bond Indenture.

“Three Month LIBOR Indexed Mode” means the Interest Rate Mode during which the related Series of the Bonds bear interest at the Three Month LIBOR Index Rate.

“Three Month LIBOR Interest Period” means, during the Three Month LIBOR Indexed Mode, the period from (and including) the Conversion Date or the date of issuance of the related Series of the Bonds, as applicable, to the first Interest Payment Date and thereafter means the period from (and including) an Interest Payment Date to but not including the following Interest Payment Date (regardless of whether or not such Interest Payment Dates are Business Days).

“Three Month LIBOR Rate” means the rate for deposits in U.S. dollars with a three-month maturity that appears on Reuters Screen LIBOR01 Page (or such other page as may replace that page on that service, or such other service as may be nominated by the British Bankers Association or NYSE, for the purpose of displaying London interbank offered rates for U.S. dollar deposits) as of 11:00 A.M., London time, on the Rate Determination Date, except that, if such rate does not appear on such page on the Rate Determination Date, the Three Month LIBOR Rate means a rate determined on the basis of the rates at which deposits in U.S. dollars for a three-month maturity and in a principal amount of at least U.S. \$1,000,000 are offered at approximately 11:00 A.M., London time, on the Rate Determination Date, to prime banks in the London interbank market by four major banks in the London interbank market (in the related Bond Indenture referred to as the “Reference Banks”) selected by the Quotation Agent. The Quotation Agent is to request the principal London office of each of such Reference Banks to provide a quotation of its rate. If at least two such quotations are provided, the Three Month LIBOR Rate will be the arithmetic mean of such quotations. If fewer than two quotations are provided, the Three Month LIBOR Rate will be the arithmetic mean of the rates quoted by three (if three quotations are not provided, two or one, as applicable) major banks in New York City, selected by the Quotation Agent, at approximately 11:00 A.M. on the Rate Determination Date, for loans in U.S. dollars to leading European banks in a principal amount of at least U.S. \$1,000,000 having a three-month maturity. If the banks in New York City selected by the Quotation Agent are not then quoting rates for such loans, then the Three Month LIBOR Rate for the ensuing Three Month LIBOR Interest Period will mean the Three Month LIBOR Rate then in effect.

“Three Month Term Rate Period” means each Term Rate Period with a duration of three calendar months.

“Trinity Health Purchase Account” means the account by that name created in the related Bond Indenture.

“Undelivered Bond” means any Bond which constitutes an Undelivered Bond under the provisions of the related Bond Indenture.

“United States Government Obligations” means (1) direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America, (2) cash (insured at all times by the Federal Deposit Insurance Corporation) or (3) senior debt obligations of agencies sponsored by the United States government.

“U.S. Government Securities Business Day” means any day except for a Saturday, a Sunday, a day on which the Securities Industry and Financial Markets Association, or its successor, recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities, or a day that is not a Business Day.

“Unscheduled Mandatory Tender” means any mandatory tender for purchase of Bonds in the Index Mode or the Flexible Index Mode pursuant to the provisions of the related Bond Indenture and excludes any mandatory tender of Bonds in the Index Mode or the Flexible Index Mode pursuant to the related Bond Indenture or any mandatory tender of the related Series of the Bonds bearing interest in a Mode other than a Flexible Index Mode or an Index Mode.

“Unscheduled Mandatory Tender Date” means a date for the mandatory tender of Bonds in the Index Mode or the Flexible Index Mode pursuant to the applicable provision of the related Bond Indenture.

“Variable Rate Mode” means a Short-Term Mode or the Term Rate Mode.

“Weekly Mode” means the Interest Rate Mode during which the related Series of the Bonds bear interest at the Weekly Rate.

“Weekly Rate” means the per annum interest rate on the related Series of the Bonds in the Weekly Mode determined pursuant to the applicable provisions of the related Bond Indenture.

“Weekly Rate Period” means the period during which a Bond of a Series in the Weekly Mode shall bear a Weekly Rate, which shall be the period commencing on Thursday of each week to and including Wednesday of the following week, except (i) if the related Series of the Bonds are issued in the Weekly Mode, in which case the first Weekly Rate Period shall be from the Date of Issuance to and including the Wednesday of the following week, (ii) in connection with a Conversion to the Weekly Rate, in which case the first Weekly Rate Period shall be from the Conversion Date to and including the Wednesday of the following week, (iii) in the case of a Substitution Date or Mandatory Purchase Date specified in clause (viii) of the definition of Mandatory Purchase Date, in which case the Weekly Rate Period prior to the Substitution Date or such Mandatory Purchase Date shall end on the day before the Substitution Date or such Mandatory Purchase Date and a new Weekly Rate Period shall commence on the Substitution Date or such Mandatory Purchase Date and end on the Wednesday of the following week and (iv) in connection with a Conversion from the Weekly Mode, the last Weekly Rate Period shall end on the day next preceding the Conversion Date.

“Window Calculation Agent” means the applicable Bond Trustee or an agent appointed by the applicable Bond Trustee to calculate the Window Rate.

“Window Mandatory Tender Date” means the date specified for the mandatory purchase of a Bond of a Series in the Window Mode pursuant to the related Bond Indenture.

“Window Mode” means the Interest Rate Mode during which the related Series of the Bonds bear interest at the Window Rate.

“Window Optional Tender Date” means the date specified for the purchase of a Bond of a Series in the Window Mode upon optional tender pursuant to the related Bond Indenture.

“Window Optional Tender Notice” has the meaning given in the related Bond Indenture.

“Window Rate” means the per annum interest rate on the related Series of the Bonds in the Window Mode determined pursuant to the related Bond Indenture.

“Window Rate Period” means the period during which a Bond of a Series in the Window Mode shall bear interest at a Window Rate, which shall be the period commencing on Thursday of each week to and including Wednesday of the following week, except (i) if the related Series of the Bonds are issued in the Window Mode, in which case the first Window Rate Period shall be from the Date of Issuance to and including the Wednesday of the following week, (ii) in connection with a Conversion to the Window Rate, in which case the first Window Rate Period shall be from the Conversion Date to and including the Wednesday of the following week, (iii) in the case of a Substitution Date or Mandatory Purchase Date specified in clause (ix) of the definition of Mandatory Purchase Date, in which case the Window Rate Period prior to the Substitution Date or such Mandatory Purchase Date shall end on the day before the Substitution Date or such Mandatory Purchase Date and a new Window Rate Period shall commence on the Substitution Date or such Mandatory Purchase Date and end on the Wednesday of the following week and (iv) in connection with a Conversion from the Window Mode, the last Window Rate Period shall end on the day next preceding the Conversion Date.

“Window Spread” means, during a Window Rate Period, (i) the Initial Window Spread, or (ii) a revised spread determined by the Remarketing Agent pursuant to the related Bond Indenture.

BOND INDENTURES

The following is a summary of certain provisions of the Bond Indentures. This summary does not purport to be complete or definitive and reference is made to each of the related Bond Indentures for the complete terms thereof.

General

The Idaho Indenture and the Ohio Indenture set forth the terms of the Idaho Bonds and the Ohio Bonds, respectively, the nature and extent of the security, the various rights of the holders of such Bonds, the rights, duties and immunities of the applicable Bond Trustee and the rights and obligations of the related Issuer. Certain provisions of the related Bond Indentures are summarized below; other provisions are summarized in this Official Statement under the captions “DESCRIPTION OF THE BONDS.”

Calculation and Payment of Interest; Change in Interest Rate Mode; Maximum Rate

When a Short-Term Mode, a FRN Rate Mode, a Three Month LIBOR Indexed Mode or a Term Rate Mode of less than one year is in effect, interest shall be calculated on the basis of a 365/366 day year for the actual number of days elapsed. When a Term Rate Mode or Fixed Rate Mode of greater than one year or is in effect, interest shall be calculated on the basis of a 360 day year comprised of twelve 30-day

months. Payment of interest on each Bond shall be made on each Interest Payment Date for such Bond for unpaid interest accrued during the Interest Accrual Period to the Owner of record of such Bond on the applicable Record Date. During the Flexible Index Mode and the Index Mode, payment shall be made on each Interest Payment Date for unpaid interest accrued from and including the Interest Accrual Date immediately preceding the Interest Payment Date; except that payment shall be made on the initial Interest Payment Date for the related Series of the Bonds for unpaid interest accrued from and including the Date of Issuance. Notwithstanding the foregoing, while the related Series of the Bonds are in a Flexible Index Mode or an Index Mode, any conflict or inconsistency between the applicable provisions of the related Bond Indenture shall be resolved in favor of the provisions of provisions of the related Bond Indenture relating to the “Determination of Index Tender Rates and Interest Accrual Periods for Bonds in Index Mode or Flexible Index Mode”.

The Bonds of a Series in any Interest Rate Mode, other than a Fixed Rate Mode, may be changed to any other Interest Rate Mode (a “Conversion”) at the times and in the manner in the related Bond Indenture after provided. Subsequent to such Conversion (other than a change to a Fixed Rate Mode), the related Series of the Bonds may again be changed to a different Interest Rate Mode at the times and in the manner provided in the related Bond Indenture. A Fixed Rate Mode will be in effect until the Maturity Date, or acceleration thereof prior to the Maturity Date, and may not be changed to any other Interest Rate Mode.

No Bonds will bear interest at an interest rate higher than the Maximum Rate.

In the absence of manifest error, the determination of interest rates (including any determination of rates in connection with a New Mode) and interest periods by the Remarketing Agent, the record of interest rates maintained by the applicable Paying Agent, and the determination of the Window Rate by the Window Calculation Agent, will be conclusive and binding upon the Remarketing Agent, the applicable Paying Agent, the applicable Bond Trustee, the related Issuer, Trinity Health, the Owners and the Beneficial Owners.

Determination of Flexible Rates and Interest Periods During Flexible Mode

An Interest Period for the related Series of the Bonds in the Flexible Mode will be of such duration of from one to 270 calendar days, ending on a day preceding a Business Day or the Maturity Date, as the Remarketing Agent shall determine in accordance with the provisions of the related Bond Indenture. A Flexible Rate Bond can have an Interest Period, and bear interest at a Flexible Rate, different than another Flexible Rate Bond. In making the determinations with respect to Interest Periods, subject to limitations imposed by the second preceding sentence and in the related Bond Indenture, on each Rate Determination Date for a Flexible Rate Bond, the Remarketing Agent will select for such Bond the Interest Period which would result in the Remarketing Agent being able to remarket such Bond at par in the secondary market at the lowest average interest cost for all Flexible Rate Bonds; provided, however, that if the Remarketing Agent has received notice from Trinity Health that the related Series of the Bonds are to be changed from the Flexible Mode to any other Interest Rate Mode, the Remarketing Agent shall select Interest Periods which do not extend beyond the resulting applicable Mandatory Purchase Date of the related Series of the Bonds.

Except while the related Series of the Bonds are registered in a Book-Entry System, in order to receive payment of the Purchase Price the Owner of any Bond in the Flexible Mode must present such Bond to the applicable Paying Agent, by 12:00 noon on the Rate Determination Date, in which case, the applicable Paying Agent will pay the Purchase Price to such Owner by 3:00 P.M. on the same day.

By 1:00 P.M. on each Rate Determination Date, the Remarketing Agent, with respect to each Bond in the Flexible Mode which is subject to adjustment on such date, shall determine the Flexible Rate(s) for the Interest Periods then selected for such Bond and shall give notice by Electronic Means to the applicable Paying Agent and Trinity Health, of the Interest Periods, the Purchase Date(s) and the Flexible Rate(s). The Remarketing Agent shall make the Flexible Rate and Interest Period available after 2:00 P.M. on each Rate Determination Date by telephone or Electronic Means to any Beneficial Owner or Notice Party requesting such information.

Determination of Interest Rates During the Daily Mode and the Weekly Mode

The interest rate for the related Series of the Bonds in the Daily Mode or Weekly Mode will be the rate of interest per annum determined by the Remarketing Agent on and as of the applicable Rate Determination Date as the minimum rate of interest which, in the opinion of the Remarketing Agent under then-existing market conditions, would result in the sale of the related Series of the Bonds in the Daily Rate Period or Weekly Rate Period, as applicable, at a price equal to the principal amount thereof, plus interest, if any, accrued through the Rate Determination Date during the then current Interest Accrual Period.

During the Daily Mode, the Remarketing Agent will establish the Daily Rate by 10:00 A.M. on each Rate Determination Date. The Daily Rate for any day during the Daily Mode which is not a Business Day will be the Daily Rate established on the immediately preceding Rate Determination Date. The Remarketing Agent will make the Daily Rate available no less frequently than once each week by Electronic Means to each Notice Party requesting such rate.

During the Weekly Mode, the Remarketing Agent will establish the Weekly Rate by 4:00 P.M. on each Rate Determination Date. The Weekly Rate will be in effect during the applicable Weekly Rate Period. The Remarketing Agent will make the Weekly Rate available no later than 5:00 P.M. on the Business Day following the Rate Determination Date by Electronic Means to each Notice Party requesting such rate.

Determination of Term Rates and Fixed Rates

Term Rates. Except as provided in the related Bond Indenture under the section “Alternate Rates”, once the related Series of the Bonds are changed to the Term Rate Mode, the related Series of the Bonds will continue in the Term Rate Mode until changed to another Interest Rate Mode in accordance with the related Bond Indenture. Absent written direction from Trinity Health to the contrary at least 20 days prior the end of any Term Rate Period, while the related Series of the Bonds bear interest in the Term Rate Mode, the duration of the next succeeding Term Rate Period will be of the same duration as the Term Rate Period currently in effect or, if shorter, the period to but not including the applicable Maturity Date. The Term Rate will be determined by the Remarketing Agent not later than 4:00 P.M. on the Rate Determination Date, and the Remarketing Agent will make the Term Rate available by telephone or by Electronic Means to any Notice Party requesting such rate. The Term Rate will be the minimum rate which, in the sole judgment of the Remarketing Agent, would result in a sale of the related Series of the Bonds at a price equal to the principal amount thereof on the Rate Determination Date for the Interest Period selected by Trinity Health in writing delivered to the Remarketing Agent before such Rate Determination Date. If a new Interest Period is not selected by Trinity Health prior to a Rate Determination Date, the new Interest Period will be the same length as the current Interest Period (or such lesser period as shall be necessary to comply with the last sentence of this paragraph). The Remarketing Agent will make the Term Rate available by telephone or Electronic Means after 5:00 P.M. on the Rate Determination Date to any Notice Party requesting such Term Rate. Upon request of any Notice Party the

applicable Paying Agent will give notice of such rate by Electronic Means. No Interest Period in the Term Rate Mode may extend beyond the applicable Maturity Date.

Fixed Rates. The Remarketing Agent shall determine the Fixed Rate for the related Series of the Bonds being converted to the Fixed Rate Mode in the manner and at the times as follows: not later than 4:00 P.M. on the applicable Rate Determination Date, the Remarketing Agent shall determine the Fixed Rate (or Rates, if the related Series of the Bonds will have Serial Maturity Dates in accordance with the applicable provisions of the related Bond Indenture). Except as set forth in the related Bond Indenture, the Fixed Rate shall be the minimum interest rate which, in the sole judgment of the Remarketing Agent, will result in a sale of the related Series of the Bonds at a price equal to the principal amount thereof on the Rate Determination Date. The Remarketing Agent shall make the Fixed Rate available by telephone or by Electronic Means after 5:00 P.M. on the Rate Determination Date to any Notice Party requesting such Fixed Rate. Upon request of any Notice Party the applicable Paying Agent shall give notice of such rate by Electronic Means. Subject to the applicable provisions of the related Bond Indenture, the Fixed Rate so established shall remain in effect until the Maturity Date of such Bonds.

Determination of Window Rates

Determination of Window Rate. During each Window Rate Period for a Series of Bonds, the related Series of the Bonds will bear interest at the Window Rate, which will be determined by the Window Calculation Agent each Thursday (or if such day is not a Business Day, then on the next succeeding Business Day) and shall be equal to the SIFMA Index on such day plus the Window Spread. The Window Calculation Agent shall furnish each Window Rate so determined to the applicable Bond Trustee, the Remarketing Agent, the related Issuer and Trinity Health by Electronic Means no later than the Business Day next succeeding the date of determination. The first Window Rate for each Window Rate Period will be determined on or prior to the first day of such Window Rate Period, shall apply to the period commencing on the first day of such Window Rate Period and ending on and including the next succeeding Wednesday and shall be equal to the SIFMA Index as of the first day of such Window Rate Period (or, if the first day of such Window Rate Period is not a Thursday, the SIFMA Index as of the Thursday preceding the first day of such Window Rate Period) plus the Window Spread. Thereafter, each Window Rate shall apply to the period commencing on and including Thursday and ending on and including the next succeeding Wednesday, unless such Window Rate Period ends on a day other than Wednesday, in which event the last Window Rate for such Window Rate Period shall apply to the period commencing on and including the Thursday preceding the last day of such Window Rate Period and ending on and including the last day of such Window Rate Period.

Change in Window Spread. During each Window Rate Period for a Series of Bonds, the Remarketing Agent may (i) with the consent of Trinity Health, increase the Window Spread effective as of any Window Optional Tender Date during each Remarketing Window, any Window Mandatory Tender Date or any other Mandatory Tender Date for all of the related Series of the Bonds that occurs pursuant to the applicable provisions of the related Bond Indenture during such Window Rate Period, or (ii) reduce the Window Spread effective as of any Window Mandatory Tender Date or any other Mandatory Tender Date for all of the related Series of the Bonds that occurs pursuant to the applicable provisions of the related Bond Indenture during such Window Rate Period. The sum of the SIFMA Index plus the revised Window Spread shall be equal to the rate of interest per annum determined by the Remarketing Agent (based on an examination of tax exempt obligations comparable, in the judgment of the Remarketing Agent, to the related Series of the Bonds and known by the Remarketing Agent to have been priced or traded under then prevailing market conditions) to be the minimum interest rate which, if borne by the related Series of the Bonds, would enable the Remarketing Agent to sell all of the related Series of the Bonds on the effective date of the revised Window Spread at a price (without regard to accrued interest) equal to the principal amount thereof. A revised Window Spread shall apply to all

Bonds of a Series bearing interest at a Window Rate as of the effective date of the revised Window Spread. The Remarketing Agent shall give notice of the revised Window Spread to the applicable Bond Trustee by Electronic Means not later than the second Business Day after the effective date of such revised Window Spread. The applicable Bond Trustee shall give notice of such revised Window Spread by first-class mail to the Holders, with a copy to the related Issuer, Trinity Health, the Tender Agent and the applicable Liquidity Facility Provider (if any) or the applicable Credit Facility Provider (if any), not later than the second Business Day after receiving notice of such Window Spread from the Remarketing Agent.

Alternate Rates

Subject only to provision of the related Bond Indenture regarding insufficient funds for tenders, the interest rate on the related Series of the Bonds will be determined as provided in the related Bond Indenture during any period that (i) the Remarketing Agent or the Window Calculation Agent, as applicable, fails or is unable to determine the interest rate or Interest Period for the related Series of the Bonds other than when the related Series of the Bonds are in the Three Month LIBOR Indexed Mode, the Index Mode, or the Flexible Index Mode, (ii) the method by which the Remarketing Agent or the Window Calculation Agent, as applicable, determines the interest rate or Interest Period with respect to the related Series of the Bonds (or the selection by Trinity Health of the Interest Periods for Bonds in the Term Rate Mode) is held to be unenforceable by a court of law of competent jurisdiction, or (iii) if the Remarketing Agent suspends its remarketing effort in accordance with the Remarketing Agreement; provided that, if such period is longer than thirty (30) consecutive days, the interest rate on the related Series of the Bonds commencing on the thirty-first day of such period until the end of such period will equal the Maximum Rate. These provisions will continue to apply until such time as the Remarketing Agent (or the Window Calculation Agent, or Trinity Health, if applicable) again makes such determinations. In the case of clause (ii) above, the Remarketing Agent (or the Window Calculation Agent, or Trinity Health, if applicable) will again make such determination at such time as there is delivered to the Remarketing Agent, or the Window Calculation Agent, as applicable, and Trinity Health an opinion of Bond Counsel to the effect that there are no longer any legal prohibitions against such determinations. The following will be the methods by which the interest rates and, in the case of the Flexible and Term Rate Modes, the Interest Periods, will be determined for the related Series of the Bonds as to which any of the events described in clauses (i), (ii) or (iii) will be applicable. Such methods shall be applicable from and after the date any of the events described in clauses (i), (ii) or (iii) first become applicable to the related Series of the Bonds until such time as the events described in clauses (i), (ii) or (iii) are no longer applicable to the related Series of the Bonds. These provisions will not apply if Trinity Health fails to select an Interest Period for the related Series of the Bonds in the Term Rate Mode for a reason other than as described in clause (ii) above.

For Flexible Rate Bonds, the next Interest Period will be from, and including, the first day following the last day of the current Interest Period for the related Series of the Bonds to, but excluding, the next succeeding Business Day and thereafter will commence on each Business Day and extend to, but exclude, the next succeeding Business Day. For each such Interest Period, the interest rate for the related Series of the Bonds will be the applicable Alternate Rate in effect on the Business Day that begins an Interest Period.

If the related Series of the Bonds are in the Daily Mode, the Weekly Mode or the FRN Rate Mode, then the related Series of the Bonds will bear interest during each subsequent Interest Period at the Alternate Rate in effect on the first day of such Interest Period.

If the related Series of the Bonds are then in the Term Rate Mode, then the related Series of the Bonds will automatically convert to Flexible Rate Bonds, with an Interest Period commencing on the first

day following the last day of the current Interest Period for the related Series of the Bonds to, but excluding, the next succeeding Business Day and thereafter will commence on each Business Day and extend to, but exclude, the next succeeding Business Day. For each such Interest Period, the interest rate for the related Series of the Bonds will be the applicable Alternate Rate in effect at the beginning of each such Interest Period.

If the related Series of the Bonds are then in the Window Mode, then the Window Rate for such subsequent Interest Period will be equal to 85% of the interest rate on 30 day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in The Wall Street Journal on the day such Window Rate would otherwise be determined as provided in the related Bond Indenture for such Window Rate Period, plus the Window Spread.

Determination of Three Month LIBOR Index Rates

During each Three Month LIBOR Interest Period for a Series of Bonds, the related Series of the Bonds will bear interest at the Three Month LIBOR Index Rate, which will be the rate of interest per annum determined by the applicable Bond Trustee on the Rate Determination Date to be the sum of (a) 67% of the Three Month LIBOR Rate and (b) a rate per annum determined on or before the Conversion Date by the Remarketing Agent, in its sole discretion based on market conditions at the time such rate is determined, which, when added to the rate calculated pursuant to clause (a) results in a Three Month LIBOR Index Rate necessary to sell the related Series of the Bonds at 100% of the principal amount thereof on the Conversion Date. The Three Month LIBOR Index Rate will be rounded upward or downward to the fifth decimal place and the Three Month LIBOR Index Rate may not exceed the Maximum Rate. Upon the request of the holder of any Bond, the applicable Bond Trustee will provide the Three Month LIBOR Index Rate then in effect and, if determined, the Three Month LIBOR Index Rate that will become effective for the next Three Month LIBOR Interest Period. The applicable Bond Trustee's determination of any Three Month LIBOR Index Rate, and its calculation of the amount of interest for any Three Month LIBOR Interest Period, will be final and binding in the absence of manifest error.

FRN Rate and FRN Rate Period

Determination of FRN Rate. During each FRN Rate Period of a Series of Bonds, the related Series of the Bonds will bear interest at the FRN Rate, which will be determined, with respect to a Conversion to the FRN Rate Period, by the Remarketing Agent on or prior to the Conversion Date, and thereafter by the Calculation Agent on each applicable Reset Date. The first FRN Rate for each FRN Rate Period will be determined on or prior to the first day of such FRN Rate Period and shall apply to the period commencing on the first day of such FRN Rate Period to but not including the following Reset Date, as applicable. Thereafter, each FRN Rate shall apply to the period commencing on and including a Reset Date, as applicable, to but not including the next succeeding applicable Reset Date. The FRN Rate shall be the sum of (i) the product of the applicable Index multiplied by the FRN Rate Percentage, plus (ii) the FRN Rate Spread. On or prior to the Conversion Date to a FRN Rate Period, Trinity Health shall designate the Index to be in effect during such FRN Rate Period and the Remarketing Agent shall determine the FRN Rate Percentage and FRN Rate Spread that will result in the Remarketing Agent selling the related Series of the Bonds at a price equal to par on the Conversion Date. Such Index, FRN Rate Percentage and FRN Rate Spread will be in effect through the last day of such FRN Rate Period, and thereafter shall be applied by the Calculation Agent in determining the FRN Rate on each applicable Reset Date. The Calculation Agent shall furnish each FRN Rate so determined to the applicable Bond Trustee, the Remarketing Agent (if any), the related Issuer and Trinity Health by Electronic Means no later than the Business Day next succeeding the date of determination.

Adjustment to FRN Rate.

(a) Subject to the related Bond Indenture, at any time Trinity Health, by written direction or notice, as applicable, to the related Issuer, to the applicable Bond Trustee, the Tender Agent (if any), the applicable Credit Facility Provider (if any), the applicable Liquidity Facility Provider (if any), and the Remarketing Agent (if any), may elect that the related Series of the Bonds will bear interest at a FRN Rate. Such direction of Trinity Health shall specify (i) the proposed Conversion Date, which date shall be (1) a Business Day not earlier than the fifteenth (15th) day following the second Business Day after receipt by the applicable Bond Trustee of such direction, (2) in the case of a Conversion from a Term Rate Period, the day immediately following the last day of the then-current Term Rate Period or a day on which the related Series of the Bonds otherwise would be subject to optional redemption pursuant to the related Bond Indenture if such Conversion did not occur, (3) in the case of a Conversion from a Daily Rate Period or Weekly Rate Period the day immediately following the last day of such Interest Period with respect to the related Series of the Bonds, (4) in the case of a Conversion from a Flexible Rate Period, the day immediately following the last day of the Flexible Rate Period, (5) in the case of a Conversion from an Index Rate or Flexible Index Rate, a Scheduled Mandatory Tender Date or an Unscheduled Mandatory Tender Date, (6) in the case of a Conversion from a Window Rate Period, the day immediately following the last day of such Interest Period with respect to the related Series of the Bonds, and (7) in the case of a Conversion from another FRN Rate Period, the day immediately following the last day of the then-current FRN Rate Period or a day on which the related Series of the Bonds otherwise would be subject to optional redemption pursuant to the Bond Indenture if such Conversion did not occur; (ii) the date of delivery for the related Series of the Bonds to be purchased, on such Conversion Date; and (iv) the Index to be in effect for such FRN Rate Period and the last day of such FRN Rate Period (which last day shall be a day that immediately precedes a Business Day). In addition, such direction shall be accompanied by (1) a letter of Bond Counsel that it expects to be able to give a Favorable Opinion of Bond Counsel on the Conversion Date, and (2) a form of the notice to be mailed by the applicable Bond Trustee to the Holders of Bonds as provided in the related Bond Indenture. During each FRN Rate Period for a Series of Bonds commencing on a date so specified and ending on the day immediately preceding the effective date of the next succeeding Interest Period for the related Series of the Bonds, the interest rate borne by the related Series of the Bonds shall be a FRN Rate.

(b) Notwithstanding clause (a) of the definition of Par Call Date, Trinity Health may (if a Favorable Opinion of Bond Counsel is delivered to the applicable Bond Trustee) specify in a notice to the applicable Bond Trustee and the related Issuer delivered no later than 5 Business Days prior to the proposed Conversion Date identified in the direction delivered pursuant to the immediately preceding paragraph, a Par Call Date for such FRN Rate Period that occurs on any Business Day during such FRN Rate Period.

(c) If, by the fifteenth (15th) day prior to the last day of any FRN Rate Period which ends on a day other than the day immediately preceding the Maturity Date, the applicable Bond Trustee shall not have received notice of Trinity Health's election that, during the next succeeding Interest Period, the related Series of the Bonds will bear interest in a specified Mode, then the next succeeding Interest Period for such Bonds shall be a Weekly Rate Period until such time as the related Series of the Bonds are subject to Conversion.

Notice of Adjustment to FRN Rate Period. The applicable Bond Trustee shall give notice by first-class mail of a Conversion to a FRN Rate Period to the Holders of the related Series of the Bonds not less than fifteen (15) days prior to the Conversion Date. Such notice shall state: (i) that the interest rate on the related Series of the Bonds shall be converted to a FRN Rate unless Bond Counsel fails to deliver a Favorable Opinion of Bond Counsel to the related Issuer, the applicable Bond Trustee, Trinity Health and the Remarketing Agent as to such Conversion on the Conversion Date, Trinity Health rescinds its election

to convert the interest rate to a FRN Rate as provided in the related Bond Indenture, or the other conditions precedent to such Conversion are not met; (ii) the proposed Conversion Date; and (iii) that the related Series of the Bonds are subject to mandatory tender for purchase on such proposed Conversion Date, regardless of whether any or all conditions to the Conversion are met, and setting forth the applicable Purchase Price and the place of delivery for purchase of such Bonds.

Change of Date of Determination of FRN Rate. Upon any mandatory tender of the related Series of the Bonds in connection with a Conversion of the related Series of the Bonds to a FRN Rate Period, the applicable Reset Date, being the day of the week on which the Calculation Agent determines the FRN Rate (which as of the execution and delivery of the related Bond Indenture is Thursday) may be changed to a different day of the week as designated by Trinity Health in a Certificate of Trinity Health delivered to the Calculation Agent, the applicable Bond Trustee, the Remarketing Agent (if any), the Tender Agent (if any), the applicable Credit Facility Provider (if any) and the applicable Liquidity Facility Provider (if any) prior to such mandatory tender. Upon such mandatory tender, the first FRN Rate for each FRN Rate Period will be determined on or prior to the first day of such FRN Rate Period and shall apply to the period commencing on the first day of such FRN Rate Period and ending on the day (whether or not a Business Day) immediately preceding the next succeeding applicable Reset Date. Thereafter, each FRN Rate shall apply to the period commencing on the applicable Reset Date and ending on the day (whether or not a Business Day) immediately preceding the next succeeding applicable Reset Date, unless such FRN Rate Period shall end on a day other than the day (whether or not a Business Day) preceding a applicable Reset Date, in which event the last FRN Rate for such FRN Rate Period shall apply to the period commencing on the applicable Reset Date preceding the last day of such FRN Rate Period and ending on the last day of such FRN Rate Period (whether or not a Business Day).

Determination of Index Tender Rates and Interest Accrual Periods for Bonds in Index Mode or Flexible Index Mode

Interest Rate during Index Mode or Flexible Index Mode. During the period beginning with the first day on which the related Series of the Bonds bear interest in the Index Mode or Flexible Index Mode and ending on the effective date of a Conversion to a Mode other than the Index Mode or Flexible Index Mode, the interest rate borne by the related Series of the Bonds shall be an Index Tender Rate.

Determination of SIFMA Average Index Rate and Index Tender Rate. During each Tender Period for a Series of Bonds, no later than 11:00 A.M. on the Business Day immediately preceding each Interest Payment Date while the related Series of the Bonds bear interest in the Index Mode or the Flexible Index Mode, the Calculation Agent shall deliver written notice to Trinity Health and the Remarketing Agent specifying the SIFMA Average Index Rate and the Index Tender Rate for, and the aggregate amount of interest that accrued during, the Interest Accrual Period ending on the day preceding such Interest Payment Date together with a detailed calculation of the foregoing. All percentages resulting from the calculation of the SIFMA Average Index Rate will be rounded, if necessary, to the nearest ten-thousandth of a percentage point with five hundred thousandths of a percentage point rounded upward, and all dollar amounts used in or resulting from such calculation of interest on the related Series of the Bonds while bearing interest in an Index Mode or a Flexible Index Mode will be rounded to the nearest cent (with one-half cent being rounded upward).

Index Spread; Adjustment of Index Spread. With respect to subsequent Tender Periods for such Series of Bonds, the Index Spread will be determined and adjusted as provided in the applicable provisions of the related Bond Indenture. During each Tender Period for a Series of Bonds, the Index Spread with respect to such Tender Period shall apply to all Bonds of such Series.

Duration of Tender Period. Each Tender Period shall commence on the first to occur of (i) the Scheduled Mandatory Tender Date of the immediately preceding Tender Period, (ii) an Unscheduled Mandatory Tender Date in connection with any Unscheduled Mandatory Tender if all Bonds of a Series are actually purchased pursuant to the applicable provisions of the related Bond Indenture, and (iii) the effective date of a Conversion from another Mode to an Index Mode or a Flexible Index Mode. Each Tender Period shall terminate on the first to occur of (a) the Scheduled Mandatory Tender Date, (b) an Unscheduled Mandatory Tender Date in connection with any Unscheduled Mandatory Tender if all Bonds of a Series are actually purchased pursuant to the applicable provisions of the related Bond Indenture, (c) the first date on which the related Series of the Bonds bear interest in a Mode other than the Index Mode or a Flexible Index Mode, or (d) the date on which all Bonds of a Series are redeemed in accordance with the terms of the related Bond Indenture or all principal and accrued interest on all Bonds of a Series are otherwise paid in full. Notwithstanding the foregoing, if on the Scheduled Mandatory Tender Date or Unscheduled Mandatory Tender Date, the Purchase Price is not paid in full, the Tender Period shall not terminate and shall continue until such time as the Purchase Price is paid in full.

Conversion to and Election with Respect to Index Mode or Flexible Index Mode. Trinity Health, by written notice of Conversion to the other Notice Parties, may elect that there be a Conversion such that the related Series of the Bonds will bear interest in an Index Mode or Flexible Index Mode. Such direction of Trinity Health shall specify:

- (i) the election of either an Index Mode or a Flexible Index Mode;
- (ii) the effective date of the Conversion to an Index Mode or Flexible Index Mode, which shall be (x) a Business Day not earlier than the seventh (7th) day following the date such direction is given, or (y) a day on which the related Series of the Bonds would otherwise be subject to optional redemption pursuant to the applicable provisions of the related Bond Indenture if such change did not occur;
- (iii) the related Call Protection Date; and
- (iv) the Business Day that Trinity Health elects to be the Scheduled Mandatory Tender Date of the Tender Period commencing on the effective date of the Conversion to an Index Mode or a Flexible Index Mode (provided, that the Scheduled Mandatory Tender Date shall not be earlier than three (3) months after the commencement of the Tender Period).

Call Protection. With respect to any Tender Period commencing on the effective date of the Conversion to an Index Mode or a Flexible Index Mode, the Call Protection Date for such Tender Period shall be the Tender Period Standard Date; provided that, if Trinity Health delivers to the applicable Bond Trustee a Favorable Opinion of Bond Counsel and specifies such Call Protection Date in the direction delivered pursuant to the applicable provisions of the related Bond Indenture, Trinity Health may determine that any Business Day during the such Tender Period will be the Call Protection Date for such Tender Period.

Notice of Election of Index Mode or Flexible Index Mode. The applicable Bond Trustee shall give notice of the mandatory tender for purchase of Bonds in connection with a Conversion to an Index Mode or a Flexible Index Mode to the Owners of the related Series of the Bonds.

Scheduled Mandatory Tender in Index Mode or Flexible Index Mode. Unless the related Series of the Bonds subject to a Tender Period have been purchased (including in connection with a Conversion or an Unscheduled Mandatory Tender) or redeemed prior to the Scheduled Mandatory Tender Date for such Tender Period, the Owners of all of the related Series of the Bonds shall tender for purchase, and

Trinity Health shall purchase, all of the related Series of the Bonds on the Scheduled Mandatory Tender Date for such Tender Period. The applicable Bond Trustee shall give notice of each Scheduled Mandatory Tender as provided in the related Bond Indenture.

Unscheduled Mandatory Tender in Index Mode or Flexible Index Mode.

(A) *Right to Require Unscheduled Mandatory Tender.* While the related Series of the Bonds bear interest in an Index Mode or a Flexible Index Mode, at its option, Trinity Health may require, during each Tender Period, the Owners of all (but not less than all) of the related Series of the Bonds to tender the related Series of the Bonds for purchase, from the source of funds provided in Bond Indenture, on any Business Day from and after the Call Protection Date of such Tender Period. Trinity Health shall exercise its option by delivering to the applicable Bond Trustee at its Principal Corporate Trust Office and the Remarketing Agent, no later than ten (10) days before the Unscheduled Mandatory Tender Date for Bonds in an Index Mode, the written notice of Unscheduled Mandatory Tender described in the related Bond Indenture. While in the Flexible Index Mode, at least five (5) Business Days prior any Unscheduled Mandatory Tender Date, Trinity Health shall provide Electronic Notice to the Remarketing Agent and the applicable Bond Trustee of its intent to schedule an Unscheduled Mandatory Tender Date and the applicable Bond Trustee shall no later than one (1) Business Day following receipt of such notice, send Electronic Notice to EMMA (as defined in the applicable provisions of the related Bond Indenture) of the intent to schedule an Unscheduled Mandatory Tender Date. The notice of intention to schedule an Unscheduled Mandatory Tender Date shall authorize the Remarketing Agent to provide Electronic Notice to the applicable Bond Trustee of an Unscheduled Mandatory Tender Date. The Remarketing Agent shall exercise the option to schedule an Unscheduled Mandatory Tender Date by delivering to the applicable Bond Trustee at its Principal Corporate Trust Office, no later than 11:00 A.M. one (1) Business Day before the Unscheduled Mandatory Tender Date the Electronic Notice of the Unscheduled Mandatory Tender Date in the form described in the related Bond Indenture. The applicable Bond Trustee shall give notice of each Unscheduled Mandatory Tender as provided in the related Bond Indenture. Except as provided in the applicable provisions of the related Bond Indenture, the applicable Bond Trustee shall pay to the Owners of the related Series of the Bonds the Purchase Price on the related Unscheduled Mandatory Tender Date as provided in the Bond Indenture.

(B) *Rescission.* While in the Index Mode, Trinity Health shall have the option to deliver to the applicable Bond Trustee at its Principal Corporate Trust Office and the Remarketing Agent, on or prior to 10:00 A.M. on the Business Day immediately preceding the Unscheduled Mandatory Tender Date for an Unscheduled Mandatory Tender, a notice to the effect that Trinity Health elects to rescind such Unscheduled Mandatory Tender. The applicable 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 Unscheduled Mandatory Tender was given pursuant to the related Bond Indenture. If Trinity Health so rescinds an Unscheduled Mandatory Tender, then no purchase shall occur, the related Series of the Bonds shall continue to bear interest at the Index Tender Rate in effect during the Tender Period then in effect, without change or modification and the Tender Period then in effect shall continue until terminated in accordance with the Bond Indenture.

(C) *Failure to Meet Conditions.* Any Unscheduled Mandatory Tender shall be conditioned upon (a) amounts sufficient to pay the Purchase Price of such mandatory tender being on deposit from the source described in the applicable provisions of the related Bond Indenture, with the applicable Bond Trustee on the Unscheduled Mandatory Tender Date and (b) in connection with any change in the Call Protection Date for the next succeeding Tender Period from the Tender Period Standard Date pursuant to the related Bond Indenture, the delivery of the Favorable Opinion of Bond Counsel described in the related Bond Indenture. If on an Unscheduled Mandatory Tender Date the conditions described in the immediately preceding sentence are not satisfied, then no purchase of Bonds shall occur, the related

Series of the Bonds shall continue to bear interest at the Index Tender Rate in effect during the Tender Period then in effect without change or modification and the Tender Period then in effect shall continue until terminated in accordance with the related Bond Indenture. The applicable Bond Trustee shall give notice of such failure as soon thereafter as practicable in the same manner and to the same persons as notice of Unscheduled Mandatory Tender was given pursuant to the related Bond Indenture. Failure by Trinity Health to pay or cause to be paid the Purchase Price of any Bonds of the related Series tendered under the applicable provisions of the related Bond Indenture for any reason shall not constitute an Event of Default. No such failure shall affect Trinity Health's right to require Owners of Bonds to tender their Bonds pursuant to the applicable provisions of the related Bond Indenture during the remainder of the Tender Period then in effect or during any subsequent Tender Period.

Purchase of Bonds in a Flexible Index Mode or Index Mode. Except as otherwise provided in the related Bond Indenture with respect to an Unscheduled Mandatory Tender, each Bond as to which a Tender Notice for purchase on a Purchase Date has been delivered or which is subject to mandatory tender for purchase on a Mandatory Purchase Date, Scheduled Mandatory Tender Date or Unscheduled Mandatory Tender Date shall be purchased on such date at the applicable Purchase Price but solely from the sources of payment provided in the applicable provisions of the related Bond Indenture. Unless otherwise provided in a Representation Letter, all Bonds of a Series required to be purchased in accordance with the applicable provisions of the related Bond Indenture shall be tendered for purchase by delivery to the applicable Bond Trustee at its Principal Corporate Trust Office on or prior to the Mandatory Purchase Date, Scheduled Mandatory Tender Date or Unscheduled Mandatory Tender Date, as applicable, and, except as otherwise provided in the related Bond Indenture with respect to an Unscheduled Mandatory Tender, shall be purchased but solely from the sources of payment provided in the applicable provisions of the related Bond Indenture. If the Owner of a Bond of a Series is required but fails to deliver a Bond of such Series required to be purchased in accordance with the applicable provisions of the related Bond Indenture, and sufficient moneys from the sources set forth in the applicable provisions of the related Bond Indenture, are available to pay the Purchase Price of all Bonds of a Series to be purchased, such Bond shall constitute an Undelivered Bond with the consequences set forth in the related Bond Indenture.

Notice of Mandatory Tender of Bonds for Purchase in Flexible Index Mode or Index Mode. Notice of each mandatory tender of Bonds bearing interest in a Flexible Index Mode or an Index Mode shall be given to the Owners as provided in the related Bond Indenture. Notice of each other mandatory tender for purchase (other than for mandatory tender for purchase of a Bond of a Series in the Flexible Index Mode or an Index Mode) shall be given by the applicable Bond Trustee by mail or Electronic Notice to the Owners not less than seven (7) days prior to the Mandatory Purchase Date, Scheduled Mandatory Tender Date or Unscheduled Mandatory Tender Date, as applicable, with copies thereof to be given to the other Notice Parties. During a Flexible Index Mode, the applicable Bond Trustee shall provide Electronic Notice of the mandatory tender for purchase to the Securities Depository no later than 12:00 P.M. on the Business Day immediately prior to the designated Scheduled Mandatory Tender Date or Unscheduled Mandatory Tender Date and the applicable Bond Trustee shall also use its best efforts to file notice of such notice of mandatory tender for purchase with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System ("EMMA"), or any successor thereto, by 4:30 P.M. on such date. Each such notice shall state (i) the Mandatory Purchase Date, Scheduled Mandatory Tender Date or Unscheduled Mandatory Tender Date, as applicable, (ii) (A) if the related Series of the Bonds are registered in the name of a Securities Depository, the procedures for tendering such Bonds to receive the Purchase Price thereof in accordance with the procedures provided by such Securities Depository; or (B) if the related Series of the Bonds are not registered in the name of a Securities Depository, that the Purchase Price of any Bond so tendered shall be payable only upon surrender of such Bond to the applicable Bond Trustee at its Principal Corporate Trust Office (which shall be specified in such notice), together with an instrument of transfer thereof, in form satisfactory to the applicable Bond Trustee,

executed in blank by the Owners thereof or their duly authorized attorney, with such signature medallion guaranteed by a bank, trust company or member firm of the New York Stock Exchange; (iii) that any Bond not so tendered for purchase as required shall be deemed to have been so tendered and, upon provision for payment of the Purchase Price thereof from the applicable funds specified in the applicable provisions of the related Bond Indenture, shall be deemed to have been purchased on the Mandatory Purchase Date, Scheduled Mandatory Tender Date or Unscheduled Mandatory Tender Date, as applicable, after which no interest shall accrue thereon for the benefit of the Owner required to so tender such Bond and such Owner shall have no rights under the related Bond Indenture as the Owner of such Bond except the right to receive the Purchase Price thereof, (iv) that, subject to the applicable provisions of the related Bond Indenture, all Bonds of a Series subject to such mandatory tender for purchase shall be purchased on the applicable Mandatory Purchase Date, Scheduled Mandatory Tender Date or Unscheduled Mandatory Tender Date, as applicable, at the applicable Purchase Price, but solely from the sources set forth in the applicable provisions of the related Bond Indenture.

Undelivered Bonds in Flexible Index Mode or Index Mode. Any Bond for which a Tender Notice has been given pursuant to the related Bond Indenture or which is subject to mandatory tender for purchase in accordance with the applicable provisions of the related Bond Indenture, in each case which is not tendered for purchase as required by the applicable provisions of the related Bond Indenture, shall nonetheless be deemed to have been so tendered and, upon provision for payment of the Purchase Price thereof from the applicable funds specified in the related Bond Indenture, shall be deemed to have been purchased on the Mandatory Purchase Date, the Scheduled Mandatory Tender Date or the Unscheduled Mandatory Tender Date, as applicable, after which no interest shall accrue on such Bond for the benefit of the Owner required to tender such Bond from and after such Mandatory Purchase Date, Scheduled Mandatory Tender Date or Unscheduled Mandatory Tender Date, as applicable, and such Owner shall have no rights under the related Bond Indenture as the Owner of such Bond except the right to receive the Purchase Price thereof from the funds available therefor pursuant to the related Bond Indenture.

Remarketing of Bonds in Connection with Scheduled Mandatory Tender in the Flexible Rate Mode or the Index Mode. During each Tender Period for a Series of Bonds in the Index Mode or the Flexible Index Mode, upon establishing the Index Spread for the next succeeding Tender Period pursuant to the related Bond Indenture, the Remarketing Agent shall offer for sale and use its best efforts to remarket in accordance with the Remarketing Agreement all Bonds of a Series at a price equal to the principal amount thereof, such that the Index Spread for the next Tender Period will be adjusted pursuant to the related Bond Indenture to be the minimum fixed per annum interest rate spread to SIFMA available in the marketplace. The Remarketing Agent shall sell any Bonds of the related Series tendered pursuant to a Scheduled Mandatory Tender at the principal amount thereof; provided that upon delivery of a Favorable Opinion of Bond Counsel, Trinity Health shall have the right to direct the Remarketing Agent to sell any Bonds of the related Series tendered pursuant to a Scheduled Mandatory Tender at a discount or at a premium.

Determination of Scheduled Mandatory Tender Date in Connection with a Scheduled Mandatory Tender. Unless the related Series of the Bonds subject to a Tender Period have been purchased (including in connection with a Conversion or an Unscheduled Mandatory Tender) or redeemed prior to the Scheduled Mandatory Tender Date for such Tender Period, Trinity Health, by direction to the other Notice Parties by Electronic Means, not later than ten (10) days before the Scheduled Mandatory Tender Date for each Tender Period for Bonds in an Index Mode or a Flexible Index Mode, shall determine the Scheduled Mandatory Tender Date for all Bonds of a Series for the Tender Period immediately following the purchase of Bonds pursuant to the applicable provisions of the related Bond Indenture. Such Scheduled Mandatory Tender Date may be any Business Day during the next Tender Period except that the Scheduled Mandatory Tender Date shall not be a date that is earlier than three (3) months after the commencement of the Tender Period, and while in the Flexible Index Mode such Scheduled Mandatory

Tender Date shall not exceed two hundred seventy (270) days after the commencement of the Tender Period. If Trinity Health is required to deliver a written direction described in the Bond Indenture but fails to do so, then the Scheduled Mandatory Tender Date for the Tender Period immediately following the purchase of Bonds pursuant to the applicable provisions of the related Bond Indenture shall be for Bonds in the Index Mode the date that is one (1) year after the commencement of the Tender Period (unless such date is not a Business Day, in which case the Scheduled Mandatory Tender Date shall be the first Business Day following such date) and for Bonds in the Flexible Index Mode the date that is two hundred seventy (270) days after the commencement of the Tender Period (unless such date is not a Business Day, in which case the Scheduled Mandatory Tender Date shall be the first Business Day preceding such date).

Establishment of Call Protection Date in Connection with a Scheduled Mandatory Tender. With respect to any Tender Period commencing on a Scheduled Mandatory Tender Date on which the related Series of the Bonds are purchased pursuant to the applicable provisions of the related Bond Indenture, the Call Protection Date shall be the Tender Period Standard Date; provided that, if Trinity Health delivers to the applicable Bond Trustee a Favorable Opinion of Bond Counsel and specifies such Call Protection Date in the direction delivered pursuant to the related Bond Indenture, Trinity Health may determine that the Call Protection Date for such Tender Period shall be any Business Day during such Tender Period.

Determination of Index Spread in Connection with a Scheduled Mandatory Tender. Unless the related Series of the Bonds subject to a Tender Period have been purchased (including in connection with a Conversion or an Unscheduled Mandatory Tender) or redeemed prior to the Scheduled Mandatory Tender Date for such Tender Period, no later than 5:00 P.M. on the date that is two (2) Business Days before the Scheduled Mandatory Tender Date for each Tender Period, the Remarketing Agent shall determine the Index Spread with respect to the Tender Period immediately following such Scheduled Mandatory Tender Date. The Remarketing Agent shall determine the Index Spread which shall be equal to the minimum fixed spread to SIFMA which, if borne by the related Series of the Bonds, would enable the Remarketing Agent to sell all Bonds of a Series tendered pursuant to the Scheduled Mandatory Tender on the Scheduled Mandatory Tender Date at a price equal to the principal amount thereof. With respect to all Bonds of a Series sold with an Index Tender Rate based on an Index Spread determined by the Remarketing Agent pursuant to the applicable provisions of the related Bond Indenture, the determination of the Index Spread so determined by the Remarketing Agent shall be conclusive and binding on the Notice Parties and the Owners of the related Series of the Bonds. On each date that the Remarketing Agent determines an Index Spread pursuant to the applicable provisions of the related Bond Indenture, the Remarketing Agent shall furnish to the other Notice Parties telephonic notice (promptly confirmed in writing) or written notice or notice by Electronic Means stating such Index Spread.

Purchase of Bonds on Scheduled Mandatory Tender Date. Bonds required to be purchased in accordance with the related Bond Indenture shall be purchased from the Owners thereof, on the Scheduled Mandatory Tender Date, at the Purchase Price from the sources and in the order of priority indicated in the related Bond Indenture. Trinity Health has irrevocably committed to pay the Purchase Price of all Bonds of a Series on each Scheduled Mandatory Tender Date pursuant to the applicable Financing Agreement.

Consequences of a Scheduled Mandatory Tender Failure. Upon the occurrence of a Scheduled Mandatory Tender Failure on any Scheduled Mandatory Tender Date, the following shall occur:

(A) The applicable Bond Trustee shall promptly return all Bonds of a Series to the Owners thereof together with notice of such insufficiency and the applicable Bond Trustee and the Remarketing Agent shall promptly return all remarketing proceeds to the persons providing such moneys without interest;

(B) The Tender Period then in effect shall terminate on such Scheduled Mandatory Tender Date and the related Series of the Bonds will bear interest at the Index Tender Rate for the Tender Period commencing on the Scheduled Mandatory Tender Date of the immediately preceding Tender Period to the earliest to occur of the purchase of the related Series of the Bonds by or on behalf of Trinity Health or the payment of the principal of the related Series of the Bonds; and

(C) An Event of Default under the related Bond Indenture shall occur.

Effect of a Successful Remarketing on Scheduled Mandatory Tender Date. In the event moneys on deposit with the applicable Bond Trustee are sufficient to pay the Purchase Price of Bonds to be purchased pursuant to the related Bond Indenture on the Scheduled Mandatory Tender Date, the following shall occur:

(A) The Tender Period in effect immediately before such purchase shall terminate on the Scheduled Mandatory Tender Date and a new Tender Period shall commence on such date; and

(B) The Index Spread with respect to the related Series of the Bonds for the new Tender Period shall be the Index Spread determined pursuant to the related Bond Indenture.

Notification of Scheduled Mandatory Tender Failure. On the date of a Scheduled Mandatory Tender Failure, the applicable Bond Trustee shall deliver a notice by mail or Electronic Means to (i) Trinity Health, (ii) the respective Owners of any Bonds of the related Series, (iii) the Remarketing Agent, (iv) with respect to the Idaho Bonds, the Idaho Issuer, and (v) one or more information services, which shall state (A) that a Scheduled Mandatory Tender Failure occurred, (B) the applicable Bond Trustee will return all Bonds of a Series tendered on the Scheduled Mandatory Tender Date to the Owners thereof, and (C) an Event of Default has occurred.

Remarketing of Bonds in Connection with Unscheduled Mandatory Tender in the Flexible Index Mode or the Index Mode. Upon receipt of notice of an Unscheduled Mandatory Tender from Trinity Health or notice of intent to schedule an Unscheduled Mandatory Tender Date pursuant to the related Bond Indenture, the Remarketing Agent shall offer for sale and use its best efforts to remarket in accordance with the Remarketing Agreement all Bonds of a Series at a price equal to the principal amount thereof, such that the Index Spread for the next Tender Period will be adjusted pursuant to the related Bond Indenture to be the minimum fixed per annum interest rate spread to SIFMA available in the marketplace. The Remarketing Agent shall sell any Bonds of the related Series tendered pursuant to an Unscheduled Mandatory Tender at the principal amount thereof; provided that if Trinity Health delivers a Favorable Opinion of Bond Counsel, Trinity Health shall have the right to direct the Remarketing Agent to sell any Bonds of the related Series tendered pursuant to an Unscheduled Mandatory Tender at a discount or at a premium.

Determination of Scheduled Mandatory Tender Date in Connection with Unscheduled Mandatory Tender. Trinity Health, by direction to the other Notice Parties by Electronic Notice or telecopy not later than ten (10) days before each Unscheduled Mandatory Tender Date with respect to Bonds in the Index Mode, shall determine the Scheduled Mandatory Tender Date for the Tender Period immediately following the purchase of Bonds pursuant to the applicable provisions of the related Bond Indenture. While the related Series of the Bonds are in a Flexible Index Mode, in accordance with the authorization provided by Trinity Health to the Remarketing Agent and the applicable Bond Trustee in the notice of intent to schedule an Unscheduled Mandatory Tender Date pursuant to the related Bond Indenture, the Remarketing Agent shall, no later than 11:00 A.M. one (1) Business Day before the Unscheduled Mandatory Tender Date determine the Scheduled Mandatory Tender Date for the Tender Period immediately following the purchase of the related Series of the Bonds pursuant to the applicable

provisions of the related Bond Indenture. Such Scheduled Mandatory Tender Date may be any Business Day except that the Scheduled Mandatory Tender Date shall not be a date that is earlier than three (3) months after the commencement of the Tender Period, and while in the Flexible Index Mode such Scheduled Mandatory Tender Date shall not exceed two hundred seventy (270) days after the commencement of the Tender Period.

Establishment of Call Protection Date in Connection with Unscheduled Mandatory Tender. With respect to any Tender Period commencing on a Unscheduled Mandatory Tender Date that the related Series of the Bonds are purchased pursuant to the related Bond Indenture, the Call Protection Date shall be the Tender Period Standard Date; provided that, if Trinity Health delivers to the applicable Bond Trustee a Favorable Opinion of Bond Counsel and specifies such Call Protection Date in the direction delivered pursuant to the related Bond Indenture, Trinity Health may determine that the Call Protection Date for such Tender Period shall be any Business Day during such Tender Period.

Determination of Index Spread in Connection with Unscheduled Mandatory Tender. No later than 5:00 P.M. on the date that is two (2) Business Days before each Unscheduled Mandatory Tender Date while in the Index Mode, the Remarketing Agent shall determine the Index Spread with respect to the Tender Period immediately following such Unscheduled Mandatory Tender Date. While the related Series of the Bonds are in a Flexible Index Mode, in accordance with the authorization provided by Trinity Health to the Remarketing Agent in the notice of intent to schedule an Unscheduled Mandatory Tender Date pursuant to the related Bond Indenture, the Remarketing Agent shall, no later than 11:00 A.M. one (1) Business Day before the Unscheduled Mandatory Tender Date determine Index Spread with respect to the Tender Period immediately following such Unscheduled Mandatory Tender Date. The Remarketing Agent shall determine the Index Spread which shall be equal to the minimum fixed spread to SIFMA which, if borne by the related Series of the Bonds, would enable the Remarketing Agent to sell all Bonds of a Series tendered pursuant to the Unscheduled Mandatory Tender on the Unscheduled Mandatory Tender Date at a price equal to the principal amount thereof. With respect to all Bonds of a Series sold with an Index Tender Rate based on an Index Spread determined by the Remarketing Agent pursuant to the related Bond Indenture, the determination of the Index Spread so determined by the Remarketing Agent shall be conclusive and binding on the Notice Parties and the Owners of the related Series of the Bonds. On each date that the Remarketing Agent determines an Index Spread pursuant to the related Bond Indenture, the Remarketing Agent shall furnish to Trinity Health and the applicable Bond Trustee telephonic notice (promptly confirmed in writing) or written notice or notice by Electronic Means stating such Index Spread.

Purchase of Bonds on Unscheduled Mandatory Tender Date. Subject to the provisions the applicable provisions of the related Bond Indenture, Trinity Health shall cause Bonds required to be purchased in accordance with the related Bond Indenture to be purchased on each Unscheduled Mandatory Tender Date from the Owners thereof, at the Purchase Price from the source indicated in the related Bond Indenture.

Consequences of an Unscheduled Mandatory Tender Failure or a Rescission. If Trinity Health shall rescind any Unscheduled Mandatory Tender pursuant to the related Bond Indenture or if any of the conditions of any Unscheduled Mandatory Tender is not satisfied pursuant to the related Bond Indenture then Trinity Health shall not have any obligation to purchase any Bonds of the related Series and no purchase of Bonds shall occur. In such event the following shall occur:

(A) The applicable Bond Trustee shall return all Bonds of a Series to the Owners thereof together with notice of the basis for such return and the applicable Bond Trustee and the Remarketing Agent shall return all remarketing proceeds to the persons providing such moneys without interest;

(B) The Bonds shall continue to bear interest at the Index Tender Rate in effect during such Tender Period without change or modification and the Tender Period then in effect shall continue until terminated in accordance with the applicable provisions of the related Bond Indenture); and

(C) No Event of Default under the related Bond Indenture shall have occurred.

Effect of a Successful Remarketing of Bonds on Unscheduled Mandatory Tender Date. In the event moneys on deposit with the applicable Bond Trustee are sufficient to pay the Purchase Price of Bonds to be purchased pursuant to the related Bond Indenture and all other conditions are satisfied, the following shall occur:

(A) The Tender Period in effect immediately before such tender shall terminate on such Unscheduled Mandatory Tender Date and a new Tender Period shall commence on such date; and

(B) The Index Spread with respect to the related Series of the Bonds for the new Tender Period shall be the Index Spread determined pursuant to the related Bond Indenture.

Delivery of Bonds in Connection with a Scheduled Mandatory Tender or an Unscheduled Mandatory Tender.

(i) With respect to the delivery of Bonds in connection with a Scheduled Mandatory Tender or an Unscheduled Mandatory Tender, the applicable Bond Trustee shall determine timely and proper delivery of Bonds pursuant to the related Bond Indenture and the proper delivery of such Bonds. Such determination shall be binding on the Owners of such Bonds, Trinity Health and the Remarketing Agent, absent manifest error.

(ii) Bonds purchased with moneys described in the applicable provisions of the related Bond Indenture shall be made available by the applicable Bond Trustee to the Remarketing Agent for delivery to the purchasers thereof against payment therefor.

(iii) Bonds delivered as provided in the related Bond Indenture shall be delivered in the manner directed by the recipient thereof.

Changes in Interest Rate Mode

(a) Subject to the provisions of the related Bond Indenture, Trinity Health may effect a Conversion with respect to all or a portion of the related Series of the Bonds by following the procedures set forth in this paragraph. If a Conversion makes the related Series of the Bonds subject to Rule 15c2-12 promulgated under the Securities Act of 1934, as amended, it will be a condition to the Conversion that Trinity Health shall have executed a continuing disclosure undertaking satisfying the requirements of such Rule and will cooperate with the Remarketing Agent, and any Underwriter (as defined in such Rule) in satisfying the requirements of such Rule. If the Interest Rate Mode is to be changed for a portion of the related Series of the Bonds (and not all of the related Series of the Bonds), the related Issuer, Trinity Health and the applicable Bond Trustee will take such actions as shall be necessary or desirable to distinguish the portion of the related Series of the Bonds in one Interest Rate Mode from the portion of the related Series of the Bonds in a different Interest Rate Mode, including assigning different designations to different portions of the related Series of the Bonds or creating additional sub-series of Bonds or modifying the terms of the related Bond Indenture to implement, clarify or distinguish the change of Interest Rate Mode for a portion of the related Series of the Bonds following Conversion, as contemplated under in the related Bond Indenture. In connection with any Conversion from a Flexible Index Mode to any other Interest Rate Mode, in the event the MMI Procedures are not applicable to such

New Mode, Trinity Health and the applicable Bond Trustee will take all reasonable efforts to remove the related Series of the Bonds from the Book-Entry System using the MMI Procedures.

(b) Changes to Interest Rate Modes Other Than to Fixed Rate Mode. Except for Conversions to the Index Mode and the Flexible Index Mode and Conversions to the FRN Rate Mode, all or a portion of the related Series of the Bonds (other than Bonds in the Fixed Rate Mode) may be changed from one Interest Rate Mode to another Interest Rate Mode (other than the Fixed Rate Mode) as follows:

(i) Conversion Notice; Notice to Owners. No later than a Business Day which is at least seven (7) Business Days prior to the date on which the Tender Agent is required to notify the registered owners (or such shorter time as may be agreed to by the related Issuer, Trinity Health, the applicable Bond Trustee, the Tender Agent and the Remarketing Agent) preceding the proposed Conversion Date, Trinity Health will give written notice to the Notice Parties of its intention to effect a change in the Interest Rate Mode from the Interest Rate Mode then prevailing (for purposes of this paragraph, the “Current Mode”) to another Interest Rate Mode (for purposes of this paragraph, the “New Mode”) specified in such written notice, and, if the change is to a Term Rate Mode, the length of the initial Interest Period as set by Trinity Health. In the case of a change to a Term Rate Mode or from one Term Rate Mode to another Term Rate Mode, such notice to the Notice Parties will also include a statement as to whether there will be a Liquidity Facility and/or Credit Facility in effect with respect to the related Series of the Bonds following such change and the identity of any provider of such Liquidity Facility and/or Credit Facility. Notice of the proposed Conversion will be given by the Tender Agent to the Owners of the related Series of the Bonds not later than the 20th day next preceding the Conversion Date provided that no notice need be given for a Conversion Date occurring on the first Business Day following the last day of a Flexible Rate Period or Term Rate Mode or on a Substitution Date. Such notice shall state: (1) the Interest Rate Mode to which the Conversion will be made and the Conversion Date; (2) (a) in the case of a change from any Interest Rate Mode other than from the Daily Mode to the Weekly Mode or from the Weekly Mode to the Daily Mode, that the related Series of the Bonds will be subject to mandatory purchase on the Conversion Date (regardless of whether all of the conditions to the change in the Interest Rate Mode are satisfied except in the case of a Conversion from the Three Month LIBOR Indexed Mode) and the Purchase Price of the related Series of the Bonds; and (b) in the case of a change from the Daily Mode to the Weekly Mode or from the Weekly Mode to the Daily Mode, that the related Series of the Bonds will not be subject to mandatory purchase on the Conversion Date; and (3) if the Book-Entry System is no longer in effect, information with respect to required delivery of Bond certificates and payment of Purchase Price. If the Conversion is from the Three Month LIBOR Indexed Mode, such notice will state that the related Series of the Bonds are subject to mandatory purchase on the Conversion Date and will also state that if the conditions to the Conversion are not satisfied, then the related Series of the Bonds will not be subject to mandatory tender, and will stay in the Three Month LIBOR Indexed Mode and the interest rate will be established by the applicable Paying Agent on the failed Conversion Date in accordance with the related Bond Indenture, as if no Conversion Date had been proposed.

(ii) Determination of Interest Rates. The New Mode will commence on the Conversion Date and the interest rate(s) (together, in the case of a change to the Flexible Mode, with the Interest Period(s)) will be determined by the Remarketing Agent (or Trinity Health in the case of the Interest Period for the related Series of the Bonds converted to the Term Rate Mode) in the manner provided in the applicable provisions of the related Bond Indenture, as applicable, to the New Mode. Such determination will be conclusive and binding upon the related Issuer, Trinity Health, the applicable Bond Trustee and the Owners of the related Series of the Bonds to which such rate will be applicable.

(iii) Conditions Precedent:

(A) The Conversion Date will be:

(1) in the case of a change from the Flexible Mode, the next Mandatory Purchase Date for all of the Flexible Rate Bonds;

(2) in the case of a change from the Daily or Weekly Mode (other than to the Daily or Weekly Mode), or a change from the Window Mode, any Interest Payment Date and in the case of a change from the Daily or Weekly Mode to the Daily or Weekly Mode, any Business Day;

(3) in the case of a change from the Term Rate Mode or the FRN Rate Mode to another Interest Rate Mode, or from a Term Rate Period to a Term Rate Period of a different duration, or from a Three Month LIBOR Indexed Mode to another Interest Rate Mode, the Conversion Date shall be limited to any Interest Payment Date on which the related Series of the Bonds are subject to optional redemption, or to the day immediately following the last day of the then-current FRN Rate Period for the related Series of the Bonds in the FRN Rate Mode, or a day on which the related Series of the Bonds would otherwise be subject to optional redemption pursuant to the related Bond Indenture if such Conversion did not occur, or to the last Interest Payment Date of the current Term Rate Period, as the case may be. Such Bonds shall be purchased on such Conversion Date at a Purchase Price equal to 100% of the principal amount thereof, provided that if such Bonds would otherwise be subject to optional redemption on such Conversion Date at a Redemption Price of more than 100% of the principal amount thereof, such Bonds shall be purchased at a Purchase Price equal to such Redemption Price; and

(4) in the case of a Conversion from the Index Mode or the Flexible Index Mode, a Scheduled Mandatory Tender Date or an Unscheduled Mandatory Tender Date in accordance with the provisions of the related Bond Indenture. In no event shall a Conversion occur prior to the Call Protection Date while the related Series of the Bonds bear interest in the Index Mode.

(B) If the related Series of the Bonds to be converted are in the Flexible Mode, no Interest Period set after delivery by Trinity Health to the Remarketing Agent of the notice of the intention to effect a Conversion shall extend beyond the day preceding the proposed Conversion Date.

(C) The following items shall have been delivered to the applicable Bond Trustee, the applicable Paying Agent and the Remarketing Agent on or prior to the Conversion Date:

(1) a Favorable Opinion of Bond Counsel dated the Conversion Date and addressed to the Notice Parties;

(2) if there is to be a Liquidity Facility or an Alternate Liquidity Facility or a Credit Facility or an Alternate Credit Facility delivered in connection with such change, the items required by the related Bond Indenture; and

(3) a Rating Confirmation Notice, or if the Conversion Date is a Mandatory Purchase Date, a notice from the Rating Agencies of the rating(s) to be assigned the related Series of the Bonds on such Conversion Date.

(D) It is a condition to the Conversion of the related Series of the Bonds from the Three Month LIBOR Indexed Mode that all Bonds of a Series being converted be remarketed on the Conversion Date.

(E) In the case of Bonds to be converted to the Window Mode, the Initial Window Spread will be determined by the Remarketing Agent on a Business Day no later than the Conversion Date. The sum of the SIFMA Index plus the Initial Window Spread shall be equal to the rate of interest per annum determined by the Remarketing Agent (based on an examination of tax exempt obligations comparable, in the judgment of the Remarketing Agent, to the related Series of the Bonds and known by the Remarketing Agent to have been priced or traded under then prevailing market conditions) to be the minimum interest rate which, if borne by the related Series of the Bonds, would enable the Remarketing Agent to sell all of the related Series of the Bonds on the Conversion Date at a price (without regard to accrued interest) equal to the principal amount thereof.

(c) Change to Fixed Rate Mode. At the option of Trinity Health, all or any portion of the related Series of the Bonds in an Interest Rate Mode other than a Fixed Rate Mode (in an amount which is an Authorized Denomination for the new Rate Period) may be changed to the Fixed Rate Mode, as provided in this paragraph. On any Business Day which is at least seven (7) Business Days prior to the date on which the applicable Paying Agent is required to notify the registered owners (or such shorter time as may be agreed to by the related Issuer, Trinity Health, the applicable Bond Trustee and the Remarketing Agent, but in any event not less than the 20th day next preceding the Conversion Date) before the proposed Conversion Date, Trinity Health shall give written notice to the Notice Parties stating that the Interest Rate Mode will be changed to the Fixed Rate Mode and setting forth the proposed Conversion Date. Such notice will also state whether or not there shall be a Credit Facility with respect to the related Series of the Bonds following such change and, if so, the identity of the applicable Credit Facility Provider. In addition, such notice will state whether some or all of the related Series of the Bonds to be converted will be converted to Serial Bonds and, if so, the applicable Serial Maturity Dates and Serial Payments, all as determined pursuant to subparagraph (v) of this paragraph (c). Any such Conversion will be made as follows:

(i) Conversion Date. The Conversion Date will be:

(A) in the case of a change from the Flexible Mode, the next Mandatory Purchase Date for the Flexible Rate Bonds;

(B) in the case of a change from the Daily Mode, Weekly Mode, or Window Mode, any Interest Payment Date;

(C) in the case of a change from the Term Rate Mode, the FRN Rate Mode or the Three Month LIBOR Indexed Mode, the Conversion Date shall be limited to any Interest Payment Date on which the related Series of the Bonds are subject to optional redemption, or to the day immediately following the last day of the then-current FRN Rate Period for the related Series of the Bonds in the FRN Rate Mode, or a day on which the related Series of the Bonds would otherwise be subject to optional redemption pursuant to the related Bond Indenture if such conversion did not occur, or to the next

Mandatory Purchase Date for the Term Rate Bonds, as the case may be. Such Bonds shall be purchased on such Conversion Date at a Purchase Price equal to 100% of the principal amount thereof, provided that if such Bonds would otherwise be subject to optional redemption on such Conversion Date at a Redemption Price of more than 100% of the principal amount thereof, such Bonds shall be purchased at a Purchase Price equal to such Redemption Price; and

(D) in the case of a Conversion from the Index Mode or the Flexible Index Mode, a Scheduled Mandatory Tender Date or an Unscheduled Mandatory Tender Date in accordance with the provisions of the related Bond Indenture. In no event shall a Conversion occur prior to the Call Protection Date while the related Series of the Bonds bear interest in the Index Mode.

(ii) Notice to Owners. Not later than the 20th day next preceding the Conversion Date, the applicable Paying Agent shall mail, in the name of Trinity Health, a notice of such proposed change to the Owners of the related Series of the Bonds stating that the Interest Rate Mode will be changed to the Fixed Rate Mode and the proposed Conversion Date. Such notice shall also state that such Owner is required to tender such Owner's Bonds for purchase on such proposed Conversion Date regardless of whether all of the conditions to the change to the Fixed Rate Mode are satisfied except in the case of a Conversion from the Three Month LIBOR Indexed Mode. If the Conversion is from the Three Month LIBOR Indexed Mode, such notice shall state that the related Series of the Bonds are subject to mandatory purchase on the Conversion Date and shall also state that if the conditions to the Conversion are not satisfied, then the related Series of the Bonds shall not be subject to mandatory tender, and shall stay in the Three Month LIBOR Indexed Mode and the interest rate shall be established by the applicable Paying Agent on the failed Conversion Date in accordance with the related Bond Indenture, as if no Conversion Date had been proposed.

(iii) General Provisions Applying to Change to Fixed Rate Mode. The change to the Fixed Rate Mode shall not occur unless the following items shall have been delivered to the related Issuer, Trinity Health, the applicable Bond Trustee, the applicable Credit Facility Provider, if any, and the Remarketing Agent on or prior to the Conversion Date:

(A) a Favorable Opinion of Bond Counsel dated the Conversion Date and addressed to the related Issuer, Trinity Health, the applicable Bond Trustee and the Remarketing Agent;

(B) if there is to be Credit Facility delivered in connection with such change, the items required by the related Bond Indenture in connection with the delivery of an Alternate Credit Facility, and

(C) notice from the Rating Agencies of the rating(s) to be assigned the related Series of the Bonds on such Conversion Date.

(iv) Determination of Interest Rate. The Fixed Rate (or rates in the case of Serial Bonds) for the related Series of the Bonds to be converted to the Fixed Rate Mode shall be established by the Remarketing Agent on the Rate Determination Date applicable thereto pursuant to the provisions of the related Bond Indenture. Such Rate shall remain in effect until the Maturity Date of the related Series of the Bonds. Such determination shall be conclusive and binding upon the related Issuer, Trinity Health, the applicable Bond Trustee, the applicable Credit Facility Provider, if any, and the Owners of the related Series of the Bonds to which such rate will

be applicable. Not later than 5:00 P.M., on the date of determination of the Fixed Rate, the Remarketing Agent shall notify the applicable Bond Trustee, the applicable Credit Facility Provider, the related Issuer and Trinity Health of such rate by telephone.

(v) Serialization and Sinking Fund; Price. Upon Conversion of the related Series of the Bonds to the Fixed Rate Mode, the related Series of the Bonds shall be remarketed at par, shall mature on the same Maturity Date(s) and be subject to the same mandatory sinking fund redemption, if any, and special redemption provisions, if any, as set forth in the related Bond Indenture for any prior Interest Rate Mode; provided, however, that if Trinity Health shall deliver to the applicable Bond Trustee a Favorable Opinion of Bond Counsel, Trinity Health may elect to (1) have some of the related Series of the Bonds be Serial Bonds and some subject to sinking fund redemption even if such Bonds of the related Series were not Serial Bonds or subject to mandatory sinking fund redemption prior to such change, (2) change the optional redemption dates and/or premiums set forth in the related Bond Indenture, and/or (3) sell some or all of the related Series of the Bonds at a premium or a discount to par.

(d) Failure to Satisfy Conditions Precedent to an Interest Rate Conversion. In the event the conditions described above in paragraphs (a) or (b), as applicable, of this section entitled “Changes in Interest Rate Mode” have not been satisfied by the applicable Conversion Date, then the New Mode will not take effect (although, except in the case of a failed Conversion from the Three Month LIBOR Indexed Mode or the Window Mode, any mandatory purchase will be made on such date if notice has been sent to the Owners stating that such Bonds would be subject to mandatory purchase on such date). If the failed Conversion was from the Flexible Mode, the related Series of the Bonds will remain in the Flexible Mode with interest rates and Interest Periods to be established by the Remarketing Agent on the failed Conversion Date in accordance with the related Bond Indenture. If the failed Conversion was from the Daily Mode, the related Series of the Bonds will remain in the Daily Mode, and if the failed Conversion was from the Weekly Mode, the related Series of the Bonds will remain in the Weekly Mode, in each case with interest rates established in accordance with the applicable provisions of the related Bond Indenture on and as of the failed Conversion Date. If the failed Conversion was from the Window Mode, then the related Series of the Bonds will not be subject to mandatory tender and the related Series of the Bonds shall remain in the Window Mode with interest rates established in accordance with the applicable provisions of the related Bond Indenture on and as of the failed Conversion Date. If the failed Conversion was from the Term Rate Mode, then the related Series of the Bonds shall stay in the Term Rate Mode for an Interest Period ending on the following Interest Payment Date for the related Series of the Bonds in the Term Rate Mode and the interest rate shall be established by the Remarketing Agent on the failed Conversion Date in accordance with the related Bond Indenture. If the failed Conversion was from the Three Month LIBOR Indexed Mode, then the related Series of the Bonds will not be subject to mandatory tender and the related Series of the Bonds will remain in the Three Month LIBOR Indexed Mode, with interest rates established in accordance with the applicable provisions of the related Bond Indenture on and as of the failed Conversion Date. If the failed Conversion was from the FRN Rate Mode, then the related Series of the Bonds shall stay in the FRN Rate Mode as in effect immediately prior to the proposed Conversion, with interest rates established in accordance with the applicable provisions of the related Bond Indenture on and as of the failed Conversion Date. If the Current Mode is an Index Mode or a Flexible Index Mode, the Tender Period for all Outstanding Bonds of the related Series will extend from and including the date on which the New Mode was to take effect to and including the date which was the Scheduled Mandatory Tender Date (and, if such date is not a Business Day, then the Business Day preceding such date while in a Flexible Index Mode and the Business Day following such date while in an Index Mode).

(e) Rescission of Election. Notwithstanding anything in the related Bond Indenture to the contrary, Trinity Health may rescind any election by it to change an Interest Rate Mode as

described above prior to the Conversion Date by giving written notice thereof to the Notice Parties prior to 10:00 A.M. on the Business Day preceding such Conversion Date. If the Tender Agent receives notice of such rescission prior to the time the Tender Agent has given notice to the Holders of the related Series of the Bonds, then such notice of Conversion shall be of no force and effect. If the Tender Agent receives notice from Trinity Health of rescission of an Interest Rate Mode change after the Tender Agent has given notice thereof to the Holders of the related Series of the Bonds, then if the proposed Conversion Date would have been a Mandatory Purchase Date, such date shall continue to be a Mandatory Purchase Date except if the Conversion is from the Three Month LIBOR Indexed Mode or the Window Mode. If the proposed Conversion was from the Flexible Mode, the related Series of the Bonds shall remain in the Flexible Mode with interest rates and Interest Periods to be established by the Remarketing Agent on the proposed Conversion Date in accordance with the related Bond Indenture. If the proposed Conversion was from the Daily Mode, the related Series of the Bonds shall remain in the Daily Mode, and if the proposed Conversion was from the Weekly Mode, the related Series of the Bonds shall remain in the Weekly Mode, in each case with interest rates established in accordance with the applicable provisions of the related Bond Indenture on and as of the proposed Conversion Date. If the proposed Conversion was from the Window Mode, the related Series of the Bonds shall remain in the Window Mode with interest rates established in accordance with the applicable provisions of the related Bond Indenture on and as of the proposed Conversion Date. If the related Series of the Bonds are in the Window Mode immediately prior to such proposed Conversion and sufficient remarketing proceeds are not available for the purchase of all Bonds of a Series on the date which would have been the effective date of such proposed Conversion, then Trinity Health shall be deemed to have rescinded its election to make such Conversion. If the related Series of the Bonds were in a Window Rate Period immediately prior to such proposed Conversion, the applicable Bond Trustee shall give notice of the rescission by Electronic Means as soon as practicable and in any event not later than the next succeeding Business Day to the Holders thereof. If the proposed Conversion was from the Term Rate Mode, then the related Series of the Bonds shall stay in the Term Rate Mode for an Interest Period ending on the following Interest Payment Date for the related Series of the Bonds in the Term Rate Mode and the interest rate shall be established by the Remarketing Agent on the proposed Conversion Date in accordance with the related Bond Indenture. If the Remarketing Agent is unable to determine the interest rate on the proposed Conversion Date, the provisions of the related Bond Indenture shall apply in effect at the beginning of each such Interest Period. If the proposed Conversion was from the Three Month LIBOR Indexed Mode, the related Series of the Bonds shall remain in the Three Month LIBOR Indexed Mode, with interest rates established in accordance with the applicable provisions of the related Bond Indenture on and as of the proposed Conversion Date.

Transfer of Bonds

Any Bond may, in accordance with its terms, be transferred, upon the bond registration books required to be kept pursuant to the provisions of the related Bond Indenture, by the Person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such registered Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form approved by the applicable Bond Trustee.

Whenever any Bond or Bonds will be surrendered for transfer, the related Issuer will execute and the applicable Bond Trustee will authenticate and deliver a new Bond or Bonds for a like aggregate principal amount of the same series. The applicable Bond Trustee will require the Bondholder requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer.

The applicable Bond Trustee will not transfer any Bond if the applicable Bond Trustee has received notice from the Remarketing Agent to the effect that the Remarketing Agent has received notice of tender of such Bond from the Holder of such Bond.

The applicable Bond Trustee will not be required to transfer any Bond, except to the applicable Credit Facility Provider (if any) or the applicable Liquidity Facility Provider (if any), during the 15 days immediately preceding (1) the date on which notice of redemption of Bonds is given or (2) the date on which Bonds will be selected for redemption.

Exchange of Bonds

Bonds may be exchanged at the Principal Corporate Trust Office, for a like aggregate principal amount of Bonds in other authorized denominations. The applicable Bond Trustee will require the Bondholder requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange.

The applicable Bond Trustee will not be required to exchange any Bond, except to the applicable Credit Facility Provider (if any) or the applicable Liquidity Facility Provider (if any), during the 15 days immediately preceding (1) the date on which notice of redemption is given or (2) the date on which Bonds will be selected for redemption.

Establishment of Funds and Accounts

Each Indenture creates a Revenue Fund, an Interest Account, a Principal Account, a Redemption Fund, a Cost of Issuance Fund, a Project Fund and a Rebate Fund. All of such Funds and Accounts are to be held by the applicable Bond Trustee pursuant to the related Indenture.

Revenue Fund. All Revenues for each Series of Bonds shall be promptly deposited by the applicable Bond Trustee upon receipt thereof in a special fund designated as the “*Revenue Fund*” which the applicable Bond Trustee is directed by the related Bond Indenture to establish, maintain and hold in trust pursuant to the related Bond Indenture (except as otherwise provided in the related Bond Indentures), and except that all moneys received by the applicable Bond Trustee and required by the related Agreement or the related Obligation to be deposited in the related Bond Purchase Fund or the Redemption Fund, shall be promptly deposited in the related Bond Purchase Fund and Redemption Fund, respectively. All Revenues deposited with the applicable Bond Trustee shall be held, disbursed, allocated and applied by the applicable Bond Trustee only as provided in the related Bond Indenture.

On or before the dates specified below, the applicable Bond Trustee shall transfer from the applicable Revenue Fund and deposit into the following respective accounts (each of which the applicable Bond Trustee is directed by the related Bond Indenture to establish and maintain within the applicable Revenue Fund) the following amounts, in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

First: to the Interest Account on or before each Interest Payment Date, the amount of interest becoming due and payable on such Interest Payment Date on all Bonds of a Series then Outstanding, until the balance in said account is equal to said amount of interest; and

Second: to the Principal Account, on or before each Principal Payment Date, the amount of the Sinking Fund Installment becoming due and payable on such Principal Payment Date, until the balance in said account is equal to said amount of such Sinking Fund Installment.

Any moneys remaining in the applicable Revenue Fund after the foregoing transfers will be transferred to Trinity Health as an overpayment of Loan Repayments with respect to the applicable Series of Bonds.

Application of Interest Account. All amounts in the Interest Account will be used and withdrawn by the applicable Bond Trustee solely for the purpose of paying interest on the related Series of the Bonds as it shall become due and payable (including accrued interest on any Bonds of the related Series purchased pursuant to the related Bond Indenture or redeemed prior to maturity pursuant to the related Bond Indenture) or to reimburse the applicable Credit Facility Provider with respect to drawings under the Credit Facility for such purposes. Unless there has been an Event of Default, so long as the Credit Facility is in effect and has been drawn upon to provide sufficient funds to pay in full an interest payment when due as required in the related Bond Indenture, the applicable Bond Trustee will use moneys in the Interest Account deposited by Trinity Health to reimburse the applicable Credit Facility Provider (if any) for such drawing in such manner as to provide for receipt by the applicable Credit Facility Provider (if any) on the same Business Day as the draw is funded.

Application of Principal Account. (a) All amounts in the Principal Account will be used and withdrawn by the applicable Bond Trustee solely to pay Sinking Fund Installments, to pay principal of the related Series of the Bonds at maturity or to pay principal of the related Series of the Bonds upon purchase pursuant to the applicable Bond Indenture or redemption as provided in the related Bond Indenture, or to reimburse the applicable Credit Facility Provider with respect to drawings under the Credit Facility for such purposes. Unless there has been an Event of Default, so long as the Credit Facility is in effect and has been drawn upon to provide sufficient funds to pay a principal payment when due as required in the related Bond Indenture, the applicable Bond Trustee shall use moneys in the Principal Account deposited by Trinity Health to reimburse the applicable Credit Facility Provider (if any) for such drawing in such manner as to provide for receipt by the applicable Credit Facility Provider (if any) on the same Business Day as the draw is funded.

(b) On each Sinking Fund Installment date established pursuant to the related Bond Indenture, the applicable Bond Trustee will apply the Sinking Fund Installment required on that date to the redemption (or payment at maturity, as the case may be) of Bonds, upon the notice and in the manner provided in the related Bond Indenture; provided, however, that, at any time prior to giving such notice of such redemption, the applicable Bond Trustee may apply moneys in the Principal Account 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 directed in writing by the Obligated Group Agent, except that the purchase price (excluding accrued interest) shall not exceed the par amount of the related Series of the Bonds so purchased. If, during the twelve-month period immediately preceding a Sinking Fund Installment payment date, the applicable Bond Trustee has purchased Bonds of the related Series with moneys in the Principal Account, or, during said period and prior to giving said notice of redemption, the Obligated Group Agent has deposited Bonds of the related Series with the applicable Bond Trustee (together with a Request of the Obligated Group Agent, to apply such Bonds to the Sinking Fund Installment due on said date), or Bonds of the related Series were at any time purchased or redeemed by the applicable Bond Trustee from the Redemption Fund and allocable to said Sinking Fund Installment, such Bonds shall be applied, to the extent of the full principal amount thereof, to reduce said Sinking Fund Installment. All Bonds purchased or deposited as described in this paragraph, if any, shall be cancelled by the applicable Bond Trustee. Bonds purchased from the Principal Account, purchased or redeemed from the Redemption Fund, or deposited by the Obligated Group Agent

with the applicable Bond Trustee shall be allocated first to the next succeeding Sinking Fund Installment for such Bonds, then as a credit against such future Sinking Fund Installments for such Bonds as the Obligated Group Agent may specify in writing.

Redemption Fund. The applicable Bond Trustee will establish, maintain and hold in trust a fund separate from any other fund established and maintained under the related Bond Indenture designated as the “Redemption Fund” and within the Redemption Fund a separate Optional Redemption Account and a separate Special Redemption Account. All amounts deposited in the Optional Redemption Account and the Special Redemption Account will be used and withdrawn by the applicable Bond Trustee solely for the purpose of redeeming Bonds of the relate Series, in the manner and upon the terms and conditions specified in the related Bond Indenture, on the next succeeding date of redemption for which notice has not previously been given and at the Redemption Prices then applicable to redemptions from the Optional Redemption Account and the Special Redemption Account, respectively, or to reimburse the applicable Credit Facility Provider (if any) with respect to drawings under the Credit Facility for such purpose; provided, however, that, at any time prior to giving such notice of redemption, the applicable Bond Trustee will, upon direction of the Obligated Group Agent, apply such amounts to the purchase of Bonds of the related Series at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as the Obligated Group Agent may direct, except that the purchase price (exclusive of accrued interest) may not exceed the Redemption Price then applicable to such Bonds; and provided, further, that in the case of the Optional Redemption Account, in lieu of redemption on such next succeeding date of redemption, or in combination therewith, amounts in such account may be transferred to the applicable Revenue Fund to the extent not needed to redeem Bonds for which notice of redemption has previously been given by the applicable Bond Trustee and credited against Loan Repayments with respect to the applicable Bonds in order of their due date as set forth in a Request of the Obligated Group Agent.

Costs of Issuance Fund. The applicable Bond Trustee shall establish, maintain and hold in trust a separate fund designated as the “*Costs of Issuance Fund*.” The moneys in the related Costs of Issuance Fund will be used and withdrawn by the applicable Bond Trustee to pay the related Costs of Issuance upon requisition of the Obligated Group Agent stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against the related Costs of Issuance Fund. On June 1, 2014, or upon the earlier Request of the Obligated Group Agent, amounts, if any, remaining in the related Costs of Issuance Fund shall be transferred to the Interest Account.

Project Fund. The applicable Bond Trustee shall establish, maintain and hold in trust a separate fund designated as the “*Project Fund*.” The moneys in the related Project Fund will be used and withdrawn by the applicable Bond Trustee to pay the costs of the Project. No moneys in the related Project Fund will be used to pay Costs of Issuance or to pay any costs relating to a project which is not listed in the related Tax Certificate and Agreement with respect to the Ohio Bonds and Loan Agreement with respect to the Idaho Bonds, as applicable, regardless of whether or not such project falls within the definition of “Project” above, unless the related Issuer and the applicable Bond Trustee shall have received a Favorable Opinion of Bond Counsel as to such payment.

Before any payment from the related Project Fund shall be made, the Obligated Group Agent shall file or cause to be filed with the applicable Bond Trustee a requisition stating (1) the item number of such payment; (2) the name of the Person to whom each such payment is due, which may be the Obligated Group Agent, Trinity Health, Health System (with respect to the Idaho Bonds) or the Benefitted Organizations in the case of reimbursement for Project costs theretofore paid by the Obligated Group Agent, Trinity Health, Health System (with respect to the Idaho Bonds) or the Benefitted Organizations, respectively; (3) the respective amounts to be paid; (4) the purpose by general

classification for which each obligation to be paid was incurred; and (5) that obligations in the stated amounts have been incurred by the Obligated Group Agent, Trinity Health or the Benefitted Organizations and are presently due and payable and that each item thereof is properly chargeable against the related Project Fund and has not been previously paid from the related Project Fund.

Upon receipt of a requisition, the applicable Bond Trustee shall pay the amount set forth in such requisition as directed by the terms thereof out of the related Project Fund. The applicable Bond Trustee shall rely fully on any such requisition delivered pursuant to the related Bond Indenture and shall not be required to make any investigation in connection therewith. The applicable Bond Trustee shall not make any such payment if it has received any written notice of claim of lien, attachment upon, or claim affecting the right to receive payment of, any of the monies to be so paid, that has not been released or will not be released simultaneously with such payment.

When the Project shall have been completed, there shall be delivered to the applicable Bond Trustee a Certificate of the Obligated Group Agent stating the fact and date of such completion and stating that all of the costs thereof have been determined and paid (or that all of such costs have been paid less specified claims that are subject to dispute and for which a retention in the related Project Fund is to be maintained in the full amount of such claims until such dispute is resolved). Upon the receipt of such Certificate, the applicable Bond Trustee shall transfer any remaining balance in the related Project Fund, less the amount of any such retention, to the Optional Redemption Account and apply such funds to the optional redemption of Bonds of the related Series.

Notwithstanding anything to the contrary above, if there is an Event of Default under the related Bond Indenture, the applicable Bond Trustee shall not disburse moneys as provided in the related Bond Indenture, but shall use any moneys in the related Project Fund to pay principal of and interest on the related Series of the Bonds if there are insufficient funds in the applicable Revenue Fund.

Rebate Fund. The applicable Bond Trustee shall establish and maintain a fund separate from any other fund established and maintained under the related Bond Indenture designated as the "Rebate Fund." Within the related Rebate Fund, the applicable Bond Trustee shall maintain such accounts as shall be specified by the related Tax Certificate and Agreement. Subject to the transfer provisions provided in paragraph (e) below, all money at any time deposited in the related Rebate Fund shall be held by the applicable Bond Trustee in trust, to the extent required to satisfy the Rebate Amount (as defined in the related Tax Certificate and Agreement), for payment to the federal government of the United States of America. Neither the related Issuer, Trinity Health, the Obligated Group Agent nor the Holder of any Bonds of the related Series shall have any rights in or claim to such money. All amounts deposited into or on deposit in the related Rebate Fund will be governed by the applicable Bond Indenture and by the related Tax Certificate and Agreement (which is incorporated in the related Bond Indenture by reference). The applicable Bond Trustee will be deemed conclusively to have complied with such provisions if it follows the written directions of the Obligated Group Agent including supplying all necessary information in the manner provided in the related Tax Certificate and Agreement, and shall have no liability or responsibility to investigate, monitor or enforce compliance by Trinity Health or the related Issuer with the terms of the related Tax Certificate and Agreement. The related Issuer shall be deemed conclusively to have complied with the provisions of the related Bond Indenture if it takes such action as may reasonably be requested by Trinity Health pursuant to the related Tax Certificate and Agreement.

Upon the Obligated Group Agent's written direction, an amount will be deposited to the related Rebate Fund by the applicable Bond Trustee from deposits by the Obligated Group Agent or from available investment earnings on amounts held in the applicable Revenue Fund, if and to the extent required, so that the balance in the related Rebate Fund will equal the Rebate Amount. Computations of the Rebate Amount will be furnished to the applicable Bond Trustee by or on behalf of Trinity Health in

accordance with the related Tax Certificate and Agreement and the applicable Bond Trustee may conclusively rely upon such computations.

The applicable Bond Trustee will have no obligation to rebate any amounts required to be rebated pursuant to the related Bond Indenture, other than from moneys held in the funds and accounts created under the related Bond Indenture or from other moneys provided to it by the Obligated Group Agent.

At the written direction of the Obligated Group Agent, the applicable Bond Trustee will invest all amounts held in the related Rebate Fund in Investment Securities, subject to the restrictions set forth in the related Tax Certificate and Agreement. Neither the related Issuer nor the applicable Bond Trustee will be liable for any consequences arising from such investment. Money shall not be transferred from the related Rebate Fund except as provided in paragraph (e) below.

Upon receipt of the Obligated Group Agent's written directions, the applicable Bond Trustee will remit part or all of the balances in the related Rebate Fund to the United States, as so directed. In addition, if the Obligated Group Agent so directs in writing, the applicable Bond Trustee will deposit money into or transfer money out of the related Rebate Fund from or into such accounts or funds, as so directed. Any funds remaining in the related Rebate Fund after redemption and payment of all of the related Series of the Bonds and payment and satisfaction of any Rebate Amount, or provision made therefor satisfactory to the applicable Bond Trustee, will be withdrawn and remitted to the Obligated Group Agent.

Notwithstanding any other provision of the related Bond Indenture, the obligation to remit the Rebate Amounts to the United States and to comply with all other requirements of the related Bond Indenture and the related Tax Certificate and Agreement will survive the defeasance or payment in full of the related Series of the Bonds.

Bond Purchase Fund

There is established pursuant to the Idaho Bond Indenture and pursuant to the Ohio Bond Indenture and there shall be maintained with the Tender Agent, as agent for the applicable Bond Trustee, a separate fund to be known as the "Bond Purchase Fund." The Tender Agent shall further establish separate accounts within the related Bond Purchase Fund to be known as the "Liquidity Facility Purchase Account," the "Remarketing Proceeds Account" and the "Trinity Health Purchase Account."

(a) Remarketing Proceeds Account. Upon receipt of the proceeds of a remarketing of a Bond of a Series on the date such bond is to be purchased, the Tender Agent shall deposit such proceeds in the Remarketing Proceeds Account for application to the Purchase Price of the related Series of the Bonds. Notwithstanding the foregoing, upon the receipt of the proceeds of a remarketing of Liquidity Facility Bonds, the Tender Agent shall immediately pay such proceeds to the applicable Liquidity Facility Provider to the extent of any amount owing to the applicable Liquidity Facility Provider.

(b) Liquidity Facility Purchase Account. Upon receipt from the applicable Bond Trustee of the immediately available funds transferred to the Tender Agent pursuant to the applicable provisions of the related Bond Indenture, the Tender Agent shall deposit such money in the Liquidity Facility Purchase Account for application to the Purchase Price of the related Series of the Bonds to the extent that the moneys on deposit in the Remarketing Proceeds Account shall not be sufficient. Any amounts deposited in the Liquidity Facility Purchase Account and not needed with respect to the Purchase Price for any Bonds of the related Series shall be immediately returned to the applicable Liquidity Facility Provider.

(c) Trinity Health Purchase Account. Upon receipt of Funds from Trinity Health pursuant to the applicable provisions of the related Bond Indenture, the Tender Agent shall deposit such Funds in Trinity Health Purchase Account for application to the Purchase Price of the related Series of the Bonds. Any amounts deposited in Trinity Health Purchase Account and not needed with respect to the Purchase Price for any Bonds of the related Series shall be immediately refunded to Trinity Health.

(d) Investment. Amounts held in the Liquidity Facility Purchase Account and the Remarketing Proceeds Account by the applicable Paying Agent shall be held uninvested and separate and apart from all other funds and accounts.

Insufficient Funds for Tenders

Except as may otherwise be provided in the related Bond Indenture and the Bank Credit Agreement:

(a) If moneys sufficient to pay the Purchase Price of all tendered Bonds to be purchased on any Purchase Date are not available (1) no purchase shall be consummated on such Purchase Date; (2) all tendered Bonds shall be returned to the Holders thereof; and (3) all remarketing proceeds shall be returned to the Remarketing Agent for return to the Persons providing such moneys.

(b) All Bonds will bear interest at the Maximum Rate during the period of time from and including the applicable Purchase Date to (but not including) the date that the Purchase Price of all such tendered Bonds has been paid to the owners thereof (the “Delayed Remarketing Period”). In the case of a conflict between the applicable provisions of the related Bond Indenture, the procedure described in this paragraph of the related Bond Indenture will govern.

(c) Trinity Health may direct the Conversion of the tendered Bonds to a different Interest Rate Mode during the Delayed Remarketing Period. Notwithstanding anything in the related Bond Indenture to the contrary, the applicable Bond Trustee shall give five Business Days’ notice of such Conversion to the Holders of the related Series of the Bonds to be converted.

(d) Subject to the terms of the Remarketing Agreement, the Remarketing Agent shall continue to use its best efforts to remarket all of the tendered Bonds.

(e) During the Delayed Remarketing Period, the applicable Bond Trustee may, upon direction of Trinity Health, apply amounts on deposit in the Redemption Fund to the redemption of such Tendered Bonds, as a whole or in part on any Business Day during the Delayed Remarketing Period, at a Redemption Price without premium. Notwithstanding any other provision in the related Bond Indenture to the contrary, during the Delayed Remarketing Period, the applicable Bond Trustee shall give five Business Days’ notice of such redemption to the Holders of the related Series of the Bonds to be redeemed.

(f) During the Delayed Remarketing Period, interest on all Bonds of a Series shall be paid to the Holders thereof (i) the first Business Day of each calendar month occurring during the Delayed Remarketing Period and (ii) on the last day of the Delayed Remarketing Period.

Amendments on Mandatory Purchase Date

The owner of a Bond of a Series shall be deemed to have consented to any amendment proposed to become effective on any Mandatory Purchase Date for such Bond.

Appointment of Remarketing Agent

The Remarketing Agent shall be appointed pursuant to the Remarketing Agreement to remarket Bonds pursuant to the related Bond Indenture and perform the other duties of the Remarketing Agent described under the related Bond Indenture, and to keep such books and records as shall be consistent with prudent industry practice and to make such books and records available for inspection by the related Issuer and the applicable Bond Trustee at all reasonable times. The Remarketing Agent shall act as such under the Remarketing Agreement.

The Remarketing Agent may at any time resign and be discharged of the duties and obligations created by the related Bond Indenture as set forth in the Remarketing Agreement. The Remarketing Agent may suspend its remarketing efforts as set forth in the Remarketing Agreement. The Remarketing Agent may be removed at any time, at the direction of Trinity Health as set forth in the Remarketing Agreement. Any successor Remarketing Agent shall be selected by Trinity Health, and shall be a member of FINRA shall have a capitalization of at least fifteen million dollars (\$15,000,000), shall be authorized by law to perform all the duties set forth in the related Bond Indenture and shall be acceptable to the applicable Credit Facility Provider and Liquidity Facility Provider. Trinity Health's delivery to the applicable Bond Trustee of a certificate setting forth the effective date of the appointment of a successor Remarketing Agent and the name of such successor shall be conclusive evidence that (i) if applicable, the predecessor Remarketing Agent has been removed in accordance with the provisions of the related Bond Indenture and (ii) such successor has been appointed and is qualified to act as Remarketing Agent under the terms of the related Bond Indenture.

If the Remarketing Agent consolidates with, merges or converts into, or transfers all or substantially all of its assets (or, in the case of a bank, national banking association or trust company, its corporate assets) to, another corporation, the resulting, surviving or transferee corporation without any further act shall be the successor Remarketing Agent.

Pledge and Assignment; Revenue Fund

(a) Subject only to the provisions of the related Bond Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the related Bond Indenture, there are pledged by the related Bond Indenture to secure the payment of the principal of and premium, if any, and interest on the related Series of the Bonds in accordance with their terms and the provisions of the related Bond Indenture, all of the Revenues (including proceeds of the sale of the related Series of the Bonds) and any other amounts held in any fund or account established pursuant to the related Bond Indenture (other than the related Bond Purchase Fund and the related Rebate Fund). Said pledge shall constitute a lien on and security interest in such assets and shall attach, be perfected and be valid and binding from and after delivery by the applicable Bond Trustee of the related Series of the Bonds, without any physical delivery thereof or further act.

(b) The related Issuer transfers in trust, grants a security interest in and assigns to the applicable Bond Trustee, for the benefit of the Holders from time to time of the related Series of the Bonds, all of the Revenues and other assets pledged as described in the preceding paragraph (a) and all of the right, title and interest of such Issuer in the related Financing Agreement (except for (i) the right to receive any Administrative Fees and Expenses to the extent payable to the related Issuer, (ii) any rights of an Issuer to indemnification, and (iii) the obligation of Trinity Health to make deposits pursuant to the related Tax Certificate and Agreement). Subject to the provisions of the related Bond Indenture with respect to the control of remedial proceedings by the applicable Credit Facility Provider, the applicable Bond Trustee shall be entitled to and shall collect and receive all of the Revenues, and any Revenues collected or received by the related Issuer shall be deemed to be held, and to have been collected or

received, by the related Issuer as the agent of the applicable Bond Trustee and shall forthwith be paid by the related Issuer to the applicable Bond Trustee. The applicable Bond Trustee also shall be entitled to and shall take all steps, actions and proceedings reasonably necessary in its judgment to enforce all of the rights of the related Issuer and all of the obligations of Trinity Health under the related Financing Agreement and of the Obligated Group Agent and the other Members of the Obligated Group under the related Obligation.

Investment of Moneys in Funds and Accounts

All moneys in any of the funds and accounts established pursuant to the related Bond Indenture (other than the related Bond Purchase Fund) shall be invested by the applicable Bond Trustee, upon written direction of the Obligated Group Agent, solely in Investment Securities. Moneys in the related Bond Purchase Fund shall remain uninvested. Investment Securities shall be purchased at such prices as the Obligated Group Agent may direct. The directions of the Obligated Group Agent shall be subject to the limitations set forth in the related Bond Indenture. All Investment Securities shall be acquired subject to the limitations as to maturities as set forth in the related Bond Indenture and such additional limitations or requirements consistent with the foregoing as may be established by Request of the Obligated Group Agent. The applicable Bond Trustee may conclusively rely upon such instructions as to both the suitability and legality of the directed investments. No Request of the Obligated Group Agent shall impose any duty on the applicable Bond Trustee inconsistent with its fiduciary responsibilities. In the absence of directions from the Obligated Group Agent, the applicable Bond Trustee shall invest in Investment Securities in accordance with the related Bond Indenture. The applicable Bond Trustee may make any and all such investments through its own investment department or that of its affiliates or subsidiaries.

Moneys in all funds and accounts (other than the related Bond Purchase Fund) shall be invested in Investment Securities maturing not later than the date on which it is estimated that such moneys will be required for the purposes specified in the related Bond Indenture. Investment Securities purchased under a repurchase agreement may be deemed to mature on the date or dates on which the applicable Bond Trustee may deliver such Investment Securities for repurchase under such agreement.

All interest, profits and other income received from the investment of moneys in the related Rebate Fund shall be deposited when received in such fund. All interest, profits and other income received from the investment of moneys in the related Project Fund shall be deposited when received in such fund, except as provided in the related Bond Indenture. All interest, profits and other income received from the investment of moneys in any other fund or account established pursuant to the related Bond Indenture shall be deposited when received in the applicable Revenue Fund, except as provided in the related Bond Indenture. Notwithstanding anything to the contrary contained in this paragraph, an amount of interest received with respect to any Investment Security equal to the amount of accrued interest, if any, paid as part of the purchase price of such Investment Security shall be credited to the fund or account for the credit of which such Investment Security was acquired.

Investment Securities acquired as an investment of moneys in any fund or account established under the related Bond Indenture shall be credited to such fund or account. In computing for any purpose under the related Bond Indenture the amount in any fund or account on any date, the value of any investments shall be calculated as follows:

- (i) as to investments priced by any nationally recognized pricing service used by the applicable Bond Trustee, the price provided by such service;

- (ii) as to investments the bid and asked prices of which are published on a regular basis in *The Wall Street Journal* (or, if not there, then in *The New York Times*): the average of the bid and asked prices for such investments so published on or most recently prior to such time of determination;
- (iii) as to investments the bid and asked prices of which are not published on a regular basis in *The Wall Street Journal* or *The New York Times*: the average bid price at such time of determination for such investments by any two nationally recognized government securities dealers (selected by the applicable Bond Trustee in its absolute discretion) at the time making a market in such investments;
- (iv) as to certificates of deposit and bankers acceptances: the face amount thereof, plus accrued interest; and
- (v) as to any investment not specified above: the value thereof established by prior agreement between the related Issuer and the applicable Bond Trustee.

The applicable Bond Trustee may commingle any of the amounts on deposit in the funds or accounts established pursuant to the related Bond Indenture (other than the related Bond Purchase Fund or the related Rebate Fund) into a separate fund or funds for investment purposes only, provided that all funds or accounts held by the applicable Bond Trustee under the related Bond Indenture shall be accounted for separately as required by the related Bond Indenture. The applicable Bond Trustee may act as principal or agent in the making or disposing of any investment. The applicable Bond Trustee may sell at the best price reasonably obtainable, or present for redemption, any Investment Securities so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Investment Security is credited, and, subject to the provisions of the related Bond Indenture with respect to the applicable Bond Trustee, neither the related Issuer nor the applicable Bond Trustee shall be liable or responsible for any loss resulting from any investment made in accordance with the provisions of the related Bond Indenture. Although the related Issuer and Trinity Health each recognizes that it may obtain a broker confirmation or written statement containing comparable information at no additional cost, the related Issuer and Trinity Health agree that confirmations of permitted investments are not required to be issued by the applicable Bond Trustee for each month in which a monthly statement is rendered. No statement need be rendered for any fund or account if no activity occurred in such fund or account during such month.

Particular Covenants

Punctual Payment. Subject to the Ohio Bond Indenture, each and every covenant in the Ohio Bond Indenture made, including, without limitation, is predicated upon the condition that any obligation for the payment of money incurred by the Ohio Issuer shall not represent or constitute a general obligation of the Ohio Issuer or a loan of credit thereof within the meaning of the provisions of the constitution or statutes of the State of Ohio with respect to the Ohio Bonds or a pledge of the full faith and credit of the related Issuer or grant to the owners of the Ohio Bonds any right to have the related Issuer levy taxes, excises or appropriate any funds for the payment for the principal of the Ohio Bonds or interest or premium thereon. Subject to the foregoing, the Issuer shall punctually cause to be paid the principal or Redemption Price and interest to become due in respect of all the Ohio Bonds, in strict conformity with the terms of the such Ohio Bonds and the Ohio Bond Indenture, according to the true intent and meaning thereof, but only out of Revenues and other assets pledged for such payment, as provided in the Ohio Bond Indenture.

The Idaho Issuer shall punctually cause to be paid the principal or Redemption Price and interest to become due in respect of all the Idaho Bonds, in strict conformity with the terms of the Idaho Bonds and the Idaho Bond Indenture, according to the true intent and meaning thereof, but only out of related Revenues and other assets pledged for such payment, as provided in the Idaho Bond Indenture. Nothing in the Idaho Bonds or in the Idaho Bond Indenture shall be considered or construed as pledging any funds or assets of the Idaho Issuer other than those pledged hereby or creating any liability of the Idaho Issuer's members, employees, or other agents

Extension of Payment of Bonds. An Issuer shall not directly or indirectly extend or assent to the extension of the maturity of any of the related Series of the Bonds or the time of payment of any claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement; and in case the maturity of any of the related Series of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default under the related Bond Indenture, to the benefits of the related Bond Indenture, except subject to the prior payment in full of the principal or Purchase Price of all of the related Series of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in this paragraph will be deemed to limit the right of such Issuer to issue obligations for the purpose of refunding any Outstanding Bonds of the related Series, and such issuance shall not be deemed to constitute an extension of maturity of such Bonds.

Against Encumbrances. An Issuer shall not create any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under the related Bond Indenture while any of the related Series of the Bonds are Outstanding, except the pledges and assignments created by the related Bond Indenture, and will assist the applicable Bond Trustee in contesting any such pledge, lien, charge or other encumbrance which may be created. Subject to this limitation, such Issuer expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, including other programs under the related Act, and reserves the right to issue other obligations for such purposes.

Power to Issue Bonds and Make Pledge and Assignment. An Issuer is duly authorized pursuant to law to issue the related Series of the Bonds and to enter into the related Bond Indenture and to pledge and assign the Revenues and other assets purported to be pledged and assigned, respectively, under the related Bond Indenture in the manner and to the extent provided in the related Bond Indenture. The Bonds and the provisions of the related Bond Indenture are and will be the legal, valid and binding limited obligations of such Issuer in accordance with their terms, and such Issuer and Bond Trustee shall at all times, to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the Bondholders of the related Series of Bonds under the related Bond Indenture against all claims and demands of all Persons whomsoever.

Accounting Records and Financial Statements. The applicable Bond Trustee shall at all times keep, or cause to be kept, proper books of record and account prepared in accordance with 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 the proceeds of the related Series of the Bonds, the Revenues, the related Financing Agreement and all funds and accounts established pursuant to the related Bond Indenture. Such books of record and account shall be available for inspection by the related Issuer, the applicable Credit Facility Provider (if any), the applicable Liquidity Facility Provider (if any), the Obligated Group Agent, Trinity Health and any Bondholder or such Bondholder's agent or representative duly authorized in writing, during the applicable Bond Trustee's business hours on days on which the applicable Bond Trustee is open for business, subject to reasonable regulations established by the applicable Bond Trustee.

The applicable Bond Trustee shall file and furnish to the related Issuer (if requested in writing), the applicable Credit Facility Provider (if any), the applicable Liquidity Facility Provider (if any) and to each Bondholder who shall have filed such Bondholder's name and address with the applicable Bond Trustee for such purpose within thirty days after each December 1, a complete financial statement (which need not be audited) covering receipts, disbursements, allocation and application of Revenues and any other moneys (including proceeds of Bonds of the related Series) in any of the funds and accounts established pursuant to the related Bond Indenture for the prior twelve-month period. The applicable Bond Trustee shall also furnish a copy of any such monthly statement to Trinity Health and the Obligated Group Agent.

Tax Covenants. An Issuer shall at all times do and perform all acts and things permitted by law and the related Bond Indenture which are necessary or desirable in order to assure that interest paid on the related Series of the Bonds (or any of them) will be excluded from gross income for federal income tax purposes and shall take no action that would result in such interest not being so excluded. Without limiting the generality of the foregoing, such Issuer agrees to comply with the provisions of the related Tax Certificate and Agreement. This covenant shall survive payment in full or defeasance of the related Series of the Bonds.

Enforcement of Financing Agreement and the Obligation. Subject to the provisions of the related Bond Indenture with respect to the control of remedial proceedings by the applicable Credit Facility Provider (if any), the applicable Bond Trustee shall promptly collect all amounts due from Trinity Health pursuant to the applicable Financing Agreement and from the Obligated Group pursuant to the related Obligation, shall perform all duties imposed upon it pursuant to the related Financing Agreement and shall diligently enforce, and take all steps, actions and proceedings reasonably necessary for the enforcement of, all of the rights of such Issuer and all of the obligations of Trinity Health pursuant to the applicable Financing Agreement.

Amendment of Idaho Loan Agreement. Except as provided in the Idaho Bond Indenture, the Idaho Issuer will not amend, modify or terminate any of the terms of the Idaho Loan Agreement, or consent to any such amendment, modification or termination, unless the written consent of the holders of (i) the applicable Credit Facility Provider (if any) (provided that the Credit Facility is then in effect or any amounts are owing to the applicable Credit Facility Provider and the applicable Credit Facility Provider (if any) is not in default under its payment obligations under the Credit Facility) or (ii) the Holders of a majority in principal amount of the Idaho Bonds then Outstanding (if no Credit Facility is in effect or the applicable Credit Facility Provider (if any) is then in default under its payment obligations under the Credit Facility) and the applicable Liquidity Facility Provider (if any) to such amendment, modification or termination is filed with the applicable Bond Trustee; provided, however, that no such amendment, modification or termination shall reduce the amount of Loan Repayments with respect to the Idaho Bonds to be made to the Idaho Issuer or the applicable Bond Trustee by Trinity Health pursuant to the Idaho Loan Agreement, or extend the time for making such payments, without the written consent of all of the Holders of the Idaho Bonds then Outstanding.

Notwithstanding the provisions of the Idaho Indenture to the contrary, the Idaho Issuer and Trinity Health may, with the prior written consent of the applicable Bond Trustee, amend or modify the Idaho Loan Agreement, or any provision thereof, or may consent to the amendment or modification thereof, in any manner not inconsistent with the terms and provisions of the Idaho Bond Indenture, for any one or more of the following purposes: (a) to cure any ambiguity or formal defect in the Idaho Loan Agreement; (b) to grant to or confer upon the Idaho Issuer or Bond Trustee, for the benefit of the Bondholders of the Idaho Bonds, any additional rights, remedies, powers or authorities that lawfully may be granted to or conferred upon the related Issuer or the applicable Bond Trustee; (c) to amend or modify the Idaho Loan Agreement, or any part thereof, in any manner specifically required or permitted by the

terms thereof, including, without limitation, as may be necessary to maintain the exclusion from gross income for purposes of federal income taxation of the interest on the Idaho Bonds; (d) to provide that an Idaho Bond may be secured by a Credit Facility or other additional security not otherwise provided for in the Idaho Bond Indenture or the Idaho Loan Agreement; (e) to modify, amend or supplement the Idaho Loan Agreement, or any part thereof, or any supplement thereto, in such manner as the applicable Bond Trustee, Trinity Health and the Remarketing Agent, if any, deem necessary in order to comply with any statute, regulation, judicial decision or other law relating to secondary market disclosure requirements with respect to tax-exempt obligations of the type that includes the Idaho Bonds; (f) to provide for the appointment of a successor Securities Depository; (g) to provide for the availability of certificated Idaho Bonds; (h) to provide for changes in the components of the applicable Project, to the extent permitted by the Idaho Bond Indenture and the Idaho Loan Agreement; (i) to provide for the addition of any interest rate mode or to provide for the modification or deletion of any Interest Rate Mode so long as no Bonds will be operating in the Interest Rate Mode when it is to be so modified or deleted, or to amend, modify or alter the interest rate setting provisions, tender provision or Conversion provisions for any then existing Interest Rate Mode so long as no Idaho Bonds will be operating in the Interest Rate Mode when such provisions are to be so amended, modified or altered; provided that, in each case, there is delivered to the applicable Bond Trustee a Favorable Opinion of Bond Counsel; and (j) to make any other change which does not, in the opinion of the applicable Bond Trustee, have a material adverse effect upon the interests of the Bondholders of the Idaho Bonds.

Amendment of Ohio Sublease. Pursuant to the Ohio Indenture, prior to the payment of all Ohio Bonds in full or provision for such payment in accordance with the provisions of the Existing Indenture, the Ohio Issuer will not amend, modify or terminate any of the terms of the Ohio Sublease, except as provided in the Existing Indenture.

Replacement of the Obligation with Obligation Issued Under a Separate Master Indenture.

(1) The Obligation shall be surrendered by the applicable Bond Trustee and delivered to the Master Trustee for cancellation upon receipt by the applicable Bond Trustee and the related Issuer of the following:

(2) a Request of Trinity Health requesting such surrender and delivery and stating that Trinity Health has become a member of an obligated group under a replacement master indenture (other than the Master Indenture) (or Trinity Health is obligated, by its articles of incorporation, bylaws or by contract or otherwise, to make payments to an entity that is a member of such an obligated group in amounts sufficient to enable the entity to make payments with respect to obligations issued under such replacement master indenture) and that an obligation is being issued to the applicable Bond Trustee under such replacement master indenture (the “Replacement Master Indenture”);

(3) a properly executed obligation (the “Replacement Obligation”) issued under the Replacement Master Indenture and registered in the name of the applicable Bond Trustee with the same tenor and effect as the related Obligation (in a principal amount equal to the then Outstanding principal amount of Bonds of the related Series), duly authenticated by the master trustee under the Replacement Master Indenture;

(4) an Opinion of Counsel selected by Trinity Health and not objected to by the applicable Bond Trustee or the related Issuer, addressed to the applicable Bond Trustee and the related Issuer, to the effect that the Replacement Obligation has been validly issued under the Replacement Master Indenture and constitutes a valid and binding obligation of Trinity Health (or the entity to which Trinity Health is obligated to make the payments referred in paragraph (1) above) and each other member of the obligated

group (if any) which is jointly and severally liable under the Replacement Master Indenture, subject to such qualifications as are acceptable to the applicable Bond Trustee;

(5) a copy of the Replacement Master Indenture, certified as a true and accurate copy by the master trustee under the Replacement Master Indenture;

(6) written confirmation from each Rating Agency then rating the related Series of the Bonds that the replacement of the related Obligation will not, by itself, result in a reduction in the then-current ratings on the related Series of the Bonds; and

(7) a Favorable Opinion of Bond Counsel.

Upon satisfaction of such conditions, all references in the related Bond Indenture and in the applicable Financing Agreement to the related Obligation shall be deemed to be references to the Replacement Obligation, all references to the Master Indenture shall be deemed to be references to the Replacement Master Indenture, all references to the Master Trustee shall be deemed to be references to the master trustee under the Replacement Master Indenture, all references to the Obligated Group and the Members of the Obligated Group shall be deemed to be references to the obligated group and the members of the obligated group under the Replacement Master Indenture and all references to the Supplement shall be deemed to be references to the supplemental master indenture pursuant to which the Replacement Obligation is issued.

Continuing Disclosure. Pursuant to the applicable Financing Agreement, Trinity Health has undertaken all responsibility for compliance with continuing disclosure requirements, and the related Issuer shall have no liability to the Holders of the related Series of the Bonds or any other person with respect to S.E.C. Rule 15c2-12, as amended. Notwithstanding any other provision of the related Bond Indenture, failure of Trinity Health or the Dissemination Agent (as defined in the Continuing Disclosure Agreement) to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default under the related Bond Indenture; provided, however, the applicable Bond Trustee may (and, at the request of any Participating Underwriter (as defined in the Continuing Disclosure Agreement) or the Holders of at least 25% in aggregate principal amount of Outstanding Bonds of the related Series, shall) or any Bondholder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause Trinity Health to comply with its obligations under the applicable Financing Agreement or to cause the applicable Bond Trustee to comply with its obligations under the related Bond Indenture.

Events of Default; Remedies

Events of Default. The following events shall be Events of Default under each Indenture:

(a) default in the due and punctual payment of the principal or Redemption Price of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by acceleration or otherwise, or default in the redemption of any Bonds of the related Series from Sinking Fund Installments in the amount and at the times provided therefor;

(b) default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable;

(c) if no Liquidity Facility is in effect, failure to pay the Purchase Price of any Bond tendered pursuant to the related Bond Indenture when such payment is due;

(d) default in any material respect by the related Issuer in the observance of any of the other covenants, agreements or conditions contained in the related Bond Indenture or the related Series of the Bonds, if such default shall have continued for a period of sixty (60) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the related Issuer and Trinity Health by the applicable Bond Trustee, or to the related Issuer, Trinity Health and the applicable Bond Trustee by the applicable Credit Facility Provider (if any) or by the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the related Series of the Bonds at the time Outstanding;

(e) a Loan Default Event; or

(f) receipt by the applicable Bond Trustee of notice from the applicable Credit Facility Provider (if any) that an Event of Default (as defined in the Reimbursement Agreement) has occurred under a Reimbursement Agreement and requesting acceleration of the related Series of the Bonds pursuant to the related Bond Indenture.

Upon actual knowledge of a Responsible Officer of the existence of any Event of Default as described in the related Bond Indenture, the applicable Bond Trustee shall notify Trinity Health, the Obligated Group Agent, the related Issuer and the Master Trustee in writing as soon as practicable; provided, however, that the applicable Bond Trustee need not provide notice of any Loan Default Event if Trinity Health has expressly acknowledged the existence of such Loan Default Event in a writing delivered to the applicable Bond Trustee, the Obligated Group Agent, the related Issuer and the Master Trustee.

Remedies. Whenever any Event of Default referred to in the related Bond Indenture has happened and is continuing, the applicable Bond Trustee may take the following remedial steps:

(a) In the case of an Event of Default described in clause (a), (b) or (c) under the subheading “Events of Default” above, the applicable Bond Trustee may, and upon the written request of the applicable Credit Facility Provider (if any) or the Holders of not less than 66-2/3% in aggregate principal amount of the related Series of the Bonds at the time Outstanding with the consent of the applicable Credit Facility Provider (if any), or upon the occurrence of an Event of Default described in clause (f) under the subheading “Events of Default” above, the applicable Bond Trustee shall, promptly upon such occurrence, by notice in writing to the related Issuer, Trinity Health, the applicable Credit Facility Provider (if any) and the applicable Liquidity Facility Provider (if any), notify the related Issuer and the Obligated Group Agent of such Event of Default and declare the principal of all the related Series of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in the related Bond Indenture to the contrary notwithstanding. Upon any such declaration the applicable Bond Trustee shall promptly draw upon any then existing Credit Facility in accordance with the terms thereof and apply the amount so drawn to pay the principal of and interest on the related Series of the Bonds enhanced by such Credit Facility so declared to be due and payable. Interest on the related Series of the Bonds shall cease to accrue as of the date of declaration. The applicable Bond Trustee, as promptly as feasible following acceleration of the related Series of the Bonds, shall notify the Bondholders of the related Series of Bonds of the date of acceleration and the cessation of accrual of interest on the related Series of the Bonds in the same manner as for a notice of redemption; provided, however, that failure to give such notice shall not affect the acceleration of the related Series of the Bonds;

(b) In the case of an Event of Default described in clause (d) under the subheading “Events of Default” above, the applicable Bond Trustee may take whatever action at law or in equity is necessary

or desirable to enforce the performance, observance or compliance by the related Issuer with any covenant, condition or agreement by the related Issuer under the related Bond Indenture; and

(c) In the case of an Event of Default described in clause (e) under the subheading “Events of Default” above, the applicable Bond Trustee may take whatever action the related Issuer would be entitled to take, and shall take whatever action the related Issuer would be required to take, pursuant to the related Financing Agreement in order to enforce the provisions of the applicable Financing Agreement.

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, and before the Credit Facility has been drawn upon in accordance with its terms and honored, Trinity Health shall deposit with the applicable Bond Trustee a sum sufficient to pay all the principal (including any Sinking Fund Installments) or Redemption Price of and installments of interest on the related Series of the Bonds, payment of which is overdue, with interest on such overdue principal at the rate borne by the respective Bonds, and the reasonable charges and expenses of the applicable Bond Trustee, and any and all other defaults known to the applicable Bond Trustee and the applicable Credit Facility Provider (if any) (other than in the payment of principal of and interest on the related Series of the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the applicable Bond Trustee and the applicable Credit Facility Provider (if any) or provision deemed by the applicable Bond Trustee and the applicable Credit Facility Provider (if any) to be adequate shall have been made therefor, then, and in every such case, the applicable Credit Facility Provider (if any) or the Holders of at least a majority in aggregate principal amount of the related Series of the Bonds then Outstanding, with the written consent of the applicable Credit Facility Provider (if any) and confirmation that the Credit Facility (if any) has been reinstated to the Required Stated Amount, by written notice to the related Issuer and to the applicable Bond Trustee, may, on behalf of the Holders of all the related Series of the Bonds, rescind and annul such declaration and its consequences and waive such default; but no such rescission and annulment shall extend to, affect any subsequent default or impair or exhaust any right or power consequent thereon.

Nothing contained in the related Bond Indenture, however, shall require the applicable Bond Trustee to exercise any remedies in connection with an Event of Default unless a Responsible Officer of the applicable Bond Trustee shall have actual knowledge or shall have received written notice of such Event of Default as described in the related Bond Indenture.

Notwithstanding any other provision of the related Bond Indenture except as provided in the following sentence, the applicable Bond Trustee may not exercise any remedy in the event of a default under clause (a), (b), (c), (d) or (e) under the subheading “Events of Default” above without the written consent of the applicable Credit Facility Provider (if any), so long as the Credit Facility is in effect and the applicable Credit Facility Provider (if any) is not in default under its payment obligations under the Credit Facility. The applicable Bond Trustee may exercise any and all remedies under the related Bond Indenture and the applicable Financing Agreement (except acceleration) to collect any fees or expenses due from Trinity Health to the applicable Bond Trustee or the related Issuer without obtaining the consent of the applicable Credit Facility Provider (if any); provided that the applicable Bond Trustee shall first provide written notice to the applicable Credit Facility Provider (if any) of its intent to exercise such remedies and provide the applicable Credit Facility Provider (if any) with an opportunity to cure any failure of Trinity Health with respect to such fees, expenses and indemnification prior to exercising any such remedy.

Application of Revenues and Other Funds After Default

Pursuant to the Idaho Bond Indenture, if an Event of Default has occurred and is continuing, all Revenues and any other funds then held or thereafter received by the applicable Bond Trustee under any of the provisions of the Idaho Bond Indenture (other than payments received from the applicable Credit Facility Provider (if any), or moneys required to be deposited in the related Rebate Fund or the related Bond Purchase Fund) shall be applied by the applicable Bond Trustee as follows and in the following order:

(1) to the payment of any expenses necessary in the opinion of the applicable Bond Trustee to protect the interests of the Holders of the Idaho Bonds and payment of reasonable fees and expenses of the applicable Bond Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under the Idaho Bond Indenture; and

(2) to the payment of the principal or Redemption Price of and interest then due on the Idaho Bonds (upon presentation of the related Series 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 Idaho Bond Indenture, as follows:

(i) unless the principal of all of the Idaho Bonds shall have become or have been declared due and payable,

First: to the payment to the Persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the Persons entitled thereto, without any discrimination or preference; and

Second: to the payment to the Persons entitled thereto of the unpaid principal (including Sinking Fund Installments) or Redemption Price of any Bonds of the related Series 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 Idaho Bonds, and, if the amount available shall not be sufficient to pay in full all the Idaho Bonds due on any date, together with such interest, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date to the Persons entitled thereto, without any discrimination or preference.

(ii) If the principal of all of the Idaho 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 Idaho Bonds, with interest on the overdue principal at the rate borne by the Idaho 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 Idaho Bond over any other Idaho Bond, according to the amounts due respectively for principal and interest, to the Persons entitled thereto without any discrimination or preference.

When the applicable Bond Trustee incurs expenses or renders services after the occurrence of an act of bankruptcy with respect to the related Issuer or Trinity Health, the expenses and the compensation for the services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law.

Pursuant to the Ohio Bond Indenture, the provisions of the Existing Indenture will apply to the Ohio Bonds.

Bond Trustee to Represent Bondholders. The applicable Bond Trustee is irrevocably appointed by the related Bond Indenture (and the successive respective Holders of the related Series of Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the related Bond Trustee) as trustee and true and lawful attorney-in-fact of the Holders of the related Series of 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 related Series of Bonds, the related Bond Indenture, the related Financing Agreement, the related Obligation, the related Act and applicable provisions of any other law.

Pursuant to the Idaho Bond Indenture, upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the applicable Bond Trustee to represent the Bondholders of Idaho, the applicable Bond Trustee in its discretion may, and upon the written request of the applicable Credit Facility Provider (if any), or the Holders of not less than twenty five percent (25%) in aggregate principal amount of the Idaho Bonds then Outstanding with the consent of the applicable Credit Facility Provider (if any), and upon being indemnified to its satisfaction therefor, will, proceed to protect or enforce its rights or the rights of such Holders or the applicable Credit Facility Provider (if any) by such appropriate action, suit, mandamus or other proceedings as it deems 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 Idaho Bond Indenture, or in aid of the execution of any power in the Idaho Bond Indenture granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the applicable Bond Trustee, the applicable Credit Facility Provider (if any), or in such Holders under the Idaho Bond Indenture, the Idaho Loan Agreement, the related Obligation, the related Act or any other law; and upon instituting such proceeding, the applicable Bond Trustee will be entitled, as a matter of right, to the appointment of a receiver of the Revenues and other amounts and assets pledged under the Idaho Bond Indenture, pending such proceedings. If more than one such request is received by the applicable Bond Trustee from the Holders, the applicable Bond Trustee will follow the written request executed by the Holders of the greater percentage of Idaho Bonds then Outstanding in excess of twenty-five percent (25%). All rights of action under the Idaho Bond Indenture or the Idaho Bonds or otherwise may be prosecuted and enforced by the applicable Bond Trustee without the possession of any of the Idaho Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the applicable Bond Trustee will be brought in the name of the applicable Bond Trustee for the benefit and protection of all the Holders of such Idaho Bonds, subject to the provisions of the Idaho Bond Indenture.

Pursuant to the Ohio Bond Indenture, upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the applicable Bond Trustee to represent the Bondholders of the Ohio Bonds, the applicable Bond Trustee will apply the provisions of the Existing Indenture to the Ohio Bonds, as applicable.

Direction of Proceedings by Bondholders. Anything in the Idaho Bond Indenture to the contrary notwithstanding, the applicable Credit Facility Provider (if any) or the Holders of a majority in aggregate principal amount of the Idaho Bonds then Outstanding, but with the consent of the applicable Credit Facility Provider (if any), will have the right, by an instrument or concurrent instruments in writing executed and delivered to the applicable Bond Trustee, to direct the method of conducting all remedial proceedings taken by the applicable Bond Trustee under the related Bond Indenture, provided that such direction will not be otherwise than in accordance with law and the provisions of the related Bond Indenture, and that the applicable Bond Trustee will have the right to decline to follow any such direction that in the opinion of the applicable Bond Trustee would be unjustly prejudicial to Bondholders not

parties to such direction, and that in no event will the Bondholders of Idaho Bonds directly have the right to make drawings under the Liquidity Facility.

Anything in the Ohio Bond Indenture to the contrary notwithstanding, the Holders of a majority in aggregate principal amount of the Ohio Bonds then Outstanding shall have the right, at any time, by an instrument or concurrent instruments in writing executed and delivered to the applicable Bond Trustee, and upon indemnifying the applicable Bond Trustee to its satisfaction therefor, to direct the method of conducting all remedial proceedings taken by the applicable Bond Trustee under the applicable Bond Indenture, provided that such direction shall not be otherwise than in accordance with law and the provisions of the Ohio Bond Indenture, and shall not affect the applicable Bond Trustee's obligation to obtain the consent of the Master Trustee prior to the applicable Bond Trustee's exercise of any of its rights or remedies under the applicable Bond Indenture other than to act as a Noteholder under the Master Indenture.

Limitation on Idaho Bondholders' Right to Sue. No Holder of any Idaho Bond will 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 Idaho Bond Indenture, the Idaho Loan Agreement, the related Obligation, the related Act or any other applicable law with respect to such Bond, unless (1) such Holder shall have given to the applicable Bond Trustee written notice of the occurrence of an Event of Default; (2) the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Idaho Bonds then Outstanding will have made written request upon the applicable Bond Trustee to exercise the powers granted in the Idaho Bond Indenture or to institute such suit, action or proceeding in its own name; provided, however, that if more than one such request is received by the applicable Bond Trustee from the Holders, the applicable Bond Trustee will follow the written request executed by the Holders of the greater percentage of Idaho Bonds then Outstanding in excess of twenty-five percent (25%); (3) such Holder or said Holders will have tendered to the applicable Bond Trustee indemnity satisfactory to it against the costs, expenses and liabilities to be incurred in compliance with such request; and (4) the applicable 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 applicable Bond Trustee.

Such notification, request, tender of indemnity and refusal or omission are declared by the Idaho Bond Indenture, in every case, to be conditions precedent to the exercise by any Holder of Idaho Bonds of any remedy under the Idaho Bond Indenture or under law; it being understood and intended that no one or more Holders of Idaho Bonds shall have any right in any manner whatever by such Holder's or Holders' action to affect, disturb or prejudice the security of the Idaho Bond Indenture or the rights of any other Holders of Idaho Bonds, or to enforce any right under the Idaho Bond Indenture, the related Financing Agreement, the related Obligation, the related Act or other applicable law with respect to the Idaho Bonds, except in the manner provided in the Idaho 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 Idaho Bond Indenture and for the benefit and protection of all Holders of the Outstanding Idaho Bonds, subject to the provisions of the Idaho Bond Indenture.

Limitation on Ohio Bondholders' Right to Sue. The provisions of the Existing Indenture will apply to the Ohio Bonds.

Absolute Obligation of Issuer. Nothing contained in any provision of the related Bond Indenture, or in the related Series of the Bonds, shall affect or impair the obligation of the related Issuer, which is absolute and unconditional, to pay the principal or Redemption Price of and interest on the related Series of the Bonds to the respective Holders of the related Series of the Bonds at their respective dates of maturity, or upon call for redemption, as provided in the related Bond Indenture, but only out of the

Revenues and other assets pledged therefor in the related Bond Indenture, and not otherwise, or affect or impair the right of such Holders, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the related Series of the Bonds. In case of an Event of Default under the Ohio Bond Indenture, the Ohio Issuer will cooperate with the related Bond Trustee and use its best efforts to protect the Holders of the Ohio Bonds, subject to its right to be indemnified pursuant to the Ohio Sublease.

Termination of Proceedings

In case any proceedings taken by the applicable Bond Trustee, the applicable Credit Facility Provider (if any), 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 applicable Bond Trustee, the applicable Credit Facility Provider (if any), or the Bondholders of Bonds of the related Series, then in every such case the related Issuer, the applicable Bond Trustee, the applicable Credit Facility Provider (if any), the applicable Liquidity Facility Provider (if any) and the Bondholders of Bonds of the related Series, subject to any determination in such proceedings, shall be restored to their former positions and rights under the related Bond Indenture, severally and respectively, and all rights, remedies, powers and duties of the related Issuer, the applicable Bond Trustee, the applicable Credit Facility Provider (if any), the applicable Liquidity Facility Provider (if any) and the Bondholders of Bonds of the related Series shall continue as though no such proceedings had been taken.

Remedies Not Exclusive

No remedy in the related Bond Indenture conferred upon or reserved to the applicable Bond Trustee, the applicable Credit Facility Provider (if any), the applicable Liquidity Facility Provider (if any), or to the Holders of the related Series 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, will be cumulative and in addition to any other remedy given under the related Bond Indenture or now or hereafter existing at law or in equity or otherwise.

No Waiver of Default

No delay or omission of the applicable Bond Trustee, the applicable Credit Facility Provider (if any), the applicable Liquidity Facility Provider (if any), or of any Holder of the related Series 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 related Bond Indenture to the applicable Bond Trustee, the applicable Credit Facility Provider (if any), the applicable Liquidity Facility Provider (if any), or to the Holders of the related Series of the Bonds may be exercised from time to time and as often as may be deemed expedient.

Notice to Bondholders of Default

Pursuant to the Idaho Bond Indenture, the applicable Bond Trustee will promptly give written notice by first class mail to the Idaho Issuer, the Master Trustee, the Bondholders of Idaho Bonds, the applicable Liquidity Facility Provider (if any) and the applicable Credit Facility Provider (if any) of the occurrence of an Event of Default, if the applicable Bond Trustee has actual knowledge of such Event of Default, and of the giving of any notice as provided in the Idaho Bond Indenture or as provided in the Idaho Loan Agreement with respect to an Event of Default. Pursuant to the Ohio Bond, Indenture, the provisions of the Existing Indenture will apply to the Ohio Bonds.

Amendments to Idaho Bond Indenture Permitted

(a) The Idaho Bond Indenture and the rights and obligations of the Idaho Issuer, the Holders of the Idaho Bonds and the applicable Bond Trustee may be modified or amended from time to time and at any time by an indenture or indentures supplemental to the Idaho Bond Indenture, which the Idaho Issuer and the applicable Bond Trustee may enter into with the written consent of (i) the applicable Credit Facility Provider (if any) (so long as the Credit Facility is in effect or any amounts are owing to the applicable Credit Facility Provider (if any) and the applicable Credit Facility Provider (if any) is not then in default under its payment obligations under the Credit Facility) or (ii) the Holders of a majority in aggregate principal amount of all Idaho Bonds then Outstanding (if no Credit Facility is in effect or the applicable Credit Facility Provider (if any) is then in default under its payment obligations under the Credit Facility), and the applicable Liquidity Facility Provider (if any), and the Obligated Group Agent shall have been filed with the applicable Bond Trustee. No such modification or amendment shall (1) extend the stated maturity of any Idaho Bond, or reduce the amount of principal thereof, or extend the time of payment or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof, or change the Purchase Price to be paid to Holders tendering their Idaho Bonds, without the consent of the Holder of each Bond so affected, or (2) reduce the aforesaid percentage of Idaho Bonds the consent of the Holders of which is required to effect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under the Idaho Bond Indenture prior to or on a parity with the lien created by the Idaho Bond Indenture, or deprive the Holders of the Idaho Bonds of the lien created by the Idaho Bond Indenture on such Revenues and other assets (except as expressly provided in the Idaho Bond Indenture), without the consent of the Holders of all Idaho Bonds then Outstanding. It shall not be necessary for the consent of the Bondholders of Idaho Bonds to approve the particular form of any Supplemental Bond Indenture, but it will be sufficient if such consent shall approve the substance thereof. Promptly after the execution by the Idaho Issuer and the applicable Bond Trustee of any Supplemental Bond Indenture pursuant to this paragraph (a), the applicable Bond Trustee shall mail a notice, setting forth in general terms the substance of such Supplemental Bond Indenture to each Rating Agency then rating the Idaho Bonds, to the applicable Liquidity Facility Provider (if any), to the applicable Credit Facility Provider (if any) and to the Bondholders of Idaho Bonds of the related Series at the addresses shown on the registration books maintained by the applicable Bond Trustee. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Bond Indenture.

(b) The Idaho Bond Indenture and the rights and obligations of the Idaho Issuer, the applicable Bond Trustee and the Holders of the Idaho Bonds may also be modified or amended from time to time and at any time by an indenture or indentures supplemental to the Idaho Bond Indenture, which the Idaho Issuer and the applicable Bond Trustee may enter into with the consent of the Obligated Group Agent (and, if required by the terms of a Reimbursement Agreement, the applicable Credit Facility Provider (if any) and the applicable Liquidity Facility Provider (if any), after it has been given written notice of such supplemental indenture, unless such modification or amendment affects only the Fixed Rate Bonds), but without the necessity of obtaining the consent of any Bondholders, only to the extent permitted by law and only for any one or more of the following purposes:

(1) to add to the covenants and agreements of the Idaho Issuer contained in the Idaho Bond Indenture other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Idaho Bonds (or any portion thereof), or to surrender any right or power in the Idaho Bond Indenture reserved to or conferred upon the Idaho Issuer; provided, however, that no such covenant, agreement, pledge, assignment or surrender shall materially adversely affect the interests of the Holders of the Idaho Bonds;

(2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Idaho Bond Indenture, or in regard to matters or questions arising under the Idaho Bond Indenture, as the Idaho Issuer or the applicable Bond Trustee may deem necessary or desirable and not inconsistent with the Idaho Bond Indenture, and which shall not materially adversely affect the interests of the Holders of the Idaho Bonds;

(3) to modify, amend or supplement the Idaho Bond Indenture in such manner as to permit the qualification of the Idaho Bond Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which shall not materially adversely affect the interests of the Holders of the Idaho Bonds;

(4) to evidence or give effect to, or to conform to the terms and provisions of, any Liquidity Facility;

(5) to evidence or give effect to, or to conform to the terms and provisions of, any Credit Facility;

(6) to facilitate and implement any book entry system (or any termination of a book entry system) with respect to the Idaho Bonds;

(7) to maintain the exclusion from gross income for purposes of federal income taxation of interest payable with respect to the Idaho Bonds; or

(8) to make any modification or amendment to the Idaho Bond Indenture which will be effective upon the remarketing of Idaho Bonds following the mandatory tender of the Idaho Bonds.

The applicable Bond Trustee may in its discretion, but shall not be obligated to, enter into any such Supplemental Bond Indenture authorized by paragraphs (a) or (b) of this paragraph entitled "Amendments to Idaho Bond Indenture Permitted" which materially adversely affects the applicable Bond Trustee's own rights, duties or immunities under the Idaho Bond Indenture or otherwise. The applicable Bond Trustee may obtain an Opinion of Counsel that any such Supplemental Indenture entered into by the Idaho Issuer and the applicable Bond Trustee complies with the provisions of the applicable provisions of the Idaho Bond Indenture and the applicable Bond Trustee may conclusively rely upon such opinion.

Amendments to Ohio Bond Indenture Permitted

The Ohio Bond Indenture and the rights and obligations of the Ohio Issuer, the Holders of the Ohio Bonds and the related Bond Trustee may be modified or amended from time to time and at any time by an indenture or indentures supplemental to the Ohio Bond Indenture, which the Ohio Issuer and the related Bond Trustee may enter into with the written consent of the Credit Facility Provider (if any) (so long as the Credit Facility is in effect or any amounts are owing to the Credit Facility Provider (if any) and the Credit Facility Provider (if any) is not then in default under its payment obligations under the Credit Facility), the Liquidity Facility Provider (if any), and the Obligated Group Agent, but without the necessity of obtaining the consent of any Holders; provided that no such modification or amendment shall (1) extend the stated maturity of any Ohio Bonds, or reduce the amount of principal thereof, or extend the time of payment or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof, or change the

Purchase Price to be paid to Holders tendering their Ohio Bonds, without the consent of the Holder of each Ohio Bonds so affected, or (2) reduce the aforesaid percentage of Ohio Bonds the consent of the Holders of which is required to effect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under The Ohio Bond Indenture prior to or on a parity with the lien created by The Ohio Bond Indenture, or deprive the Holders of the Ohio Bonds of the lien created by the Ohio Bond Indenture on such Revenues and other assets (except as expressly provided in The Ohio Bond Indenture), without the consent of the Holders of all Ohio Bonds then Outstanding. It shall not be necessary for the consent of the Bondholders to approve the particular form of any Supplemental Bond Indenture, but it shall be sufficient if such consent shall approve the substance thereof. Promptly after the execution by the Ohio Issuer and the related Bond Trustee of any Supplemental Bond Indenture pursuant to this paragraph, the related Bond Trustee shall mail a notice, setting forth in general terms the substance of such Supplemental Bond Indenture to each Rating Agency then rating the Ohio Bonds, to the Liquidity Facility Provider (if any), to the Credit Facility Provider (if any) and to the Bondholders at the addresses shown on the registration books maintained by the related 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 related Bond Trustee may in its discretion, but shall not be obligated to, enter into any such Supplemental Bond Indenture authorized by the Ohio Bond Indenture which materially adversely affects the related Bond Trustee's own rights, duties or immunities under the Ohio Bond Indenture or otherwise. The related Bond Trustee may obtain an Opinion of Counsel that any such Supplemental Indenture entered into by the Ohio Issuer and the related Bond Trustee complies with the provisions of the Ohio Bond Indenture and the related Bond Trustee may conclusively rely upon such opinion.

Effect of Supplemental Bond Indenture

Upon the execution of any Supplemental Bond Indenture pursuant to the related Bond Indenture, the related Bond Indenture will be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the related Bond Indenture of the related Issuer, the applicable Bond Trustee and all Holders of Bonds Outstanding shall thereafter be determined, exercised and enforced under the related Bond Indenture subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Bond Indenture will be deemed to be part of the terms and conditions of the related Bond Indenture for any and all purposes.

Defeasance

Discharge of Bond Indenture. The Bonds of each Series may be paid by the related Issuer or the applicable Bond Trustee on behalf of the related Issuer 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 of a Series Outstanding, as and when the same become due and payable (from funds other than moneys paid pursuant to the Credit Facility);

(b) by depositing with the applicable Bond Trustee, in trust, at or before maturity, moneys or securities in the necessary amount (as provided in related Bond Indenture) to pay when due or redeem all Bonds of a Series then Outstanding (from funds other than moneys paid pursuant to the Credit Facility); or

(c) delivering to the applicable Bond Trustee, for cancellation by it, all Bonds of a Series then Outstanding.

If an Issuer shall also pay or cause to be paid all other sums payable under the related Bond Indenture by the related Issuer, and no amounts are owing to the applicable Credit Facility Provider (if any), and Trinity Health shall have paid all Administrative Fees and Expenses payable to the related Issuer pursuant to the applicable Financing Agreement, then and in that case at the election of the related Issuer (evidenced by a Certificate of the related Issuer filed with the applicable Bond Trustee signifying the intention of the related Issuer to discharge all such indebtedness and the related Bond Indenture), and notwithstanding that any Bonds of the related Series shall not have been surrendered for payment, the related Bond Indenture and the pledge of Revenues and other assets made under the related Bond Indenture and all covenants, agreements and other obligations of the related Issuer under the related Bond Indenture (except as otherwise provided in the related Bond Indenture) shall cease, terminate, become void and be completely discharged and satisfied. In such event, upon the request of the related Issuer, the applicable Bond Trustee shall cause an accounting for such period or periods as may be requested by the related Issuer to be prepared and filed with the related Issuer and shall execute and deliver to the related Issuer all such instruments as may be necessary to evidence such discharge and satisfaction, and the applicable Bond Trustee shall pay over, transfer, assign or deliver to Trinity Health (unless such moneys are proceeds of the Credit Facility and moneys are owed to the applicable Credit Facility Provider (if any) by Trinity Health, in which event to the applicable Credit Facility Provider (if any)) all moneys or securities or other property held by it pursuant to the related Bond Indenture which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption; provided that in all events moneys in the related Rebate Fund will be subject to the provisions of the related Bond Indenture.

Discharge of Liability on Bonds. Upon the deposit with the applicable Bond Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in the related Bond Indenture) to pay or redeem any Outstanding Bond of the related Series of Bonds (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 related Bond Indenture or provision satisfactory to the applicable Bond Trustee shall have been made for the giving of such notice, then all liability of the related Issuer in respect of such Bond shall cease, terminate and be completely discharged, except only that thereafter the Holder thereof will be entitled to payment of the principal of and interest on such Bond by the related Issuer, and the related Issuer shall remain liable for such payments, but only out of such money or securities deposited with the applicable Bond Trustee as aforesaid for their payment, subject, however, to the provisions of the related Bond Indenture.

Certain Affiliates Not Liable

No organization sponsored by Trinity Health or any organization with whom it is affiliated in any manner, other than the Members of the Obligated Group, is liable under the related Bond Indenture, the Master Indenture, the related Obligation or the related Financing Agreement for the commitments of Trinity Health or any of the Members of the Obligated Group made in the Master Indenture, the related Obligation or the related Financing Agreement.

OHIO SUBLEASE

The following is a summary of certain provisions of the Ohio Sublease relating to the Ohio Bonds. This summary does not purport to be complete or definitive and reference is made to the Ohio Sublease for the complete terms thereof.

General

The Ohio Sublease provides the terms of the loan of all of the proceeds of the Ohio Bonds by the Ohio Issuer to Trinity Health and the repayment of such loans by Trinity Health, the Hospitals, System and Diley Ridge Medical Center.

Basic Rent Payments

Pursuant to the Ohio Sublease, Trinity Health, System and Diley Ridge Medical Center agree to pay, or cause to be paid, Basic Rent Payments in an amount sufficient to enable the related Bond Trustee to make the transfers and deposits required at the times and in the amounts pursuant to the Supplemental Bond Indenture. Each Basic Rent Payment will be made in immediately available funds. Notwithstanding the foregoing, Trinity Health agrees to make Basic Rent Payments, or cause payments to be made, at the times and in the amounts required to be paid as principal or Redemption Price of and interest on the Series Ohio Bonds from time to time Outstanding under the Supplemental Bond Indenture and other amounts required to be paid under the Supplemental Bond Indenture, as the same shall become due whether at maturity, upon redemption, by declaration of acceleration or otherwise.

Except as otherwise expressly provided in the Ohio Sublease, the Ohio Issuer irrevocably instructs System, Diley Ridge Medical Center and Trinity Health that all amounts payable under the provision of the Ohio Sublease with respect to base rental payments by Trinity Health to the Ohio Issuer will be paid to the related Bond Trustee or other parties entitled thereto as assignee of the Ohio Issuer and the Ohio Sublease and all right, title and interest of the Ohio Issuer in any such payments are assigned and pledged to the applicable Bond Trustee so long as any Series Ohio Bonds remain Outstanding.

Additional Rent Payments

In addition to Basic Rent Payments, Trinity Health, System and Diley Ridge Medical Center will also pay to the Ohio Issuer, the related Bond Trustee and the Tender Agent, or the designated agent of any of them, as the case may be, “Additional Rent Payments,” as follows: (a) All taxes and assessments of any type or character charged to the Ohio Issuer or to the related Bond Trustee affecting the amount available to the Ohio Issuer or the related Bond Trustee from payments to be received under the Ohio Sublease or in any way arising due to the transactions contemplated by the Ohio Sublease (including taxes and assessments assessed or levied by any public agency or governmental authority of whatsoever character having power to levy taxes or assessments) but excluding franchise taxes based upon the capital and/or income of the related Bond Trustee and taxes based upon or measured by the net income of the related Bond Trustee; provided, however, that Trinity Health will have the right to protest any such taxes or assessments and to require the Ohio Issuer or the related Bond Trustee, at Trinity Health’s expense, to protest and contest any such taxes or assessments levied upon them and that Trinity Health will have the right to withhold payment of any such taxes or assessments pending disposition of any such protest or contest unless such withholding, protest or contest would adversely affect the rights or interests of the Ohio Issuer or the related Bond Trustee; (b) all reasonable fees, charges, expenses and indemnities of the Ohio Issuer, the related Bond Trustee and the Tender Agent under the Ohio Sublease and under the Bond Indenture, as and when the same become due and payable; (c) the reasonable fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the Ohio Issuer or the related Bond Trustee to prepare audits, financial statements, reports, opinions or provide such other services required under the Ohio Sublease or the Supplemental Bond Indenture; and (d) all other reasonable and necessary fees and expenses attributable to the Series Ohio Bonds, the Ohio Sublease or the related Obligation, including without limitation all payments required pursuant to the related Tax Certificate and Agreement.

Such Additional Rent Payments will be billed to Trinity Health by the Ohio Issuer, the related Bond Trustee and the Tender Agent from time to time, together with a statement certifying that the amount billed has been incurred or paid for one or more of the above items and, if applicable, supporting invoices. Amounts so billed will be paid by Trinity Health within thirty (30) days after receipt of the bill by Trinity Health.

Prepayment

Trinity Health, System and Diley Ridge Medical Center will have the right, so long as all amounts which have become due under the Ohio Sublease have been paid, at any time or from time to time to prepay all or any part of the Basic Rent Payments and the Ohio Issuer agrees that the related Bond Trustee will accept such prepayments when the same are tendered. Prepayments may be made by payments of cash, deposit of United States Government Obligations or surrender of Series Ohio Bonds, as contemplated by the Ohio Sublease. All such prepayments (and the additional payment of any amount necessary to pay the applicable premium, if any, payable upon the redemption of Series Ohio Bonds) will be deposited upon receipt at Trinity Health's direction, (a) with respect to the Series Ohio Bonds under the Supplemental Bond Indenture, in (i) the Principal Account or (ii) the Redemption Fund (or in such other Bond Trustee escrow account as may be specified by Trinity Health) if the Series Ohio Bonds are to be redeemed pursuant to the Supplemental Bond Indenture. Notwithstanding any such prepayment or surrender of Series Ohio Bonds, as long as any Series Ohio Bonds remain Outstanding or any Additional Rents required to be made under the Ohio Sublease remain unpaid, Trinity Health, System and Diley Ridge Medical Center will not be relieved of their obligations under the Ohio Sublease.

Payment and Purchase of Price of Bonds.

Pursuant to the Ohio Sublease, Trinity Health agrees that, if a Liquidity Facility is not in effect as permitted under the Supplemental Bond Indenture and the Ohio Sublease or if the Liquidity Facility Provider has not paid the full amount required by the Supplemental Bond Indenture at the times required under the Supplemental Bond Indenture, it will pay to the Tender Agent all amounts necessary for the purchase of Series Ohio Bonds pursuant to the Supplemental Bond Indenture and not deposited with the Tender Agent by the Remarketing Agent from the proceeds of the sale of such Series Ohio Bonds pursuant to the Supplemental Bond Indenture, except on a Window Optional Tender Date or in connection with an Unscheduled Mandatory Tender in an Index Mode or a Flexible Index Mode. Each such payment by Trinity Health to the Tender Agent pursuant to the Ohio Sublease will be in immediately available funds and paid to the Tender Agent at its Designated Office by 2:30 P.M. on each date upon which a payment is to be made pursuant to Supplemental Bond Indenture.

If a Conversion is consummated where the Interest Period ends on the final maturity date of the Series Ohio Bonds pursuant to the Supplemental Bond Indenture, the section of the Ohio Sublease with respect to payment and purchase of price of bonds with respect to such Series Ohio Bonds will be terminated following such Conversion.

Obligations Unconditional

The obligations of Trinity Health, System and Diley Ridge Medical Center under the Ohio Sublease are absolute and unconditional, notwithstanding any other provision of the Ohio Sublease, the Supplement, the related Obligation, the Master Indenture or the Supplemental Bond Indenture. Until the Ohio Sublease is terminated and all payments under the Ohio Sublease are made, Trinity Health, System and Diley Ridge Medical Center:

(a) will pay all amounts required under the Ohio Sublease without abatement, deduction or set-off except as otherwise expressly provided in the Ohio Sublease;

(b) will not suspend or discontinue any payments due under the Ohio Sublease for any reason whatsoever, including, without limitation, any right of set-off or counterclaim;

(c) will perform and observe all its other agreements contained in the Ohio Sublease; and

(d) except as provided in the Ohio Sublease, will not terminate the Ohio Sublease for any cause, including, without limiting the generality of the foregoing, damage, destruction or condemnation of the health facilities financed or refinanced with the proceeds of the Series Ohio Bonds or any part thereof, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of Ohio, or any political subdivision of either thereof or any failure of the Ohio Issuer to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Ohio Sublease. Nothing contained in the applicable provisions of the Ohio Sublease with respect to obligations unconditional will be construed to release the Ohio Issuer from the performance of any of the agreements on its part contained Obo Sublease; and in the event the Ohio Issuer should fail to perform any such agreement on its part, Trinity Health may institute such action against the Ohio Issuer as Trinity Health may deem necessary to compel performance.

The rights of the related Bond Trustee or any party or parties on behalf of whom the related Bond Trustee is acting will not be subject to any defense, set-off, counterclaim or recoupment whatsoever, whether arising out of any breach of any duty or obligation of the Ohio Issuer, the Master Trustee or the related Bond Trustee owing to Trinity Health, or by reason of any other indebtedness or liability at any time owing by the Ohio Issuer, the Master Trustee or the related Bond Trustee to Trinity Health.

Disbursements from 2013 Project Fund

Disbursements will be made from the 2013 Project Fund to pay the costs of the 2013 Project and subject to the terms and conditions set forth in the Supplemental Bond Indenture. In the event that amounts in the 2013 Project Fund are not sufficient to pay the costs of the 2013 Project in full, Trinity Health, System and Diley Ridge Medical Center nevertheless shall complete or cause the completion of the 2013 Project and will pay at its own expense all such costs of completing the 2013 Project in excess of amounts available in the 2013 Project Fund, from its own funds, without any diminution or postponement of any Eighth Supplemental Basic Rent or Additional Payment and without any right of reimbursement from the Ohio Issuer or the related Bond Trustee.

Tax Covenant

Trinity Health covenants and agrees for itself and on behalf of the Ohio Issuer that it will at all times do and perform, for itself and on behalf of the Ohio Issuer, all acts and things permitted by law and this Agreement which are necessary in order for the Series Ohio Bonds to satisfy the requirements of Sections 103 and 141 through 150 of the Code in order to assure that interest paid on the Series Ohio Bonds (or any of them) will be excluded from gross income for federal income tax purposes and will take no action that would result in failure of the Series Ohio Bonds to satisfy those requirements of the Code. Without limiting the generality of the foregoing, Trinity Health agrees to comply, and to cause the other members of the Credit Group to comply to the extent applicable to such other members, with the provisions of the related Tax Certificate and Agreement. This covenant will survive payment in full or defeasance of the Ohio Bonds.

Events of Default

Each of the following events shall constitute and be referred to as a “Sublease Default Event”:

(a) Failure by Trinity Health to pay in full any payment required under the Ohio Sublease or of the Obligated Group to pay in full any payment required under the related Obligation when due, whether at maturity, on an Interest Payment Date, upon a date fixed for prepayment, by declaration, upon tender of the Series Ohio Bonds for purchase pursuant to the Supplemental Bond Indenture (except on a Window Optional Tender Date or in connection with an Unscheduled Mandatory Tender in an Index Mode or a Flexible Index Mode) or otherwise pursuant to the terms of the Ohio Sublease or thereof;

(b) If any material representation or warranty made by Trinity Health, System or Diley Ridge Medical Center in the Ohio Sublease or made by Trinity Health or any Member of the Obligated Group in any document, instrument or certificate furnished to the related Bond Trustee or the Ohio Issuer in connection with the issuance of the related Obligation or the Series Ohio Bonds shall at any time prove to have been incorrect in any respect as of the time made and shall not be brought into compliance within a period of sixty (60) days after written notice has been given to Trinity Health by the Ohio Issuer or the related Bond Trustee;

(c) If Trinity Health, System or Diley Ridge Medical Center, shall fail to observe or perform any other covenant, condition, agreement or provision in the Ohio Sublease on its part to be observed or performed, or shall breach any warranty by Trinity Health, System or Diley Ridge Medical Center in the Ohio Sublease contained, for a period of sixty (60) days after written notice, specifying such failure or breach and requesting that it be remedied, has been given to Trinity Health, System and Diley Ridge Medical Center by the Ohio Issuer or the related Bond Trustee; except that, if such failure or breach can be remedied but not within such sixty (60) day period and if Trinity Health, System and Diley Ridge Medical Center have taken all action reasonably possible to remedy such failure or breach within such sixty (60) day period, such failure or breach shall not become an Sublease Default Event for so long as Trinity Health, System and Diley Ridge Medical Center shall diligently proceed to remedy such failure or breach in accordance with and subject to any directions or limitations of time established by the related Bond Trustee;

(d) Any Event of Default as defined in and under the Supplemental Bond Indenture or the Existing Sublease; or

(e) Any Event of Default as defined in and under the Master Indenture.

Remedies on Default

If a Sublease Default Event shall occur, then, and in each and every such case during the continuance of such Sublease Default Event, the related Bond Trustee on behalf of the Ohio Issuer, but subject to the limitations in the Supplemental Bond Indenture as to the enforcement of remedies, may take one of the following actions:

(a) Exercise any or all rights and remedies given by the Ohio Sublease or available under the Ohio Sublease or given by or available under any other instrument of any kind securing Trinity Health's performance under the Ohio Sublease (including, without limitation, the related Obligation and the Master Indenture);

(b) By written notice to Trinity Health declare all Basic Rent and Additional Rent to be immediately due and payable under the Ohio Sublease, whereupon the same shall become immediately due and payable; and

(c) Take any action at law or in equity to collect the payment required under the Ohio Sublease then due, whether on the stated due date or by declaration of acceleration or otherwise, for damages or for specific performance or otherwise to enforce performance and observance of any obligation, agreement or covenant of Trinity Health under the Ohio Sublease.

Notwithstanding any other provision of the Ohio Sublease or any right, power or remedy existing at law or in equity or by statute, the related Bond Trustee shall not under any circumstances declare the entire unpaid aggregate amount of the payment due under the Ohio Sublease to be immediately due and payable except in accordance with the directions of the Master Trustee if the Master Trustee shall have declared the aggregate principal amount of the related Obligation and all interest thereon immediately due and payable in accordance with the Master Indenture.

IDAHO LOAN AGREEMENT

The following is a summary of certain provisions of the Idaho Loan Agreement. This summary does not purport to be complete or definitive, and reference is made to each respective Loan Agreement for the complete terms thereof.

General

The Idaho Loan Agreement provides the terms of the loan of all proceeds of the Idaho Bonds by the Idaho Issuer to Trinity Health and the repayment of such loans by Trinity Health.

Loan of Proceeds; Payments of Principal, Premium and Interest

Pursuant to the Idaho Loan Agreement, the Idaho Issuer lends and advances to Trinity Health, and Trinity Health borrows and accepts from the Idaho Issuer, a loan in a principal amount equal to the aggregate principal amount of the Idaho Bonds, the net proceeds of which loan shall be equal to the net proceeds received from the sale of the Idaho Bonds, such proceeds to be applied under the terms and conditions of the Idaho Loan Agreement and the Idaho Bond Indenture. In consideration of such loan, Trinity Health agrees to pay, or cause to be paid, "Loan Repayments" in an amount sufficient to enable the applicable Bond Trustee to make the transfers and deposits required at the times and in the amounts pursuant to the Idaho Bond Indenture. Each Loan Repayment shall be made in immediately available funds. Notwithstanding the foregoing, Trinity Health agrees to make payments, or cause payments to be made, at the times and in the amounts required to be paid as principal or Redemption Price of and interest on the Idaho Bonds from time to time Outstanding under the Idaho Bond Indenture and other amounts required to be paid under the Idaho Bond Indenture, as the same shall become due whether at maturity, upon redemption, by declaration of acceleration or otherwise.

Except as otherwise expressly provided in the Idaho Loan Agreement, all amounts payable by Trinity Health to the Idaho Issuer under the applicable provisions of the related Loan Agreement summarized in the preceding paragraph will be paid to the applicable Bond Trustee or other parties entitled thereto, as assignee of the Idaho Issuer, and the Idaho Loan Agreement and all right, title and interest of the Idaho Issuer in any such payments are assigned and pledged by Trinity Health and the Idaho Issuer to the applicable Bond Trustee so long as any Idaho Bonds remain Outstanding.

Additional Payments

In addition to Loan Repayments, Trinity Health shall also pay to the Idaho Issuer, the applicable Bond Trustee and the Tender Agent, or the designated agent of any of them, as the case may be, “Additional Payments,” as follows:

(a) To the Idaho Issuer (i) an initial fee on the Date of Issuance and (ii) an annual planning service fee in an amount calculated according to the Idaho Issuer’s Annual Planning Service Fee Schedule on the Date of Issuance and on each anniversary date thereafter during the term of the Idaho Loan Agreement;

(b) All taxes and assessments of any type or character charged to the Idaho Issuer or to the applicable Bond Trustee affecting the amount available to the Idaho Issuer or the applicable Bond Trustee from payments to be received under the Idaho Loan Agreement or in any way arising due to the transactions contemplated by the Idaho Loan Agreement (including taxes and assessments assessed or levied by any public agency or governmental authority of whatsoever character having power to levy taxes or assessments) but excluding franchise taxes based upon the capital and/or income of the applicable Bond Trustee and taxes based upon or measured by the net income of the applicable Bond Trustee; provided, however, that Trinity Health shall have the right to protest any such taxes or assessments and to require the Idaho Issuer or the applicable Bond Trustee, at Trinity Health’s expense, to protest and contest any such taxes or assessments levied upon them and that Trinity Health shall have the right to withhold payment of any such taxes or assessments pending disposition of any such protest or contest unless such withholding, protest or contest would adversely affect the rights or interests of the Idaho Issuer or the applicable Bond Trustee;

(c) All reasonable fees, charges, expenses and indemnities of the Idaho Issuer, the applicable Bond Trustee and the Tender Agent under the Idaho Loan Agreement and under the Idaho Bond Indenture, as and when the same become due and payable;

(d) In the event the applicable Bond Trustee reimburses itself from any fund, account or subaccount held under the Idaho Bond Indenture for any payment required to be made pursuant to the Idaho Bond Indenture which the Obligated Group has failed to pay, an amount sufficient to replenish such fund, account or subaccount;

(e) The reasonable fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the Idaho Issuer or the applicable Bond Trustee to prepare audits, financial statements, reports, opinions or provide such other services required under the Idaho Loan Agreement or the Idaho Bond Indenture; and

(f) All other reasonable and necessary fees and expenses attributable to the Bonds, the Idaho Loan Agreement or the Obligation, including without limitation all payments required pursuant to the Tax Certificate and Agreement.

Such Additional Payments, except those required by clause (d) above, will be billed to Trinity Health by the Idaho Issuer, the applicable Bond Trustee and the Tender Agent, as applicable, from time to time, together with a statement certifying that the amount billed has been incurred or paid for one or more of the above items and, if applicable, supporting invoices. Amounts so billed shall be paid by Trinity Health within thirty (30) days after receipt of the bill by Trinity Health. Additional Payments required by clause (d) above shall be paid not later than thirty (30) days after the date of reimbursement by the applicable Bond Trustee from such fund, account or subaccount held under the Idaho Bond Indenture.

Prepayment

Trinity Health shall have the right, so long as all amounts which have become due under the Idaho Loan Agreement have been paid, at any time or from time to time to prepay all or any part of the Loan Repayments with respect to the Idaho Bonds and the Idaho Issuer agrees that the applicable Bond Trustee shall accept such prepayments when the same are tendered. Prepayments may be made by payments of cash, deposit of United States Government Obligations or surrender of Idaho Bonds, as contemplated by the applicable provisions of the Idaho Loan Agreement). All such prepayments (and the additional payment of any amount necessary to pay the applicable premium, if any, payable upon the redemption of Idaho Bonds) shall be deposited upon receipt at Trinity Health's direction in (i) the Principal Account, (ii) the Optional Redemption Account of the Redemption Fund, if the Idaho Bonds are to be redeemed pursuant the Idaho Bond Indenture, or (iii) the Special Redemption Account of the Redemption Fund (or in such other Bond Trustee escrow account as may be specified by Trinity Health), if the Idaho Bonds are to be redeemed pursuant to the Idaho Bond Indenture, and at the request of and as determined by Trinity Health, credited against payments due under the Idaho Loan Agreement or used for the redemption or purchase of Outstanding Idaho Bonds in the manner and subject to the terms and conditions set forth in the Idaho Bond Indenture. Notwithstanding any such prepayment or surrender of Idaho Bonds, as long as any Idaho Bonds remain Outstanding or any Additional Payments required to be made under the Idaho Loan Agreement remain unpaid, Trinity Health shall not be relieved of its obligations under the Idaho Loan Agreement.

Payment of Purchase Price of Bonds

Trinity Health agrees that, if a Liquidity Facility is not in effect as permitted under the Idaho Bond Indenture and the Idaho Loan Agreement or if the applicable Liquidity Facility Provider has not paid the full amount required by the Idaho Bond Indenture at the times required under the Idaho Bond Indenture, it shall pay to the Tender Agent all amounts necessary for the purchase of Idaho Bonds pursuant to the Idaho Bond Indenture and not deposited with the Tender Agent by the Remarketing Agent from the proceeds of the sale of such Idaho Bonds pursuant to the Idaho Bond Indenture, except on a Window Optional Tender Date or in connection with an Unscheduled Mandatory Tender in an Index Mode or a Flexible Index Mode. Each such payment by Trinity Health to the Tender Agent pursuant to the related Bond Indenture shall be in immediately available funds and paid to the Tender Agent at its Designated Office by 2:30 P.M. on each date upon which a payment is to be made pursuant to the Idaho Bond Indenture.

If a Conversion is consummated where the Interest Period ends on the final maturity date of the Idaho Bonds pursuant to the Idaho Bond Indenture, the provisions of the Idaho Loan Agreement summarized in this section entitled "Payment of Purchase of Bonds" will be terminated following such Conversion with respect to such Bonds.

Obligations Unconditional

The obligations of Trinity Health under each respective Loan Agreement are absolute and unconditional, notwithstanding any other provision of the Idaho Loan Agreement, the Supplement, the related Obligation, the Master Indenture or the Idaho Bond Indenture. Until the Idaho Loan Agreement is terminated and all payments under the Idaho Loan Agreement are made, Trinity Health:

- (a) will pay all amounts required under the Idaho Loan Agreement without abatement, deduction or set-off except as otherwise expressly provided in the Idaho Loan Agreement;

(b) will not suspend or discontinue any payments due under the Idaho Loan Agreement for any reason whatsoever, including, without limitation, any right of set-off or counterclaim;

(c) will perform and observe all its other agreements contained in the Idaho Loan Agreement; and

(d) except as provided in the Idaho Loan Agreement, will not terminate the Idaho Loan Agreement any cause, including, without limiting the generality of the foregoing, damage, destruction or condemnation of the health facilities financed or refinanced with the proceeds of the Idaho Bonds or any part thereof, commercial frustration of purpose, any change in the tax or other laws of the United States of America or the State of Idaho or any political subdivision of either thereof, or any failure of the Idaho Issuer to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Idaho Loan Agreement.

The rights of the applicable Bond Trustee or any party or parties on behalf of whom the applicable Bond Trustee is acting will not be subject to any defense, set-off, counterclaim or recoupment whatsoever, whether arising out of any breach of any duty or obligation of the Idaho Issuer, the Master Trustee or the applicable Bond Trustee owing to Trinity Health, or by reason of any other indebtedness or liability at any time owing by the Idaho Issuer, the Master Trustee or the applicable Bond Trustee to Trinity Health.

Disbursements from Project Fund

Disbursements will be made from the related Project Fund to pay the costs of the related Project subject to the terms and conditions set forth in the related Bond Indenture. In the event that amounts in the Project Fund are not sufficient to pay the costs of the related Project in full, Trinity Health nevertheless shall complete, or cause the completion of, the related Project and shall pay at its own expense; all such costs of completing the related Project in excess of amounts available in the related Project Fund from its or their own funds, without any diminution or postponement of any related Loan Repayment or related Additional Payment and without any right of reimbursement from the Idaho Issuer or the related Bond Trustee.

Tax Covenant

Trinity Health covenants and agrees for itself and on behalf of the Idaho Issuer that it will at all times do and perform, for itself and on behalf of the Idaho Issuer, all acts and things permitted by law and the Idaho Loan Agreement which are necessary in order for the Idaho Bonds to satisfy the requirements of Sections 103 and 141 through 150 of the Code in order to assure that interest paid on the Idaho Bonds (or any of them) will be excluded from gross income for federal income tax purposes and will take no action that would result in failure of the Idaho Bonds to satisfy those requirements of the Code. Without limiting the generality of the foregoing, Trinity Health agrees to comply, and to cause the other members of the Credit Group to comply to the extent applicable to such other members, with the provisions of the related Tax Certificate and Agreement. This covenant shall survive payment in full or defeasance of the Idaho Bonds.

Events of Default

Each of the following events shall constitute and be referred to in the Idaho Loan Agreement as a “Loan Default Event”:

(a) Failure by Trinity Health to pay in full any payment required under the Idaho Loan Agreement or by the Obligated Group to pay in full any payment required under the related Obligation when due, whether on an Interest Payment Date or at maturity, upon a date fixed for prepayment, by declaration, upon tender of the Idaho Bonds for purchase pursuant to the Idaho Bond Indenture (except on a Window Optional Tender Date or in connection with an Unscheduled Mandatory Tender in an Index Mode or a Flexible Index Mode), or otherwise pursuant to the terms of the Idaho Loan Agreement or thereof;

(b) If any material representation or warranty made by Trinity Health in the Idaho Loan Agreement or made by Trinity Health or any Member of the Obligated Group in any document, instrument or certificate furnished to the applicable Bond Trustee or the Idaho Issuer in connection with the issuance of the related Obligation or the Idaho Bonds shall at any time prove to have been incorrect in any respect as of the time made and shall not be brought into compliance within a period of sixty (60) days after written notice has been given to Trinity Health by the Idaho Issuer or the applicable Bond Trustee;

(c) If Trinity Health shall fail to observe or perform any other covenant, condition, agreement or provision in the Idaho Loan Agreement on its part to be observed or performed, or shall breach any warranty by Trinity Health contained in the Idaho Loan Agreement, for a period of sixty (60) days after written notice, specifying such failure or breach and requesting that it be remedied, has been given to Trinity Health by the Idaho Issuer or the applicable Bond Trustee; except that, if such failure or breach can be remedied but not within such sixty (60) day period and if Trinity Health has taken all action reasonably possible to remedy such failure or breach within such sixty (60) day period, such failure or breach shall not become a Loan Default Event for so long as Trinity Health shall diligently proceed to remedy such failure or breach in accordance with and subject to any directions or limitations of time established by the applicable Bond Trustee;

(d) Any Event of Default as defined in and under the Idaho Bond Indenture; or

(e) Any Event of Default as defined in and under the Master Indenture.

Remedies on Default

If a Loan Default Event shall occur, then, and in each and every such case during the continuance of such Loan Default Event, the applicable Bond Trustee on behalf of the Idaho Issuer, but subject to the limitations in the Idaho Bond Indenture as to the enforcement of remedies, or the Idaho issuer (in the event of a failure of the Bond Trustee to act under the provisions described in “Remedies on Default”), may take one of the following actions:

(a) Exercise any or all rights and remedies given by the Idaho Loan Agreement or available under the Idaho Loan Agreement or given by or available under any other instrument of any kind securing Trinity Health’s performance under the Idaho Loan Agreement (including, without limitation, the related Obligation and the Master Indenture);

(b) By written notice to Trinity Health declare all Loan Repayments with respect to the Idaho Bonds and Additional Payments to be immediately due and payable under the Idaho Loan Agreement, whereupon the same shall become immediately due and payable; and

(c) Take any action at law or in equity to collect the payment required under the Idaho Loan Agreement then due, whether on the stated due date or by declaration of acceleration or otherwise, for

damages or for specific performance or otherwise to enforce performance and observance of any obligation, agreement or covenant of Trinity Health under the Idaho Loan Agreement.

Notwithstanding any other provision of the Idaho Loan Agreement or any right, power or remedy existing at law or in equity or by statute, the applicable Bond Trustee and the Issuer shall not under any circumstances declare the entire unpaid aggregate amount of the payments due under the Idaho Loan Agreement to be immediately due and payable except in accordance with the directions of the Master Trustee if the Master Trustee shall have declared the aggregate principal amount of the related Obligation and all interest thereon immediately due and payable in accordance with the Master Indenture.

APPENDIX F

SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE

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SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE

Brief descriptions of the Master Indenture are included in this APPENDIX F. The descriptions do not purport to be comprehensive or definitive. All references herein to the Master Indenture are qualified in their entirety by reference to that document, copies of which are available for review upon request from the Obligated Group Agent. All references to the Bond Obligations are qualified in their entirety by reference to the definitive form thereof and the information with respect to those Bond Obligations included in the Master Indenture, as amended through and including Supplemental Indenture Number Four.

The excerpts below do not reflect certain additional and generally more restrictive covenant requirements imposed on the Members of the Obligated Group by certain credit enhancers for Related Bonds, and the Lenders. Such additional covenant requirements are enforceable only by such credit enhancers and/or Lenders, may be waived in the sole discretion of such credit enhancers and/or Lenders, and may be eliminated or amended or may remain in effect while the Related Bonds are outstanding. Compliance with such additional covenants could prevent the Obligated Group from utilizing certain of the covenants or provisions described below, and might prohibit the Obligated Group's implementation of a particular transaction that is otherwise permitted by the Master Indenture, the Loan Agreements or the Bond Indentures. In addition, a default under such additional covenant requirements, if not waived by the applicable credit enhancer and/or Lender, could constitute a default under the Master Indenture which, in turn, could result in the Master Trustee exercising remedies under the Master Indenture as described below.

DEFINITIONS

The following defined terms as used in the summary of the Master Indenture in this APPENDIX F shall have the following meanings:

"2013 Credit Agreements" has the meaning referred to in this APPENDIX F under the caption **"COVENANTS FOR THE BENEFIT OF THE LENDERS."**

"Accelerable Instrument" means any Obligation or any mortgage, indenture, loan agreement or other instrument under which there has been issued or incurred, or by which there is secured, any Indebtedness evidenced by an Obligation, which Obligation or instrument provides that, upon the occurrence of an event of default under such Obligation or instrument, the holder thereof (or a credit enhancer exercising the rights of such holder) may request that the Master Trustee declare such Obligation or Indebtedness due and payable prior to the date on which it would otherwise become due and payable.

"Affiliate" means as to any Person, a corporation, limited liability company, partnership, joint venture, association, business trust or similar entity (i) which is controlled directly or indirectly by such Person; or (ii) a majority of the members of the Directing Body of which are members of the Directing Body of such Person. For the purposes of this definition, "control" means with respect to: (i) a corporation having stock, the ownership, directly or indirectly, of more than 50% of the securities (as defined in Section 2(a)(1) of the Securities Act of 1933, as amended) of any class or classes, the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the directors of such corporation; (ii) a not for profit corporation not having stock, having the power to elect or appoint, directly or indirectly, a majority of the members of the Directing Body of such corporation; or (iii) any other entity, the power to direct the management of such entity through the ownership of at least a majority of its voting securities or the right to designate or elect at least a majority of the members of its Directing Body, by contract or otherwise.

“Balloon Indebtedness” means (1) Indebtedness, twenty percent (20%) or more of the initial principal amount of which Indebtedness matures (or is payable at the option of the holder) in any twelve month period, if such twenty percent (20%) or more is not to be amortized to below twenty percent (20%) by mandatory redemption prior to such twelve month period, or (2) any portion of an issue of Indebtedness which, if treated as a separate issue of Indebtedness, would meet the test set forth in clause (1) of this definition and which Indebtedness is designated as Balloon Indebtedness in an Officer’s Certificate stating that such portion shall be deemed to constitute a separate issue of Balloon Indebtedness.

“Board Resolution” means a copy of a resolution certified by the Secretary or an Assistant Secretary of a Person to have been duly adopted by the Governing Body of such Person and to be in full force and effect on the date of such certification.

“Bondholder,” “owner” or “holder” means, with respect to Related Bonds, the registered owner of any Related Bond.

“Book Value” when used with respect to any Property of a Person, means the value of such Property, net of accumulated depreciation and amortization, as reflected in the most recent audited financial statements of such Person prepared in accordance with generally accepted accounting principles, provided that the aggregate value of the Property of one or more Persons shall be calculated in such a manner that no portion of the value of any 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 Indiana or the State of New York are authorized by law to close or (b) a day on which the New York Stock Exchange is closed.

“Capitalized Interest” means amounts irrevocably deposited in escrow to pay interest on Long-Term Indebtedness or Related Bonds and interest earned on such amounts to the extent such interest earned is required to be applied to pay interest on Long-Term Indebtedness or Related Bonds.

“Capitalized Lease” means any lease of real or personal property which, in accordance with generally accepted accounting principles, is required to be capitalized on the balance sheet of the lessee.

“Capitalized Rentals” means, as of the date of determination, the amount at which the aggregate rentals due and to become due under a Capitalized Lease under which a Person is a lessee would be reflected as a liability on a balance sheet of such Person.

“Code” means the Internal Revenue Code of 1986, as amended from time to time. Each reference to a section of the Code in the Master Indenture 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 Bonds or the use of the proceeds thereof.

“Consultant” means a professional consulting, financial advisory, accounting, investment banking or commercial banking firm selected by the Obligated Group Agent and not unacceptable to the Master Trustee, having the skill and experience necessary to render the particular report required and having a favorable and nationally recognized reputation for such skill and experience, which firm does not control any member of the Credit Group or any Affiliate thereof and is not controlled by or under common control with any member of the Credit Group or an Affiliate thereof.

“Counsel” means an attorney duly admitted to practice law before the highest court of any state and, without limitation, may include legal counsel for a Member of the Obligated Group, any other member of the Credit Group or the Master Trustee.

“Credit Group” means the Members of the Obligated Group and the Designated Affiliates.

“Current Assets” means cash and cash equivalent deposits, marketable securities, accounts receivable, accrued interest receivables and any other assets of a Person ordinarily considered current assets under generally accepted accounting principles.

“Current Value” means the fair market value of Property, as evidenced by an Officer’s Certificate of the Obligated Group Agent delivered to the Master Trustee.

“Debt Service Requirements” means, with respect to the period of time for which calculated, the aggregate of the payments required to be made during such period in respect of principal (whether at maturity, as a result of mandatory sinking fund redemption, mandatory prepayment or otherwise) and interest on outstanding Long-Term Indebtedness of each Person or a group of Persons with respect to which calculated. In calculating the Debt Service Requirements, the following assumptions shall apply:

(i) interest shall be excluded from the determination of the Debt Service Requirements to the extent that Capitalized Interest is available to pay such interest;

(ii) principal of Indebtedness shall be excluded from the calculation of Debt Service Requirements to the extent that (a) 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 of and interest on the Escrow Obligations and (b) such amounts so required to be applied are sufficient to pay such principal;

(iii) with respect to Balloon Indebtedness or Put Indebtedness, the amount of the principal payments required to be made in any such Fiscal Year shall be deemed to be that amount which would be payable in such Fiscal Year if the total principal of such Indebtedness were amortized from the date of calculation over a period of 30 years on a level annual debt service basis; *provided, however*, that, if the option of the holder to require that such Put Indebtedness be purchased prior to its stated maturity date has expired as of the date of calculation of the Debt Service Requirement, such Put Indebtedness shall be deemed to be payable in accordance with its terms unless such Put Indebtedness constitutes Balloon Indebtedness;

(iv) the amortization schedule of Balloon Indebtedness and Put Indebtedness and the debt service payable with respect to such Indebtedness shall be calculated on the assumption that such Indebtedness is being issued simultaneously with the calculation of the Debt Service Requirement; *provided, however*, that, if the option of the holder to require that such Put Indebtedness be purchased prior to its stated maturity date has expired as of the date of calculation of the Debt Service Requirement, such Put Indebtedness shall be deemed payable in accordance with its terms unless such Put Indebtedness constitutes Balloon Indebtedness;

(v) with respect to Variable Rate Indebtedness, including Put Indebtedness and Balloon Indebtedness, the interest on such Indebtedness shall be calculated at the Projected Rate; and

(vi) if, during the Fiscal Year immediately preceding the calculation of the Historical Debt Service Coverage Ratio, a member of the Reporting Group has been required under a Guaranty of the Long-Term Indebtedness of a Person that is not a member of the Reporting Group to make a payment on such guaranteed Indebtedness, 100% of the annual Debt Service Requirements on such guaranteed Indebtedness in the then current and next succeeding Fiscal Years shall be included in the calculation of the Debt Service Requirement for such Fiscal Year.

“Designated Affiliate” means any Person that is listed on *Exhibit B* to the Master Indenture after designation as a Designated Affiliate pursuant to the Master Indenture.

“Directing Body” means with respect to: (i) a corporation having stock (a) the Governing Body of such corporation or (b) the owners, directly or indirectly, of more than 50% of the securities (as defined in Section 2(a)(1) of the Securities Act of 1933, as amended) of any class or classes, the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the members of the Governing Body of such corporation; (ii) a not for profit corporation not having stock, such corporation’s member or members if the member or members have complete discretion to elect the members of the Governing Body of such corporation, or the Governing Body of such corporation if the corporation’s member or members do not have such discretion; and (iii) any other entity, the Person or group of Persons performing the function of a Governing Body for such entity. For the purposes of this definition, all references to members and Governing Bodies shall be deemed to include all entities performing the function of members or Governing Bodies, however denominated.

“Effective Date” means October 3, 2013, which is the date of the original execution and delivery of the Master Trust Indenture.

“Escrow Obligations” means (i) with respect to any Obligation which secures a series of Related Bonds, those securities permitted to be used to defease Related Bonds of such series under the Related Bond Indenture or (ii) with respect to any other Obligations, those securities permitted to be used to defease such Obligations under the Supplemental Master Indenture pursuant to which such Obligations were issued.

“Existing Notes” means all of the Notes issued under (and as defined in) the Original Master Indenture which were outstanding on the date of the execution and delivery of the Master Indenture and which shall remain outstanding as Obligations under the Master Indenture.

“Expenses” means, for any period, the aggregate of all expenses calculated under generally accepted accounting principles, including without limitation any taxes, incurred by the Person or group of Persons involved during such period, minus (i) interest on Long-Term Indebtedness, (ii) depreciation and amortization, (iii) any unrealized loss resulting from changes in the value of investment securities, (iv) extraordinary expenses (including without limitation losses on the sale of assets other than in the ordinary course of business and losses on the extinguishment of debt), (v) any expenses resulting from a forgiveness of or the establishment of reserves against Indebtedness of an Affiliate which does not constitute an extraordinary expense and, excluding any such expenses attributable to transactions between any members of the Credit Group or the System, (vi) losses resulting from any reappraisal, revaluation or write-down of assets and (vii) any items which the Obligated Group Agent considers to be non-cash items (in accordance with generally accepted accounting principles), including non-cash losses attributable to any discontinuance of operations.

“Fiscal Year” means, for a Person, any period of twelve consecutive months selected by such Person as its fiscal year. For purposes of making any financial calculations or determinations pursuant to the Master Indenture on a Fiscal Year basis, or for purposes of combinations or consolidation of accounting information provided for in the Master Indenture, with respect to those entities whose actual fiscal year is different from that of the Reporting Group, the actual fiscal year of such entities which ended within the Fiscal Year of the Reporting Group shall be used; provided, however, that for purposes of making any such calculations or determinations, the Obligated Group Agent may designate in writing to the Master Trustee as the “Fiscal Year” any consecutive twelve-month period; and provided, further, that, for purposes of the financial reports prepared pursuant to the Master Indenture, the accounting information for any Affiliates of the System whose fiscal year is different from that of the Reporting Group shall be included in such financial reports in accordance with generally accepted accounting

principles. Whenever the Master Indenture refers to a Fiscal Year of a specific entity, such reference shall be to the actual fiscal year adopted by such entity.

“Governing Body” means (i) the board of directors, board of trustees or similar group in which the right to exercise the powers of corporate directors or trustees is vested or (ii) any duly authorized committee of such board to which the relevant powers of such board have been lawfully delegated.

“Guaranty” means all obligations of a Person guaranteeing, or in effect guaranteeing, any Indebtedness or other obligation of any Primary Obligor in any manner, whether directly or indirectly, including but not limited to obligations incurred through an agreement, contingent or otherwise, by such Person (i) to purchase such Indebtedness or obligation or any Property constituting security therefor, (ii) to advance or supply funds (a) for the purchase or payment of such Indebtedness or obligation or (b) to maintain working capital or other balance sheet condition, (iii) to purchase securities or other Property or services primarily for the purpose of assuring the owner of such Indebtedness or obligation of the ability of the Primary Obligor to make payment of the Indebtedness or obligation or (iv) otherwise to assure the owner of such Indebtedness or obligation against loss in respect thereof.

“Hedging Obligation” means an obligation expressly identified in an Officer’s Certificate of the Obligated Group Agent delivered to the Master Trustee as being entered into in order to hedge the interest payable on all or a portion of any Indebtedness, which agreement may include, without limitation, an interest rate swap, a forward or futures contract or an option (e.g., a call, put, cap, floor or collar) and which agreement does not constitute an obligation to repay money borrowed, credit extended or the equivalent thereof.

“Historical Debt Service Coverage Ratio” means, for any period of time, the ratio determined by dividing Income Available for Debt Service for that period by the Debt Service Requirements on Long-Term Indebtedness for such period; provided that, when such calculation is being made with respect to the Reporting Group, Income Available for Debt Service and Debt Service Requirements shall be determined only with respect to those Persons who are members of the Reporting Group at the close of such period.

“Income Available for Debt Service” means, for any period, the excess of Revenues over Expenses of the Person or group of Persons involved, as amended to mean, the excess of Revenues over Expenses, (1) plus depreciation and amortization, (2) less unrealized gain on investments, (3) plus unrealized loss on investments, (4) less gain and plus loss on the sale of assets not in the ordinary course of business, (5) plus decrease and less increase in market value of derivatives, as classified as non-operating investment income on the financial statements of the Reporting Group, (6) plus loss from extinguishment of debt, (7) plus non-cash interest expense, (8) plus capitalized interest, and (9) plus increase or minus decrease in market value of derivatives, as classified as interest expense on the financial statements of the Reporting Group.

“Indebtedness” means, for any Person, (i) indebtedness (including Non-Recourse Indebtedness) incurred or assumed by such Person for borrowed money or for the acquisition, construction or improvement of Property other than goods acquired in the ordinary course of business of such Person, (ii) Capitalized Rental obligations of such Person and (iii) all Guaranties by such Person; provided that Indebtedness shall not include Indebtedness of one System Affiliate or one member of the Credit Group to another System Affiliate or member of the Credit Group, any Guaranty by a System Affiliate or any member of the Credit Group of Indebtedness of any other System Affiliate or any other member of the Credit Group, the joint and several liability of any Member of the Obligated Group on Indebtedness issued by another Member of the Obligated Group, any Hedging Obligations or any obligation to repay moneys deposited by patients or others with a member of the Credit Group as security for or as

prepayment of the cost of patient care or any rights of residents of life care, elderly housing or similar facilities to endowment or similar funds deposited by or on behalf of such residents.

“Lenders” has the meaning referred to in this **APPENDIX F** under the caption **“COVENANTS FOR THE BENEFIT OF THE LENDERS.”**

“Lien” means any mortgage, lease or pledge of, security interest in or lien, charge, restriction or encumbrance on any Property of the Obligated Group or a Material Designated Affiliate which secures Indebtedness (other than Indebtedness of the Obligated Group or a Material Designated Affiliate to another member of the Credit Group or a System Affiliate).

“Long-Term Indebtedness” means, with respect to any Person, (i) all Indebtedness of such Person for money borrowed or credit extended which is not Short-Term, (ii) all Indebtedness of such Person incurred or assumed in connection with the acquisition, construction or improvement of Property which is not Short-Term, (iii) Guaranties by such Person of Indebtedness which is not Short-Term and (iv) Capitalized Rentals under Capitalized Leases entered into by such Person; provided, however, that Indebtedness that could be described by more than one of the foregoing categories shall not in any case be considered more than once for the purpose of any calculation made pursuant to the Master Indenture.

“Master Indenture” means the Master Trust Indenture dated as of October 3, 2013 among Trinity Health, CHE, the Corporation and the Master Trustee, as it may from time to time be further amended or supplemented in accordance with the terms of the Master Indenture.

“Master Trustee” means The Bank of New York Mellon Trust Company, N.A., or any successor trustee under the Master Indenture, and each of their successors and assigns.

“Material Designated Affiliate” means any Designated Affiliate whose total revenues, as set forth in its financial statements for the most recently completed Fiscal Year, exceed 5% of the combined total revenues of the System as set forth in the financial statements of the Reporting Group for the most recently completed Fiscal Year.

“Member” or **“Member of the Obligated Group”** means, initially, Trinity Health, CHE and the Corporation, and subsequently, any other Person that is listed on **Exhibit A** to the Master Indenture after designation as a Member of the Obligated Group pursuant to the Master Indenture; provided, however, that any Member that shall have withdrawn from the Obligated Group as permitted by the Master Indenture shall no longer constitute a “Member” or a “Member of the Obligated Group” for purposes of the Master Indenture.

“Non-Recourse Indebtedness” means any Indebtedness the liability for which is effectively limited to Property, Plant and Equipment and the income therefrom, the cost of which Property, Plant and Equipment shall have been financed solely with the proceeds of such Indebtedness, with no recourse, directly or indirectly, to any other Property or the general credit of any Person.

“Obligated Group” means the group consisting of all Members of the Obligated Group.

“Obligated Group Agent” means Trinity Health, and its successors and assigns.

“Obligation holder,” “owner” or **“holder”** means, with respect to Obligations, the registered owner of any fully registered or book entry Obligation unless alternative provision is made in the Supplemental Master Indenture pursuant to which such Obligation is issued for establishing ownership of such Obligation, in which case such alternative provision shall control.

“Obligations” means (i) the Existing Notes, (ii) any evidence of other Indebtedness and (iii) any obligation evidencing a payment obligation under a Hedging Obligation, each of which has been issued by a Member of the Obligated Group and authenticated by the Master Trustee pursuant to the Master Indenture.

“Officer’s Certificate” means a certificate signed, in the case of a certificate delivered by a corporation, by an officer authorized to sign by resolution of the Governing Body of such corporation or, in the case of a certificate delivered by any other Person, the chief executive or chief financial officer of such other Person.

“Original Master Indenture” means the Master Trust Indenture dated as of November 1, 1981 among Trinity Health, the other former members of the Obligated Group established thereunder and the Master Trustee, as amended and supplemented through and including Supplemental Indenture Number Fifty-Four dated as of July 1, 1998; as amended and restated by the Master Trust Indenture (Amended and Restated) dated as of July 1, 1998, as heretofore supplemented, amended and restated through Supplemental Indenture Number Thirty-Four.

“Outstanding Obligations” or **“Obligations Outstanding”** means all Obligations which have been duly authenticated and delivered by the Master Trustee under the Master Indenture, including the Existing Notes, except:

(a) Obligations canceled after purchase or because of payment at or prepayment prior to maturity;

(b) (i) Obligations for the payment or prepayment of which cash or Escrow Obligations shall have been theretofore deposited with the Master Trustee (whether upon or prior to the maturity or prepayment date of any such Obligations); provided that if such Obligations are to be prepaid prior to the maturity thereof, notice of such prepayment shall have been given or irrevocable arrangements satisfactory to the Master Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Master Trustee shall have been filed with the Master Trustee and (ii) Obligations securing Related Bonds for the payment or redemption of which cash or Escrow Obligations shall have been theretofore deposited with the Related Bond Trustee (whether upon or prior to the maturity or redemption date of any such Obligations); provided that if such Related Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or arrangements satisfactory to the Related Bond Trustee shall have been made therefor, or waiver of notice satisfactory in form to the Related Bond Trustee shall have been filed with the Related Bond Trustee;

(c) Obligations in lieu of which others have been authenticated under the Master Indenture; and

(d) For the purposes of all of the consents, approvals, waivers and notices required to be obtained or given under the Master Indenture, (i) Obligations held or owned by or for the benefit of a member of the Credit Group and (ii) Obligations evidencing or constituting Hedging Obligations.

Notwithstanding the foregoing, any Obligation securing Related Bonds shall be deemed outstanding if such Related Bonds are outstanding.

“Outstanding Related Bonds” or **“Related Bonds outstanding”** means all Related Bonds which have been duly authenticated and delivered by the Related Bond Trustee under the Related Bond Indenture and are deemed outstanding under the terms of such Related Bond Indenture or, if such Related

Bond Indenture does not specify when Related Bonds are deemed outstanding thereunder, all such Related Bonds which have been so authenticated and delivered, except:

(a) Related Bonds canceled after purchase or because of payment at or redemption prior to maturity;

(b) Related Bonds for the payment or redemption of which cash or Escrow Obligations of the type described in clause (i) of the definition thereof shall have been theretofore deposited with the Related Bond Trustee or other fiduciary (whether upon or prior to the maturity or redemption date of any such Related Bonds) in accordance with the Related Bond Indenture; provided that, if such Related Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or arrangements satisfactory to the Related Bond Trustee or other fiduciary shall have been made therefor, or waiver of such notice satisfactory in form to the Related Bond Trustee or other fiduciary shall have been filed with the Related Bond Trustee or other fiduciary;

(c) Related Bonds in lieu of which others have been authenticated under the Related Bond Indenture for such series; and

(d) for the purposes of all covenants, approvals, waivers and notices required to be obtained or given under the Related Bond Indenture or Related Loan Agreement, Related Bonds held or owned by or for the benefit of a member of the Credit Group.

“Paying Agent” means the bank or banks, if any, designated pursuant to a Related Bond Indenture to receive and disburse the principal of, premium, if any, and interest on any Related Bonds or designated pursuant to the Supplemental Master Indenture to receive and disburse the principal of, premium, if any, and interest on any Obligations.

“Permitted Encumbrances” means, as of any particular time:

(a) any Lien on Property of any Member of the Obligated Group or any Material Designated Affiliate which was created prior to its acquisition by such Person in order to secure Indebtedness if, at the time of such acquisition, the aggregate amount remaining unpaid on such Indebtedness (whether or not assumed by such Person) does not exceed (i) the fair market value of such Property or (ii) if such Property has been purchased by such Person, the lesser of the acquisition price or the fair market value of such Property;

(b) any Lien on any Property of any Member of the Obligated Group or any Material Designated Affiliate granted in favor of, or securing Indebtedness to, any other member of the Credit Group;

(c) any Lien on Property if such Lien equally and ratably secures all of the Obligations;

(d) Liens on Property given, granted, bequeathed or devised by the owner thereof existing at the time of such gift, grant, bequest or devise, provided that such Liens secure Indebtedness which is not assumed by any Member of the Obligated Group or any Material Designated Affiliate, and such Liens attach solely to the Property (including the income therefrom) which is the subject of such gift, grant, bequest or devise;

(e) Liens on the proceeds of Indebtedness (or on income from the investment of such proceeds) that secure payment of such Indebtedness and any security interest in any rebate fund

established pursuant to the Code, any depreciation reserve fund, debt service or interest reserve fund, debt service fund or any similar fund established pursuant to the terms of any Supplemental Master Indenture, Related Bond Indenture or Related Loan Document in favor of the Master Trustee, a Related Bond Trustee, a Related Issuer, any creditor in respect of Indebtedness incurred under such Supplemental Master Indenture, Related Bond Indenture or Related Loan Document, or the provider of any liquidity or credit support for such Indebtedness;

(f) Liens on Escrow Obligations;

(g) any Lien on any Related Bond or any evidence of Indebtedness of any Member of the Obligated Group or any Material Designated Affiliate acquired by or on its behalf by the provider of liquidity or credit support for such Related Bond or Indebtedness;

(h) Liens on accounts receivable of any Member of the Obligated Group or any Material Designated Affiliate arising as a result of the sale of such accounts receivable with or without recourse, provided that the aggregate sales price of such accounts receivable is not less than 20% of the aggregate face amount of such accounts receivable;

(i) Liens on any Property of any Member of the Obligated Group or any Material Designated Affiliate existing on the Effective Date of the Master Indenture or existing at the time any Person becomes a Member of the Obligated Group or a Designated Affiliate (if, at the time such Person becomes a Designated Affiliate, such Person constitutes a Material Designated Affiliate); provided that no such Lien (or the amount of Indebtedness secured thereby) may be increased, extended, renewed or modified to apply to any Property of any Member of the Obligated Group, such Member or such Material Designated Affiliate not subject to such Lien on such date unless such Lien as so increased, extended, renewed or modified is otherwise permitted under the Master Indenture;

(j) Liens on Property of a Person existing on the date that such Person is merged into or consolidated with any Member of the Obligated Group or a Material Designated Affiliate, or on the date of a sale, lease or other disposition of the Property of a Person as an entirety or substantially as an entirety to any Member of the Obligated Group or a Material Designated Affiliate which Liens secure Indebtedness that is assumed by such Member or Material Designated Affiliate as a result of any such merger, consolidation or acquisition; provided that no such Lien may be increased, extended, renewed or modified after such date to apply to any Property of any Member of the Obligated Group or such Material Designated Affiliate not subject to such Lien on such date unless such Lien as so increased, extended, renewed or modified is otherwise permitted under the Master Indenture;

(k) Liens which secure Non-Recourse Indebtedness;

(l) Liens arising out of Capitalized Leases;

(m) Liens on Property of any Member of the Obligated Group or a Material Designated Affiliate securing Indebtedness, in addition to the Liens described in the preceding subparagraphs of this definition, if the total aggregate Book Value (or at the option of any Member of the Obligated Group, Current Value) of the Property subject to a Lien of the type described in this subparagraph (m) does not exceed 25% of the combined value of the total assets of the Credit Group (calculated on the same basis as the value of Property subject to such Lien), as set forth in the financial statements of the Credit Group for the most recently completed Fiscal Year; and

(n) Liens on any Property of any Member of the Obligated Group or a Material Designated Affiliate given (by mortgage, security interest, conveyance in trust, deed, sale or lease) in order to satisfy the legal or policy requirements of any Related Issuer in connection with the issuance of any Related Bonds.

“Permitted Investments” shall mean (i) with respect to any Obligation which secures a series of Related Bonds, the obligations in which the Related Bond Trustee may invest funds under the Related Bond Indenture, (ii) with respect to any Obligations for which a Supplemental Master Indenture specifies certain permitted investments, the investments so specified and (iii) in all other cases such legal and prudent investments as are agreed upon by the Obligated Group Agent and the Master Trustee.

“Person” means any natural person, firm, joint venture, association, partnership, business trust, corporation, public body, agency or political subdivision thereof or any other similar entity.

“Pledged Property” means all of the following property of the Members or any Member of the Obligated Group and the Designated Affiliates pledging the same (each, for the purposes of this definition, a “Pledgor”): all receipts, revenues, income and other moneys received by or on behalf of the Pledgor, including, without limitation, revenues derived from the operation of all Facilities of the Pledgor, and all rights to receive the same, whether in the form of accounts, health-care-insurance receivables, contract rights, chattel paper, instruments or other rights, and the proceeds thereof, and any insurance thereon, whether now existing or hereafter acquired by the Pledgor; *provided, however*, that gifts, grants, donations and contributions heretofore or hereafter made, designated at the time of making thereof by the donor or maker as being for certain specific purposes (including for any charitable purpose), and the income derived therefrom, to the extent required by such designation, shall be excluded from this definition; and *further provided*, that in the event that any organizational, legal or contractual obligations of a Pledgor affecting any of the property described above prohibit it from granting a lien on or a security interest in such property, then such property shall be deemed not to be included in such property.

“Primary Obligor” means the Person who is primarily obligated on an obligation which is guaranteed by another Person.

“Projected Rate” means (i) in the case of obligations the interest on which is expected to be exempt from federal income taxes, the higher of (a) the interest rate which equals the most recently available tax-exempt variable rate demand obligations, as produced by Municipal Market Data and published or made available by SIFMA or any Person acting in cooperation with or under the sponsorship of SIFMA and effective from such date, or if such index is no longer available an index recommended by a banking or investment banking institution knowledgeable in matters of health care finance and acceptable to the Obligated Group Agent), and (b) the average rate for the most recent 12 months of the Indebtedness in question; and (ii) in all other cases, the projected yield at par of an obligation as set forth in an Officer’s Certificate.

“Property” means any and all rights, titles and interests in and to any and all property, whether real or personal, tangible (including cash) or intangible, wherever situated and whether owned on the Effective Date of the Master Indenture or thereafter acquired.

“Property, Plant and Equipment” means all Property of a Person which is classified as property, plant and equipment under generally accepted accounting principles.

“Put Indebtedness” means Long-Term Indebtedness which is payable or required to be purchased by or on behalf of the underlying obligor, at the option of the owner thereof, prior to its stated maturity date.

“Related Bonds” means (i) any revenue bonds or similar obligations issued by any state, commonwealth or territory of the United States or any municipal corporation or other political subdivision formed under the laws thereof or any constituted authority, agency or instrumentality of any of the foregoing empowered to issue obligations on behalf thereof, the proceeds of which are loaned or otherwise made available to any member of the Credit Group in consideration, whether in whole or in part, of the execution, authentication and delivery of an Obligation or Obligations to or upon the order of such issuer and (ii) any revenue or general obligation bonds issued by a member of the Credit Group or any other Person in consideration, whether in whole or in part, of the execution, authentication and delivery of an Obligation or Obligations to the holder of such bonds or to the Related Bond Trustee.

“Related Bond Indenture” means any indenture, bond resolution or similar instrument pursuant to which any series of Related Bonds is issued.

“Related Bond Trustee” means any trustee under any Related Bond Indenture and any successor trustee thereunder or, if no trustee is appointed under a Related Bond Indenture, the Related Issuer.

“Related Issuer” means any issuer of a series of Related Bonds.

“Related Loan Document” means any document or documents (including, without limitation, any loan agreement, lease, sublease or installment sales contract) pursuant to which any proceeds of any Related Bonds are loaned or advanced to or made available to or for the benefit of any member of the Credit Group, or any Property financed or refinanced with such proceeds is leased, sublet or sold to such member.

“Reporting Group” means, collectively, each of the System Affiliates and any other Person required to be reported in such System Affiliate’s consolidated financials under GAAP.

“Responsible Officer” means, when used with respect to the Master Trustee, any vice president, assistant vice president, senior associate, associate or other officer of the Master Trustee within the corporate trust office specified in Section 11.4 (or any successor corporate trust office) customarily performing functions similar to those performed by the persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred at the corporate trust office specified in Section 11.4 because of such person’s knowledge of and familiarity with the particular subject and having direct responsibility for the administration of this Indenture.

“Revenues” means, for any period, the revenues of any Person, as determined in accordance with generally accepted accounting principles; but excluding, in any event, (i) any unrealized gain resulting from changes in the value of investment securities, (ii) any gains on the sale or other disposition of fixed or capital assets not in the ordinary course, (iii) earnings resulting from any reappraisal, revaluation or write-up of fixed or capital assets or (iv) any revenues recognized from deferred revenues related to entrance fees; provided, however, that, if such calculation is being made with respect to the Credit Group, such calculation shall be made in such a manner so as to exclude any revenues attributable to transactions between members of the Credit Group.

“Short-Term”, when used in connection with Indebtedness, means Indebtedness of a Person for money borrowed or credit extended having an original maturity less than or equal to one year and not renewable at the option of the debtor for, or subject to any binding commitment to refinance or otherwise provide for such Indebtedness having, a term greater than one year beyond the date of original issuance.

“SIFMA” means the Securities Industry & Financial Markets Association (formerly the Bond Market Association).

“Supplemental Master Indenture” means an indenture amending or supplementing the Master Indenture entered into pursuant to the Master Indenture after the Effective Date of the Master Indenture.

“System” means the group of Persons comprised of all the System Affiliates.

“System Affiliate” means each Member of the Obligated Group, each Affiliate of any Member of the Obligated Group, each Designated Affiliate and each Affiliate of any Designated Affiliate.

“Tax-Exempt Organization” means a Person organized under the laws of the United States of America or any state thereof which is an organization described in Section 501(c)(3) of the Code, which is exempt from federal income taxation under Section 501(a) of the Code, or corresponding provisions of federal income tax laws from time to time in effect.

“Trinity Health” means Trinity Health Corporation (formerly known as Holy Cross Health System Corporation), an Indiana nonprofit corporation, its successors and assigns and any surviving, resulting or transferee corporation.

“Undesignated Affiliates” has the meaning under the caption “Note and Document Substitution” in this APPENDIX F.

“Variable Rate Indebtedness” means Indebtedness that bears interest at a variable, adjustable or floating rate.

All accounting terms not specifically defined herein shall be construed in accordance with generally accepted accounting principles consistently applied, except as otherwise stated herein. If any change in accounting principles from those used in the preparation of the financial statements of the Reporting Group as of October 3, 2013, results from the promulgation of rules, regulations, pronouncements and opinions by or required by the Financial Accounting Standards Board, the American Institute of Certified Public Accountants or other authoritative bodies that determine generally accepted accounting principles (or successors thereto or agencies with similar functions) and such change results in a change in the accounting terms used in the Master Indenture, the accounting terms used herein shall be deemed modified to reflect such change in accounting principles so that the criteria for evaluating the applicable Person’s or group of Persons’ financial condition shall be substantially the same after such change as if such change had not been made, provided that the foregoing shall not be deemed to require the Reporting Group to restate its audited financial statements as a result of any such change or to refer to any such change in the audited financial statements or the notes thereto under circumstances in which generally accepted accounting principles would prohibit any such restatement or reference to any such change. Any such modification shall be described in an Officer’s Certificate of the Obligated Group Agent filed with the Master Trustee, which shall contain a certification to the effect that (i) such modifications are occasioned by such a change in accounting principles and (ii) such modifications will not have a materially adverse effect on the Obligation holders or result in materially different criteria for evaluating the applicable Person’s or group of Persons’ financial condition.

OBLIGATIONS

Issuance of Obligations

Each Obligation or series of Obligations must be issued pursuant to a Supplemental Master Indenture and shall be designated so as to differentiate such Obligation or the Obligations of such series from any other Obligation or the Obligations of any other series. Unless provided to the contrary in the related Supplemental Master Indenture, Obligations shall be issued by the Obligated Group Agent. Obligations shall be issued in such denomination or denominations as shall be authorized in the related

Supplemental Master Indenture. The total principal amount of Obligations, the number of Obligations and the number of series of Obligations that may be created under the Master Indenture is not limited. No authorization or approval of any Designated Affiliate or any Affiliate of a Member or any other Member is required under the Master Indenture for the issuance of Obligations.

Payment of Obligations

The principal of, premium, if any, on, and interest on, and other amounts, if any, payable with respect to, the Obligations shall be payable in any currency of the United States of America which, at the respective dates of payment thereof, is legal tender for the payment of public and private debts, and such principal, premium, if any, and interest shall be payable at the designated corporate trust office of the Master Trustee or at the designated office of any alternate Paying Agent or Agents named in any such Obligations or in a Related Bond Indenture. Unless contrary provision is made in the Supplemental Master Indenture pursuant to which such Obligation is issued or the election referred to in the next sentence is made, payment of the interest on the Obligations shall be made to the person appearing on the registration books (to be kept by the Master Trustee as Obligation registrar) as the registered owner thereof and shall be paid by check or draft mailed to the registered owner at its address as it appears on such registration books or at such other address as is furnished to the Master Trustee in writing by such holder; provided, however, that any Supplemental Master Indenture creating any Obligation or series of Obligations may provide that interest on such Obligation or series of Obligations may be paid, upon the request of the holder of such Obligation or Obligations, by wire transfer or by such other means as are then commercially reasonable and acceptable to the holder thereof. The foregoing notwithstanding, if the Obligated Group Agent so elects, payments on such Obligation shall be made directly by check or draft hand delivered to the holder thereof or its designee or shall be made by wire transfer to such holder or by such other means as are then commercially reasonable and acceptable to the holder thereof, in either case, delivered on or prior to the date on which such payment is due. Except with respect to Obligations directly paid, to or upon the order of the holder thereof, the Obligated Group Agent shall deposit with the Master Trustee, prior to each due date of the principal of and premium, if any, or interest on any of the Obligations, a sum sufficient to pay such principal, premium, if any, or interest so becoming due. Any such moneys shall, upon the written request and direction of the Obligated Group Agent, be invested in Permitted Investments. Supplemental Master Indentures may create such security, including debt service reserve funds and other funds, as are necessary to provide for payment or to hold moneys deposited for payment or as security for a related series of Obligations or by such other means as are then commercially reasonable and acceptable to the holder thereof.

Security for Obligations

All Obligations issued and outstanding under the Master Indenture shall be equally and ratably secured by the Master Indenture, except as otherwise permitted by the Master Indenture and as specifically provided in the Supplemental Master Indentures pursuant to which such Obligations are issued. Any one or more series of Obligations issued under the Master Indenture may be secured by one or more Liens, provided that such Liens constitute Permitted Encumbrances. Such security need not extend to any other Indebtedness (including any other Obligations or series of Obligations). The Supplemental Master Indenture 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.

Issuance of Obligations in Forms Other than Notes; Authentication of Hedging Obligations

To the extent that any Indebtedness, Hedging Obligation or other obligation which is intended to be entitled to the benefits of the Master Indenture is not in the form of a promissory note, an Obligation in

the form of a promissory note may be issued thereunder and pledged as security for the payment of such Indebtedness in lieu of directly incurring such Indebtedness as an Obligation thereunder. Nevertheless, Obligations may be issued under the Master Indenture to evidence any type of Indebtedness (other than Non-Recourse Indebtedness), including without limitation any Indebtedness in a form other than a promissory note, and any Hedging Obligation may be authenticated as an Obligation thereunder. The Supplemental Master Indenture pursuant to which any Obligation is issued may provide for such supplements or amendments to the provisions of the Master Indenture, including without limitation Article II and Article V Master Indenture, as are necessary to permit the issuance of such Obligation thereunder and as are not inconsistent with the intent thereof that, except as otherwise expressly provided herein, all Obligations issued thereunder be equally and ratably secured by the Master Indenture.

THE OBLIGATED GROUP

Entrance into the Obligated Group

Any Person may become a Member of the Obligated Group if:

(a) such Person shall execute and deliver to the Master Trustee a Supplemental Master Indenture, which shall be executed and delivered by the Obligated Group Agent and the Master Trustee, containing the agreement of such Person (i) to become a Member of the Obligated Group and thereby to become subject to compliance with all provisions of the Master Indenture and (ii) unconditionally and irrevocably (subject to the right of such Person to cease its status as a Member of the Obligated Group pursuant to the terms and conditions of the Master Indenture) to make payments upon each Obligation jointly and severally, together with the other Members of the Obligated Group, at the times and in the amounts provided in each such Obligation;

(b) The Obligated Group Agent shall have approved the admission of such Person into the Obligated Group; and

(c) the Master Trustee shall have received (1) an Officer's Certificate of the Obligated Group Agent which demonstrates that, immediately upon such Person becoming a Member of the Obligated Group, the Obligated Group would not, as a result of such transaction, be in default in the performance or observance of any covenant or condition to be performed or observed by them under the Master Indenture, (2) an opinion of Counsel to the effect that (x) the instrument described in paragraph (a) above has been duly authorized, executed and delivered and constitutes a legal, valid and binding agreement of such Person, enforceable in accordance with its terms, subject to customary exceptions for bankruptcy, fraudulent conveyance, insolvency and other similar laws generally affecting enforcement of creditors' rights and the application of general principles of equity and to the opinion exceptions set forth in the Master Indenture and (y) the addition of such Person to the Obligated Group will not adversely affect the status as a Tax-Exempt Organization of any Member which otherwise has such status, and (3) if all amounts due or to become due on all Related Bonds have not been paid to the holders thereof and provision for such payment has not been made in such manner as to have resulted in the defeasance of all Related Bond Indentures, an opinion of nationally recognized municipal bond counsel to the effect that, under then existing law the consummation of such transaction, will not adversely affect the validity of any Related Bond or any exemption from federal or state income taxation of interest payable on such Related Bond otherwise entitled to such exemption.

Each successor, assignee, surviving, resulting or transferee corporation of a Member must agree to become, and satisfy the above-described conditions to becoming, a Member of the Obligated Group prior to any such succession, assignment or other change in such Member's corporate status.

Cessation of Status as a Member of the Obligated Group

Each Member covenants that it will not take any action, corporate or otherwise, which would cause it or any successor thereto into which it is merged or consolidated to cease to be a Member of the Obligated Group unless:

(a) prior to cessation of such status, there is delivered to the Master Trustee an opinion of nationally recognized municipal bond counsel to the effect that, under then existing law, the cessation by the Member of its status as a Member will not adversely affect the validity of any Related Bond or any exemption from federal or state income taxation of interest payable thereon to which such Bond would otherwise be entitled;

(b) prior to and immediately after such cessation, no event of default exists under the Master Indenture and no event shall have occurred which with the passage of time or the giving of notice, or both, would become such an event of default;

(c) prior to such cessation, there is delivered to the Master Trustee an opinion of Counsel to the effect that the cessation by such Member of its status as a Member will not adversely affect the status as a Tax-Exempt Organization of any other Member which otherwise has such status; and

(d) prior to such cessation, the Obligated Group Agent shall have consented thereto.

The foregoing notwithstanding, Trinity Health shall not withdraw from the Obligated Group.

Appointment of Obligated Group Agent

Each Member, by becoming a Member of the Obligated Group, irrevocably appoints the Obligated Group Agent as its agent and true and lawful attorney in fact and grants to the Obligated Group Agent (i) full and exclusive power to execute Obligations and Supplemental Master Indentures, unless otherwise provided in the Obligations or the Supplemental Master Indentures, and (ii) full power to prepare, or authorize the preparation of, any and all documents, certificates or disclosure materials reasonably and ordinarily prepared in connection with the issuance of Obligations thereunder or Related Bonds associated therewith, and to execute and deliver the same, on behalf of the Obligated Group, to the appropriate parties in connection therewith. In the event that the Obligated Group Agent withdraws from the Obligated Group, the remaining Members of the Obligated Group shall, in an Officer's Certificates of such Members, designate one such Member to act as agent of the Obligated Group pursuant to Section 3.5 of the Master Indenture.

Designated Affiliates

The Obligated Group Agent may require a Member of the Obligated Group to designate any Person that is an Affiliate of such Member as a Designated Affiliate under the Master Indenture, and such Person shall thereafter be deemed a Designated Affiliate until such time as the Obligated Group Agent shall declare that such Person will no longer be a Designated Affiliate; provided, however, that the Obligated Group Agent may not declare that a Person shall no longer be a Designated Affiliate if an event of default under the Master Indenture, or an event which, with the passage of time or giving of notice, or both, would constitute an event of default under the Master Indenture, shall have occurred and be continuing at the time of such declaration or shall directly result from any such declaration. The Obligated Group Agent may, in its sole discretion, elect to include any Designated Affiliate within the Reporting Group, but shall be under no obligation to so include a Designated Affiliate which is not a Material Designated Affiliate. With respect to each such Person which is (and so long as such Person is)

designated as a Designated Affiliate, the Obligated Group shall either (i) maintain, directly or indirectly, control of each Designated Affiliate, including the power to direct the management, policies, disposition of assets and actions of such Designated Affiliate to the extent required to cause such Designated Affiliate to comply with the terms and conditions of the Master Indenture, whether through the ownership of voting securities, partnership interests, membership, reserved powers, the power to appoint members, trustees or directors or otherwise, or (ii) execute and have in effect such contracts or other agreements that the Obligated Group in its sole judgment deems sufficient for it to cause such Designated Affiliate to comply with the terms and conditions of the Master Indenture.

Each Member of the Obligated Group shall cause its Designated Affiliates to comply with the terms and conditions of the Master Indenture which are applicable to the Designated Affiliates and the Related Loan Documents, if any, to which the Designated Affiliates are a party. Each Member of the Obligated Group shall make such reasonable efforts as it deems reasonably necessary to ensure that its Affiliates comply with the terms or conditions of the Master Indenture applicable to Affiliates, subject (in each case) to contractual, legal and organizational limitations, to comply with such terms and conditions of the Master Indenture.

Notwithstanding anything to the contrary in the Master Indenture, no Person shall cease to be a Designated Affiliate if any outstanding Related Bonds have been issued for the benefit of such Person until there is delivered to the Master Trustee an opinion of nationally recognized municipal bond counsel to the effect that, under then existing law, the cessation by such Person of such status will not adversely affect the validity of any Related Bond or any exemption from federal or state income taxation of interest payable thereon to which such Related Bond would otherwise be entitled.

COVENANTS

Payment of Obligations

Each Member of the Obligated Group unconditionally and irrevocably covenants that it will promptly pay jointly and severally, together with the other Members of the Obligated Group, all amounts due on the Obligations issued under the Master Indenture pursuant to the terms of the related Supplemental Master Indenture, the Related Bond Indenture or the Related Loan Document, as the case may be, which are required by the terms of the Obligations, on the dates, at the times, at the places and in the manner provided in the Obligations, the related Supplemental Master Indentures and the Master Indenture, when and as the same become due and payable, whether at maturity, upon call for prepayment, by acceleration of maturity or otherwise. Notwithstanding any schedule of payments upon the Obligations set forth in the Obligations or the related Supplemental Master Indentures, the Obligated Group unconditionally and irrevocably agrees to make payments upon the Obligations and be liable therefor jointly and severally, together with the other Members of the Obligated Group, at the times and in the amounts equal to the amounts to be paid on any Related Bonds.

Each Member of the Obligated Group shall cause its Designated Affiliates, and shall use reasonable efforts to cause its Affiliates, subject (in each case) to contractual, legal and organizational limitations, to pay, loan or otherwise transfer to the Obligated Group such moneys as are necessary, in the aggregate, to pay all amounts due on all outstanding Obligations pursuant to the terms of the related Supplemental Master Indenture, the Related Bond Indenture or the Related Loan Document, as the case may be, which are required by the terms of the Obligations, on the dates, at the times, at the places and in the manner provided in the Obligations, the related Supplemental Master Indentures and the Master Indenture, when and as the same become due and payable, whether at maturity, upon call for prepayment, by acceleration of maturity or otherwise.

General Covenants

Each Member of the Obligated Group covenants in the Master Indenture to, and shall cause each of its Designated Affiliates to, and shall use reasonable efforts to cause each of its Affiliates, subject (in each case) to contractual, legal or organizational limitations that would prohibit it from such compliance to:

(a) except as otherwise expressly provided in the Master Indenture, (i) preserve its corporate or other separate legal existence, (ii) preserve all its rights and licenses to the extent necessary or desirable in the operation of its business and affairs as then conducted and (iii) be qualified to do business and conduct its affairs in each jurisdiction where its ownership of Property or the conduct of its business or affairs requires such qualification; provided, however, that nothing contained in the Master Indenture shall be construed to obligate the Members of the Obligated Group, or to obligate the Obligated Group to cause its Designated Affiliates or to use reasonable efforts to cause its Affiliates, to retain, preserve or keep in effect any rights, licenses or qualifications that, in the sole discretion of the Obligated Group, are no longer used or useful in the conduct of its business;

(b) in the case of a Member of the Obligated Group and any other Person which is a Tax-Exempt Organization at the time it becomes a Member of the Obligated Group, so long as the Master Indenture shall remain in force and effect and so long as all amounts due or to become due on all Related Bonds have not been fully paid to the holders thereof or provision for such payment has not been made, take no action or suffer any action to be taken by others, including any action which would result in the alteration or loss of its status as a Tax-Exempt Organization, which could result in any such Related Bond being declared invalid or result in the interest on any Related Bond, which is otherwise exempt from federal or state income taxation, becoming subject to such taxation; and

(c) at its sole cost and expense, promptly comply with all present and future laws, ordinances, orders, decrees, decisions, rules, regulations and requirements of every duly constituted governmental authority, commission and court and the officers thereof which may be applicable to it or any of its affairs, business, operations and Property, any part thereof, any of the streets, alleys, passageways, sidewalks, curbs, gutters, vaults and vault spaces adjoining any of its Property or any part thereof or to the use or manner of use, occupancy or condition of any of its Property or any part thereof if the failure to so comply would have a materially adverse effect on the operations or financial affairs of the Credit Group taken as a whole.

The foregoing notwithstanding, any Member of the Obligated Group and any other Person which is a Tax-Exempt Organization at the time it becomes a Member of the Obligated Group may (i) cease to be a not for profit corporation or (ii) take actions which could result in the alteration or loss of its status as a Tax-Exempt Organization if prior thereto there is delivered to the Master Trustee an opinion of nationally recognized municipal bond counsel to the effect that such actions would not adversely affect the validity of any Related Bond, the exemption from federal or state income taxation of interest payable on any Related Bond otherwise entitled to such exemption or adversely affect the enforceability in accordance with its terms of the Master Indenture against any Person.

The Obligated Group shall not be obligated to, and shall not be obligated to cause its Material Designated Affiliates to, remove any Lien required to be removed under the Master Indenture, to pay or otherwise satisfy and discharge its obligations, including Indebtedness (other than Obligations), or any demands or claims against it, or to comply with any law, ordinance, rule, order, decree, decision, regulation or requirement or any Lien referred to in the Master Indenture, as long as the Obligated Group shall, or shall cause its Material Designated Affiliates to, contest, in good faith and at its cost and expense

and in its own name and behalf, the amount or validity thereof in an appropriate manner or by appropriate proceedings which shall operate during the pendency thereof to prevent the collection of or other realization upon the obligation, Indebtedness, demand, claim or Lien so contested and the sale, forfeiture or loss of its Property or any part thereof; provided that no such contest shall subject any Obligation holder or the Master Trustee to the risk of any liability. Each such contest shall be promptly prosecuted to final conclusion (subject to the right of the Obligated Group or the Material Designated Affiliate engaging in such a contest to settle such contest), and in any event the Obligated Group shall, and shall cause its Material Designated Affiliate to, save the holders of all Obligations and the Master Trustee harmless from and against all losses, judgments, decrees and costs (including attorneys' fees and expenses in connection therewith) as a result of such contest and shall, promptly after the final determination of such contest or settlement thereof, pay and discharge the amounts which shall be determined to be payable therein, together with all penalties, fines, interests, costs and expenses thereon or incurred in connection therewith.

Insurance

Each Member of the Obligated Group shall, and shall cause each of its Designated Affiliates to, maintain or cause to be maintained at its sole cost and expense, insurance with respect to its Property, the operation thereof and its business against such casualties, contingencies and risks (including but not limited to public liability and employee dishonesty) and in amounts not less than is customary in the case of corporations engaged in the same or similar activities and similarly situated and as is adequate, in the judgment of the Obligated Group Agent, to protect its Property and operations.

Historical Debt Service Coverage Ratio

The Obligated Group Agent shall calculate the Historical Debt Service Coverage Ratio of the Reporting Group for each Fiscal Year in accordance with the provisions of the Master Indenture. If the Historical Debt Service Coverage Ratio for any Fiscal Year is less than 1.10 to 1.00, the Obligated Group Agent shall retain a Consultant to make recommendations with respect to the rates, fees and charges of the members of the Credit Group and their methods of operation and other factors affecting their financial condition in order to increase such Historical Debt Service Coverage Ratio to at least 1.10 to 1.00. A copy of the Consultant's report and recommendations, if any, shall be filed with the Master Trustee.

Each Member of the Obligated Group shall, and shall cause each of its Designated Affiliates to, and shall use reasonable efforts to cause each of its Affiliates (other than Affiliates which may have a contractual, legal or organizational limitation which would prohibit them from following a recommendation) to, follow each recommendation of the Consultant applicable to each of them to the extent feasible (as determined in the reasonable judgment of each Member's Governing Body) and permitted by law. Provided that the Obligated Group Agent retains a Consultant and follows, and causes its Designated Affiliates to follow, and uses reasonable efforts to cause its Affiliates to follow, to the extent feasible, the Consultant's recommendations, if any, applicable to each of them, the Reporting Group's failure to maintain a Historical Debt Service Coverage Ratio of at least 1.10 to 1.00 shall not constitute an event of default under the Master Indenture or an event which, with the giving of notice or the passage of time, or both, would constitute an event of default under the Master Indenture.

The foregoing provisions notwithstanding, if in any Fiscal Year the Historical Debt Service Coverage Ratio of the Reporting Group is less than 1.10 to 1.00, the Obligated Group shall not be obligated to retain a Consultant, as aforesaid, and no event of default under the Master Indenture or event which, with the giving of notice or the passage of time, or both, would constitute an event of default under the Master Indenture shall occur as a result of the Reporting Group's failure to maintain a Historical Debt Service Coverage Ratio of at least 1.10 to 1.00, if (i) there is filed with the Master Trustee a written report of such Consultant to the effect that applicable laws or regulations have prevented the Reporting Group from achieving a Historical Debt Service Coverage Ratio of at least 1.10 to 1.00, and, if requested by the

Master Trustee, such report shall be accompanied by a concurring opinion of Counsel as to any conclusions of law supporting the report of such Consultant; (ii) the report of such Consultant indicates that the fees and rates charged by the members of the Reporting Group are such that, in the opinion of the Consultant, the Reporting Group has generated the maximum amount of Revenues reasonably practicable given such laws or regulations; and (iii) the Historical Debt Service Coverage Ratio for such Fiscal Year was at least 1.00 to 1.00. The Obligated Group shall not be required to cause the Consultant's report referred to in the preceding sentence to be prepared more frequently than once every two Fiscal Years if, at the end of the first of such two Fiscal Years, the Obligated Group Agent provides to the Master Trustee an Officer's Certificate or an opinion of Counsel to the effect that the applicable laws and regulations underlying the Consultant's report delivered in respect of the previous Fiscal Year have not changed in any material way.

Merger, Consolidation, Sale or Conveyance

A Member of the Obligated Group shall not merge into, or consolidate with, one or more Persons which are not Members of the Obligated Group, or allow one or more of such corporations to merge into it, or sell or convey all or substantially all of its Property to any Person who is not a Member of the Obligated Group, unless:

(a) any successor corporation to a Member of the Obligated Group (including without limitation any purchaser of all or substantially all the Property of a Member of the Obligated Group) is a corporation organized and existing under the laws of the United States of America or a state thereof and shall execute and deliver to the Master Trustee an appropriate instrument, satisfactory to the Master Trustee, containing the agreement of such successor corporation to assume, jointly and severally, the due and punctual payment of the principal of, premium, if any, and interest on all Obligations according to their tenor and the due and punctual performance and observance of all the covenants and conditions of the Master Indenture to be kept and performed by the Obligated Group;

(b) immediately after such merger or consolidation or such sale or conveyance, the Obligated Group would not be in default in the performance or observance of any covenant or condition of any Related Loan Document or the Master Indenture; and

(c) if all amounts due or to become due on all Related Bonds have not been fully paid to the holders thereof or fully provided for, there shall be delivered to the Master Trustee an opinion of nationally recognized municipal bond counsel to the effect that under then existing law the consummation of such merger, consolidation, sale or conveyance will not adversely affect the validity of such Related Bonds or the exemption otherwise available from federal or state income taxation of interest payable on such Related Bonds.

If a Member of the Obligated Group consolidates or merges with one or more Persons which are not Members of the Obligated Group and is not the survivor, or if a Member of the Obligated Group sells or conveys substantially all of its Property to any Person which is not a Member of the Obligated Group, then upon such Person or Persons' execution and delivery of the agreement provided for in the Master Indenture, such Person or Persons shall succeed to and be substituted for that Member of the Obligated Group, with the same effect as if such Person or Persons had been named in the Master Indenture; and that Member of the Obligated Group shall thereupon be relieved of any further obligation or liabilities under the Master Indenture or the Obligations; and that Member of the Obligated Group may thereupon or at any time thereafter be dissolved, wound up or liquidated. Any such successor Person or Persons may thereupon issue Obligations in such Person or Persons' own name or names, and that Member of the Obligated Group shall be released from its obligations under the Master Indenture and under any Obligations if such Member of the Obligated Group shall have conveyed all of the Property owned by it

(or all such Property shall be deemed conveyed by operation of law) to such successor Person or Persons. All Obligations so issued by such successor Person or Persons shall in all respects have the same legal rank and benefit under the Master Indenture as Obligations theretofore or thereafter issued as though such Obligations had been issued by such Member of the Obligated Group without any such consolidation, merger, sale or conveyance having occurred.

Except as may be expressly provided in any Supplemental Master Indenture, the ability of any of the Members of the Obligated Group, the Designated Affiliates or Affiliates to merge into, or consolidate with, one or more corporations, or allow one or more corporations to merge into it, or sell or convey all or substantively all of its Property to any Person is not limited by the provisions of the Master Indenture.

Notwithstanding anything to the contrary in the Master Indenture, no such Member, Designated Affiliate or Affiliate shall engage in any merger or consolidation or any sale or conveyance of substantially all of its assets if any Related Bonds then outstanding have been issued for its benefit unless there is delivered to the Master Trustee an opinion of nationally recognized municipal bond counsel to the effect that, under then existing law, such action will not adversely affect the validity of any Related Bond or any exemption from federal or state income taxation of interest payable thereon to which such Related Bond would otherwise be entitled.

Financial Statements

Each Member of the Obligated Group shall keep, and shall cause its Designated Affiliates to keep, and shall use reasonable efforts to cause its Affiliates to keep, proper books of records and accounts in which full, true and correct entries will be made of all dealings or transactions of or in relation to their business and affairs in accordance with generally accepted accounting principles consistently applied, except as may be disclosed in the notes to the audited financial statements referred to in subparagraphs (a) and (b) below, and the Obligated Group Agent shall furnish to the Master Trustee:

(a) as soon as practicable after they are available, but in no event more than 180 days after the last day of each Fiscal Year of the Obligated Group, a financial report of the Reporting Group for such Fiscal Year certified by a firm of nationally recognized independent certified public accountants selected by the Obligated Group Agent. Except as provided in paragraph (b) below, such financial report shall, at a minimum, cover the results of operations of the Reporting Group for such Fiscal Year, shall include a statement of financial position of the Reporting Group as of the end of such Fiscal Year and, with the exception of the Fiscal Year ending June 30, 2014, shall show in comparative form the financial figures as of the end of and for the preceding Fiscal Year. Such financial report may be prepared on a consolidated basis or a combined basis in accordance with generally accepted accounting principles and may include entities other than the Obligated Group and its Affiliates;

(b) at the time of delivery of the financial report referred to in subparagraph (a) above and in any Fiscal Year in which the Credit Group shall not represent at least 70% of the total operating revenues of the System, as determined based upon the financial statements of the Reporting Group for the most recently completed Fiscal Year, the financial report referred to in subparagraph (a) above shall be accompanied by (i) a consolidating or combining statement of financial position for the Credit Group and (ii) a consolidating or combining statement of operations for the Credit Group, both of which statements may be unaudited; and

(c) at the time of delivery of the financial report referred to in subparagraph (a) above, an Officer's Certificate of the Obligated Group Agent demonstrating the calculation of the Historical Debt Service Coverage Ratio of the Reporting Group, for such Fiscal Year and stating that the officer executing such certificate has made, or caused to be made, a review of the

activities of each member of the Reporting Group, during the preceding Fiscal Year for purposes of determining whether or not the Reporting Group has complied with all of the terms and conditions of the Master Indenture and that each such member has kept, observed, performed and fulfilled each and every material 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 thereof, or if any such Person shall be in default, such certificate shall specify all such defaults and the nature thereof.

Liens on Property

Each Member of the Obligated Group shall not create or incur or permit to be created or incurred or to exist any Lien on any of its Property, and shall not permit its Material Designated Affiliates to create or incur or permit to be created or incurred or to exist any Lien on any of their Property, except, in each case, for Permitted Encumbrances. The ability of any Designated Affiliate or Affiliate not constituting a Material Designated Affiliate to create or incur or to permit to be created or incurred or to exist any Lien on their Property is not limited by the provisions of the Master Indenture.

Security Interest in Pledged Property

(a) The Obligated Group shall cause Designated Affiliates representing, when combined with the then-current Members of the Obligated Group, not less than 85% of the consolidated net revenues of the Credit Group, as shown on the Financial Statements most recently delivered to the Master Trustee pursuant to the Master Indenture, to grant to the Master Trustee security interests in their Pledged Property, and the Members of the Obligated Group and any future Members of the Obligated Group will grant the Master Trustee security interests in their Pledged Property, in order to secure all Obligations issued under the Master Indenture. If a Member of the Obligated Group or a Designated Affiliate that granted a security interest in its Pledged Property ceases to be a Credit Group member, the Master Trustee will execute and file such instruments as shall terminate its security interest in the Pledged Property of such Member or Designated Affiliate.

(b) The Obligated Group Agent shall provide to the Master Trustee an Officer's Certificate within 150 days of the completion of the Obligated Group's Fiscal Year, which Officer's Certificate will demonstrate in reasonable detail compliance with the covenants included in clause (a) above.

Excluded Swap Obligations

(a) Notwithstanding anything to the contrary in each Swap Obligation, the Master Indenture, or any related agreement, document, or instrument:

(i) the obligations under each Swap Obligation shall be deemed to exclude any and all Excluded Swap Obligations; and

(ii) no Person, including the Master Trustee and the owner or holder of each Swap Obligation, shall exercise any right to enforce a Swap Obligation with respect to any Excluded Swap Obligation, which rights have been relinquished, waived and released.

(b) As used in this Section, the following terms shall have the following meanings:

(i) **“CEA”** means the Commodity Exchange Act (7 U.S.C. §1 et seq.), as amended from time to time, and any successor statute, including any rule or regulation promulgated thereunder, any order of the CFTC relating thereto, or the application or official interpretation of any of the foregoing.

(ii) **“CFTC”** means the Commodity Futures Trading Commission.

(iii) **“ECP”** means an “eligible contract participant” as defined in the CEA.

(iv) **“Eligibility Date”** means, with respect to any Member of the Obligated Group, any Designated Affiliate, or any Affiliate of a Member and any Swap Obligation, the date the obligations of such Member, Designated Affiliate, or Affiliate become effective with respect to the related transaction under a Hedging Obligation. For the avoidance of doubt, the Eligibility Date with respect to any Swap Obligation shall be determined as follows: (A) the date on which the applicable Swap Obligation becomes effective if the relevant transaction was executed prior to such effective date and the relevant Obligated Group Member is a Member, Designated Affiliate, or Affiliate on such effective date, (B) the date of the execution of the relevant transaction if the applicable Swap Obligation is then in effect and such Member, Designated Affiliate, or Affiliate is a Member, Designated Affiliate, or Affiliate on the date of such execution, or (C) the date on which such a Member, Designated Affiliate, or Affiliate becomes a Member, Designated Affiliate, or Affiliate if the relevant transaction was executed prior to such date and the applicable Swap Obligation is then in effect.

(v) **“Excluded Swap Obligation”** means, with respect to any Member of the Obligated Group, any Designated Affiliate, or any Affiliate of a Member, any Swap Obligation if, and to the extent that, the performance by such Member, Designated Affiliate, or Affiliate of all or a portion of such Swap Obligation is or becomes illegal under the CEA by virtue of such Member’s, Designated Affiliate’s, or Affiliate’s failure for any reason to constitute an ECP on the Eligibility Date. The foregoing exclusion shall apply only to the portion of such Swap Obligation that is attributable to transactions under a Hedging Obligation for which such performance is or becomes illegal.

(vi) **“Swap Obligation”** means, with respect to any Member of the Obligated Group, any Designated Affiliate, or any Affiliate of a Member, any Obligation evidencing a Hedging Obligation and any other obligation to pay or perform under any Obligation in respect of any one or more transactions under a Hedging Obligation, including without limitation the granting of a security interest in its Pledged Property and any other obligation to pay or perform under the Master Indenture with respect to any one or more transactions under a Hedging Obligation.

The foregoing definitions shall be construed in a manner that is consistent with Section 2(e) of the CEA.

EVENTS OF DEFAULT

Extension of Payment

In case the time for the payment of principal of or the interest on any Obligation shall be extended, whether or not such extension be by or with the consent of the Master Trustee, such principal or such interest so extended shall not be entitled in case of an event of default under the Master Indenture to

the benefit or security of the Master Indenture, except subject to the prior payment in full of the principal of all Obligations then outstanding and of all interest thereon, the time for the payment of which shall not have been extended.

Events of Default

Each of the following events is pursuant to the Master Indenture declared an “event of default”:

(a) failure of the Obligated Group (i) to pay any installment of interest or principal, or any premium, on any Obligation when the same shall become due and payable, whether at maturity, upon any date fixed for prepayment or by acceleration or otherwise or (ii) to pay, when due, the purchase price of any Obligation or any Related Bond secured by an Obligation which is tendered or deemed tendered for purchase pursuant to the related Supplemental Master Indenture, the Related Bond Indenture or the Related Loan Agreement, as the case may be; or (iii) to pay any other amounts under any Obligations when due; or

(b) failure of the Obligated Group to comply with, observe or perform any other covenants, conditions, agreements or provisions of the Master Indenture and to remedy such default within 60 days after written notice thereof to the Obligated Group Agent from the Master Trustee or the holders of at least 25% in aggregate principal amount of the outstanding Obligations; provided that, if such default cannot with due diligence and dispatch be wholly cured within 60 days but can be wholly cured, the failure of the Obligated Group to remedy such default within such 60-day period shall not constitute an event of default under the Master Indenture if the Obligated Group shall, immediately upon receipt by the Obligated Group Agent of such notice, commence with due diligence and dispatch the curing of such default and, having so commenced the curing of such default, shall thereafter prosecute and complete the same with due diligence and dispatch; or

(c) any representation or warranty made by any Member of the Obligated Group in the Master Indenture or in any Supplemental Master Indenture or in any statement or certificate furnished to the Master Trustee or the purchaser of any Obligation or Related Bond in connection with the delivery of any Obligation or sale of any Related Bond or furnished by any Member pursuant to the Master Indenture or any Supplemental Master Indenture proves untrue in any material respect as of the date of the issuance or making thereof and shall not be corrected or brought into compliance within 60 days after written notice thereof to the Obligated Group Agent by the Master Trustee or the holders of at least 25% in aggregate principal amount of the outstanding Obligations; or

(d) default by the Obligated Group in the payment of the principal of, premium, if any, or interest on any Indebtedness for borrowed money (other than Non-Recourse Indebtedness) of the Obligated Group, including without limitation any Indebtedness created by any Related Loan Document, as and when the same shall become due, or an event of default as defined in any mortgage, indenture, loan agreement or other instrument under or pursuant to which there was issued or incurred, or by which there is secured, any such Indebtedness (including any Obligation) of the Obligated Group, and which default in payment or event of default entitles the holder thereof (or a credit enhancer exercising the rights of such holder) to declare or, in the case of any Obligation, to request that the Master Trustee declare, such Indebtedness due and payable prior to the date on which it would otherwise become due and payable; provided, however, that if such Indebtedness is not evidenced by an Obligation or issued, incurred or secured by or under a Related Loan Document, a default in payment thereunder shall not constitute an “event of default” under the Master Indenture unless the unpaid principal amount of such Indebtedness, together with the unpaid principal amount of all other

Indebtedness so in default, exceeds 10% of the Current Assets of the Reporting Group shown on the financial statements most recently delivered to the Master Trustee pursuant to the Master Indenture; or

(e) any judgment, writ or warrant of attachment or of any similar process shall be entered or filed against any Member of the Obligated Group or against any Property of any Member of the Obligated Group and remains unvacated, unpaid, unbonded, unstayed or uncontested in good faith for a period of 60 days; provided, however, that none of the foregoing shall constitute an event of default unless the amount of such judgment, writ, warrant of attachment or similar process, together with the amount of all other such judgments, writs, warrants or similar processes so unvacated, unpaid, unbonded, unstayed or uncontested, exceeds 10% of the Current Assets of the Reporting Group shown on the financial statements most recently delivered to the Master Trustee pursuant to the Master Indenture; or

(f) any Member of the Obligated Group admits insolvency or bankruptcy or its inability to pay its debts as they mature, or is generally not paying its debts as such debts become due, or makes an assignment for the benefit of creditors or applies for or consents to the appointment of a trustee, custodian or receiver for such Member of the Obligated Group, or for the major part of its Property; or

(g) a trustee, custodian or receiver is appointed for any Member of the Obligated Group or for the major part of its Property and is not discharged within 90 days after such appointment; or

(h) bankruptcy, dissolution, reorganization, arrangement, insolvency or liquidation proceedings, proceedings under Title 11 of the United States Code, as amended, or other proceedings for relief under any bankruptcy law or similar law for the relief of debtors are instituted by or against any Member of the Obligated Group (other than bankruptcy proceedings instituted by any Member of the Obligated Group against third parties), and if instituted against a Member of the Obligated Group, are allowed against such Member of the Obligated Group, or are consented to, or are not dismissed, stayed or otherwise nullified, within 90 days after such institution.

Acceleration

If an event of default has occurred and is continuing, the Master Trustee may, and if requested by either the holders of not less than 25% in aggregate principal amount of outstanding Obligations or the holder of any Accelerable Instrument under which Accelerable Instrument an event of default exists (which event of default permits the holder thereof to request that the Master Trustee declare such Indebtedness evidenced by an Obligation due and payable prior to the date on which it would otherwise become due and payable), shall, by notice in writing delivered to the Obligated Group Agent, declare the entire principal amount of all Obligations then outstanding under the Master Indenture and the interest accrued thereon immediately due and payable, and the entire principal and such interest shall thereupon become immediately due and payable, subject, however, to the provisions of the Master Indenture with respect to waivers of events of default. The foregoing notwithstanding, if the Supplemental Master Indenture creating an Obligation or Obligations includes a requirement that the consent of any credit enhancer, liquidity provider or any other Person be obtained prior to the acceleration of such Obligation or Obligations, the Master Trustee may not accelerate such Obligation or Obligations without the consent of such Person.

Remedies; Rights of Obligation Holders

Upon the occurrence of any event of default under the Master Indenture, the Master Trustee may pursue any available remedy including a suit, action or proceeding at law or in equity to enforce the payment of the principal of, premium, if any, and interest on the Obligations outstanding under the Master Indenture and any other sums due under the Master Indenture and may collect such sums in the manner provided by law out of the Property of the Obligated Group, wherever situated.

If an event of default shall have occurred, and if it shall have been requested so to do by either the holders of 25% or more in aggregate principal amount of Obligations outstanding or the holder of an Accelerable Instrument upon whose request pursuant to the Master Indenture the Master Trustee has accelerated the Obligations, the Master Trustee shall be obligated to exercise such one or more of the rights and powers conferred by the Master Indenture as the Master Trustee shall deem most expedient in the interests of the holders of Obligations; provided, however, that the Master Trustee shall have the right to decline to comply with any such request if the Master Trustee shall be advised by Counsel (who may be its own Counsel) that the action so requested may not lawfully be taken or the Master Trustee in good faith shall determine that such action would be unjustly prejudicial to the holders of Obligations not parties to such request.

No remedy by the terms of the Master Indenture conferred upon or reserved to the Master Trustee (or to the holders of Obligations) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Master Trustee or to the holders of Obligations under the Master Indenture now or subsequently existing at law or in equity or by statute.

No delay or omission to exercise any right or power accruing upon any default or event of default shall impair any such right or power or shall be construed to be a waiver of any such default or event of default, or acquiescence therein; and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default or event of default under the Master Indenture, whether by the Master Trustee or by the holders of Obligations, shall extend to or shall affect any subsequent default or event of default or shall impair any rights or remedies consequent thereon.

Direction of Proceedings by Holders

The holders of a majority in aggregate principal amount of the Obligations then outstanding which have become due and payable in accordance with their terms or have been declared due and payable pursuant to the Master Indenture and have not been paid in full in the case of remedies exercised to enforce such payment, or the holders of a majority in aggregate principal amount of the Obligations then outstanding in the case of any other remedy, shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Master Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Master Indenture or for the appointment of a receiver or any other proceedings under the Master Indenture; provided that such direction shall not be otherwise than in accordance with the provisions of law and of the Master Indenture and that the Master Trustee shall have the right to decline to comply with any such request if the Master Trustee shall be advised by Counsel (who may be its own Counsel) that the action so directed may not lawfully be taken or the Master Trustee in good faith shall determine that such action would be unjustly prejudicial to the holders of the Obligations not parties to such direction. Pending receipt of such direction from the holders of a majority in aggregate principal amount of the Obligations outstanding, such direction may be given in the same manner and with the same effect by the

holder of an Accelerable Instrument upon whose request pursuant to the Master Indenture the Master Trustee has accelerated the Obligations.

The foregoing notwithstanding, the holders of a majority in aggregate principal amount of the Obligations then outstanding which are entitled to the exclusive benefit of certain security in addition to that intended to secure all or other Obligations shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Master Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Master Indenture, the Supplemental Master Indenture or Indentures pursuant to which such Obligations were issued or so secured or any separate security document in order to realize on such security; provided, however, that such direction shall not be otherwise than in accordance with the provisions of law and of the Master Indenture.

Application of Moneys

All moneys received by the Master Trustee pursuant to any right given or action taken under the provisions of the Master Indenture (except moneys held for the payment of Obligations called for prepayment or redemption which have become due and payable) shall, after payment of the cost and expenses of the proceedings resulting in the collection of such moneys and of the fees of, expenses, liabilities and advances incurred or made by the Master Trustee, any Related Issuers and any Related Bond Trustees, be applied as follows:

(a) Unless the principal of all the Obligations shall have become or shall have been declared due and payable, all such moneys shall be applied:

First: To the payment to the persons entitled thereto of all installments of interest then due on the Obligations, in the order of the maturity of the installments of such interest, with interest on the overdue installments of interest (so far as permitted by law and to the extent that such interest has been collected by the Master Trustee) at the rates specified in the Obligations, and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege; and

Second: To the payment to the persons entitled thereto of the unpaid principal of and premium on the Obligations which shall have become due (other than principal of and premium on the Obligations for the payment of which moneys are held pursuant to the provisions of this Master Indenture), in the order of the scheduled dates of their payment, with interest on such overdue payments of principal and premium (so far as permitted by law and to the extent that such interest has been collected by the Master Trustee) at the rates specified in the Obligations, and, if the amount available shall not be sufficient to pay in full the unpaid principal of and premium on the Obligations due on any particular date, then to the payment ratably, according to the amount of principal and premium due on such date, to the persons entitled thereto without any discrimination or privilege; and

Third: To the payment to the persons entitled thereto of all unpaid principal and interest on Obligations, payment of which was extended by such persons as described in the Master Indenture.

(b) If the principal of all the Obligations shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal,

premium, if any, and interest then due and unpaid upon the Obligations, with interest on such overdue payments of principal, premium and interest (so far as permitted by law and to the extent that such interest has been collected by the Master Trustee) at the rates specified in the Obligations, without preference or priority of principal, premium or interest over the others, or of any installment of interest over any other installment of interest, or of any Obligation over any other Obligation, ratably, according to the amounts due respectively for principal, premium, if any, and interest to the persons entitled thereto without any discrimination or privilege; *provided* that no amount shall be paid to any Obligation holder who has extended the time for payment of either principal or interest as described in the Master Indenture until all other principal, premium, if any, and interest owing on Obligations has been paid; and

(c) If the principal of all the Obligations shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of the Master Indenture, then, subject to the provisions of paragraph (b) of the Master Indenture described above in the event that the principal of all the Obligations shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of paragraph (a) of the Master Indenture described above.

Whenever moneys are to be applied by the Master Trustee pursuant to the provisions of the Master Indenture, such moneys shall be applied by it at such times, and from time to time, as the Master Trustee shall determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Master Trustee shall apply such moneys, it shall fix the date (which shall be an interest payment date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Master Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the holder of any unpaid Obligation until such Obligation shall be presented to the Master Trustee for appropriate endorsement or for cancellation if fully paid.

Whenever all Obligations and interest thereon have been paid under the provisions of the Master Indenture and all expenses and charges of the Master Trustee have been paid, any balance remaining shall be paid to the Person entitled to receive the same; provided that, if no other Person shall be entitled thereto, then the balance shall be paid to the Obligated Group Agent.

Rights and Remedies of Obligation Holders

No holder of any Obligation shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Master Indenture or for the execution of any trust of the Master Indenture or for the appointment of a receiver or any other remedy under the Master Indenture, unless a default shall have become an event of default and (a) the holders of 25% or more in aggregate principal amount (i) of the Obligations which have become due and payable in accordance with their terms or have been declared due and payable pursuant to the Master Indenture and have not been paid in full in the case of powers exercised to enforce such payment or (ii) the Obligations then outstanding in the case of any other exercise of power or (b) the holder of an Accelerable Instrument upon whose request pursuant to the Master Indenture the Master Trustee has accelerated the Obligations, shall have made a written request to the Master Trustee and shall have offered it reasonable opportunity either to proceed to exercise the powers granted under the Master Indenture or to institute such action, suit or proceeding in its own name, and unless the Master Trustee shall thereafter fail or refuse to exercise the powers granted under the Master Indenture, or to institute such action, suit or proceeding in its own name; and such notification and request are declared pursuant to the Master Indenture in every case at the option of the Master Trustee to be conditions precedent to the execution of the powers and trusts of the Master Indenture and to any

action or cause of action for the enforcement of the Master Indenture or for the appointment of a receiver or for any other remedy under the Master Indenture; it being understood and intended that no one or more holders of the Obligations shall have any right in any manner whatsoever to affect, disturb or prejudice the Lien of the Master Indenture by its, his or their action or to enforce any right under the Master Indenture except in the manner in the Master Indenture provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Master Indenture and for the equal benefit of the holders of all Obligations outstanding. Nothing in the Master Indenture contained shall, however, affect or impair the right of any holder to enforce the payment of the principal of, premium, if any, and interest on any Obligation at and after the maturity thereof, or the obligation of the Members of the Obligated Group to pay the principal, premium, if any, and interest on each of the Obligations issued under the Master Indenture to the respective holders thereof at the time and place, from the source and in the manner in said Obligations expressed.

Termination of Proceedings

In case the Master Trustee shall have proceeded to enforce any right under the Master Indenture by the appointment of a receiver, or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Master Trustee, then and in every case the Members of the Obligated Group and the Master Trustee shall, subject to any determination in such proceeding, be restored to their former positions and rights under the Master Indenture and all rights, remedies and powers of the Master Trustee shall continue as if no such proceedings had been taken.

Waiver of Events of Default

If, at any time after the principal of all Obligations shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as provided in the Master Indenture and before the acceleration of any Related Bond, the Members of the Obligated Group shall pay or shall deposit with the Master Trustee a sum sufficient to pay all matured installments of interest upon all such Obligations and the principal and premium, if any, of all such Obligations that shall have become due otherwise than by acceleration (with interest on overdue installments of interest and on such principal and premium, if any, at the rate borne by such Obligations to the date of such payment or deposit, to the extent permitted by law) and the expenses of the Master Trustee, and any and all events of default under the Master Indenture, other than the nonpayment of principal of and accrued interest on such Obligations that shall have become due by acceleration, shall have been remedied, then and in every such case the holders of a majority in aggregate principal amount of all Obligations then outstanding and the holder of each Accelerable Instrument who requested the giving of notice of acceleration, by written notice to the Obligated Group Agent and the Master Trustee, may waive all events of default and rescind and annul such declaration and its consequences; but no such waiver or rescission and annulment shall extend to or affect any subsequent event of default, or shall impair any right consequent thereon.

Related Bond Trustees, Credit Enhancer or Bondholders Deemed To Be Obligation Holders

For the purposes of the Master Indenture, unless a Related Bond Trustee elects to the contrary or contrary provision is made in a Related Bond Indenture, each Related Bond Trustee shall be deemed the holder of the Obligation or Obligations pledged to secure the Related Bonds with respect to which such Related Bond Trustee is acting as trustee. If two or more series of Related Bonds are issued concurrently under the same Related Bond Indenture, the Related Bond Trustee shall be deemed the holder of the Obligations pledged to secure such Related Bonds to the extent of the principal amount of each such series of Related Bonds to which such Obligations relate.

The foregoing notwithstanding, in the case of any series of Related Bonds supported by credit enhancement, the Related Bond Trustee shall exercise such rights as it may have as a holder of an Obligation in accordance with the directions of such credit enhancer as long as the credit enhancer is performing its obligations under the credit enhancement instrument and is not contesting the validity or enforceability of the credit enhancement instrument.

SUPPLEMENTAL MASTER INDENTURES

Supplemental Master Indentures Not Requiring Consent of Obligation Holders

The Obligated Group Agent and the Master Trustee may, without the consent of, or notice to, any of the Obligation holders, amend or supplement the Master Indenture, for any one or more of the following purposes:

- (a) to cure any ambiguity or defective provision in or omission from the Master Indenture in such manner as is not inconsistent with and does not impair the security of the Master Indenture or adversely affect the holder of any Obligation;
- (b) to grant to or confer upon the Master Trustee for the benefit of the Obligation holders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Obligation holders and the Master Trustee, or either of them, to add to the covenants of the Obligated Group for the benefit of the Obligation holders or to surrender any right or power conferred under the Master Indenture upon the Obligated Group;
- (c) to assign and pledge under the Master Indenture any additional revenues, properties or collateral;
- (d) to evidence the succession of another corporation to the covenants and agreements of any Member of the Obligated Group or the Master Trustee, or the successor of any thereof under the Master Indenture;
- (e) to permit the qualification of the Master Indenture under the Trust Indenture Act of 1939, as then amended, or under any similar federal statute subsequently in effect or to permit the qualification of any Obligations for sale under the securities laws of any state of the United States;
- (f) to provide for the refunding or advance refunding of any Obligation;
- (g) to provide for the issuance of Obligations;
- (h) to reflect the addition of a Member to or the withdrawal of a Member from the Obligated Group in accordance with the Master Indenture;
- (i) to provide for the issuance of Obligations with original issue discount or original issue premium, provided such issuance would not materially adversely affect the holders of outstanding Obligations;
- (j) to permit an Obligation to be secured by security which is not extended to all Obligation holders;
- (k) to permit the issuance of Obligations which are not in the form of a promissory note;

(l) to modify or eliminate any of the terms of the Master Indenture as long as such Supplemental Master Indenture expressly provides that any such modifications or eliminations shall become effective only when there is no Obligation Outstanding of any series created prior to the execution of such Supplemental Master Indenture;

(m) to make any other changes to the Master Indenture (other than changes described in the proviso in the first paragraph under the subcaption “**Supplemental Master Indentures Requiring Consent of Obligation Holders**”) as long as the Historical Debt Service Coverage Ratio of the Credit Group for the immediately preceding Fiscal Year was not less than 1.50 to 1.00; provided, however, that no such amendment to the Master Indenture made pursuant to this subparagraph (m) shall (i) lower the Historical Debt Service Coverage Ratio of the Credit Group specified in the Master Indenture below 1.10 to 1.00 or (ii) increase the percentages specified in subparagraphs (h) and (m) of the definition of “Permitted Encumbrances” or otherwise alter the covenants in the Master Indenture respecting Liens; and

(n) to make any other change which does not materially adversely affect the holders of any of the Obligations and does not materially adversely affect the holders of any Related Bonds, including, without limitation, any modification, amendment or supplement to the Master Indenture or any indenture supplemental to the Master Indenture in such manner as to establish or maintain exemption of interest on any Related Bonds under a Related Bond Indenture from federal income taxation under applicable provisions of the Code.

Supplemental Master Indentures Requiring Consent of Obligation Holders

In addition to Supplemental Master Indentures described above, the holders of not less than a majority in aggregate principal amount of the Obligations which are outstanding at the time of the execution of such Supplemental Master Indenture or, in case less than all of the several series of Obligations are affected thereby, the holders of not less than a majority in aggregate principal amount of the Obligations of each series affected thereby which are outstanding under the Master Indenture at the time of the execution of such Supplemental Master Indenture, shall have the right, from time to time, anything contained in the Master Indenture to the contrary notwithstanding, to consent to and approve the execution by the Obligated Group Agent and the Master Trustee of such Supplemental Master Indentures as shall be deemed necessary and desirable by the Obligated Group for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Master Indenture or in any Supplemental Master Indenture; provided, however, that no such supplement shall permit, or be construed as permitting, (a) an extension of the stated maturity or reduction in the principal amount of or reduction in the rate or extension of the time of paying of interest on or reduction of any premium payable on the redemption of, any Obligation, without the consent of the holder of such Obligation, (b) a reduction in the aforesaid aggregate principal amount of Obligations the holders of which are required to consent to any such Supplemental Master Indenture, without the consent of the holders of all the Obligations at the time outstanding which would be affected by the action to be taken, (c) the creation of any Lien ranking prior to or on a parity with the Lien of the Master Indenture with respect to the trust estate, if any, subject thereto or terminate the Lien of the Master Indenture on any Property at any time subject to the Master Indenture or deprive the holder of any Obligation of the security afforded by the Lien of the Master Indenture, except as otherwise permitted by the Master Indenture, or (d) modification of the rights, duties or immunities of the Master Trustee.

Opinion

In connection with a supplemental master indenture under this section, the Obligated Group shall deliver to the Master Trustee an opinion of counsel to the effect that such supplemental indenture is authorized and permitted pursuant to the terms of the Master Indenture.

Note and Document Substitution

(a) The Master Indenture may be amended or supplemented as provided therein.

(b) In addition, the Obligated Group Agent and the Master Trustee, may, without the consent of any of the Holders of any Obligations or any Related Bonds, enter into one or more supplements, amendments, restatements, replacements or substitutions to the Master Indenture, to modify, amend, restate, supplement, replace, substitute, change or remove any covenant, agreement, term or provision of the Master Indenture, in whole or in part (including, but not limited to, an amendment, restatement or substitution of the Master Indenture), in whole to relate to all Related Bonds, or in part to relate to a portion of the Related Bonds, including but not limited to a series or subseries of the Related Bonds secured by payment obligations of the health care facilities on whose behalf the allocable portion of the proceeds of the Related Bonds were utilized, or an affiliate of such health care facilities, in order to effect (i) the affiliation of the Obligated Group, any Members of the Obligated Group, any System Affiliates or any Designated Affiliates with any of the foregoing or with another entity or entities in order to create a new or modified credit group or structure or in order to provide for the inclusion of the Obligated Group, any Members of the Obligated Group, any System Affiliates or any Designated Affiliates in another obligated group, combined group or other unified credit group or structure, (ii) the release or discharge of any collateral securing the Related Bonds, including, but not limited to, the release or discharge of (A) any or all Obligations, in whole or in part, issued pursuant to the Master Indenture to secure the Related Bonds and (B) the Obligated Group, any Members of the Obligated Group, any System Affiliates or any Designated Affiliates from any or all liability (whether direct or indirect) with respect to the Related Bonds or a portion thereof, any Related Loan Document, any Related Bond Indenture, the Obligations, or the Master Indenture or any portion of any thereof, in consideration for the issuance of a note or notes to secure the Related Bonds or portion of the Related Bonds that are to become an obligation of the new affiliated entities or the new obligated group, combined group or other unified credit group, which note or notes would constitute obligations of the new affiliated entities or the members of the new obligated group, combined group or other unified credit group, (iii) the replacement of all or a portion of the financial and operating covenants and related definitions set forth in the Master Indenture with those of the new affiliated entities or the new obligated group, combined group or other unified credit group, set forth in the new agreement or master indenture, and (iv) the termination of the status of any Designated Affiliates as Designated Affiliates (the “Undesignated Affiliates”), concurrently with (A) the substitution of the underlying credit source for any Related Bonds the proceeds of which are allocable to the facilities of such Undesignated Affiliates, from being the borrower under any Related Loan Document and the obligor under the Obligations and the Master Indenture to being such Undesignated Affiliates or any affiliate of such Undesignated Affiliates, under a replacement or substitute loan agreement, bond indenture, note or notes and master indenture, and (B) the release and discharge of (I) any or all Obligations, in whole or in part, issued pursuant to the Master Indenture to secure such Related Bonds allocable to such Undesignated Affiliates and (II) the Obligated Group, any Members of the Obligated Group, any System Affiliates or any Designated Affiliates from any or all liability (whether direct or indirect) with respect to the Related Bonds allocable to the Undesignated Affiliates, any Related Loan Document, any Related Bond Indenture, the Obligations, or the Master Indenture or any portion of any thereof allocable to the Undesignated Affiliates (such transaction is referred to collectively in the Master Indenture as the “Substitution Transaction”).

(c) If all amounts due or to become due on the Related Bonds have not been fully paid to the Holder thereof, at or prior to the implementation of the Substitution Transaction there shall also be delivered to the Master Trustee: (i) an opinion of bond counsel to the effect that under then existing law the implementation of the Substitution Transaction and the execution of the amendments, supplements, restatements, replacements or substitutions contemplated in this Section, in and of themselves, would not adversely affect the validity of the Related Bonds or the exclusion from federal income taxation of interest payable on the Related Bonds, and (ii) an opinion of counsel to the new

affiliated entities or the new obligated group, combined group or other unified credit group to the effect that (1) the note or notes of the new affiliated entities or the new obligated group, combined group or other unified credit group to be delivered to secure the Related Bonds allocable to the Undesignated Affiliates constitute legal, valid and binding obligations of the new affiliated entities or the new obligated group, combined group or other unified credit group enforceable in accordance with their terms, except to the extent that the enforceability of such note or notes may be limited by any applicable bankruptcy, insolvency, liquidation, rehabilitation or other similar laws or enactment affecting the enforcement of creditors' rights, and (2) the issuance of the note or notes will not cause the Related Bonds or such note or notes to become subject to the registration requirements pursuant to the Securities Act of 1933, as amended.

(d) In addition, upon the implementation of the Substitution Transaction, the Obligated Group Agent shall direct the Master Trustee to give written notice thereof, by first-class mail, to the Holders of the Obligations then Outstanding.

SATISFACTION OF MASTER INDENTURE

Defeasance

If the payment or provision for the payment of the entire indebtedness on all Obligations (including, any Obligations owned by any Member of the Obligated Group) outstanding shall be made 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 Obligated Group Agent in Escrow 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 Escrow Obligations may be used at the direction of the Obligated Group Agent for any other purpose permitted by law;

(c) by delivering to the Master Trustee, for cancellation by it, all Obligations outstanding; or

(d) by depositing with the Master Trustee, in trust, before maturity, Escrow 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;

and if all other sums payable under the Master Indenture by the Obligated Group shall have been paid or provision for their payment shall have been made, and if any such Obligations are to be redeemed or prepaid prior to the maturity thereof, notice of such redemption or pre-payment 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, the Master Indenture and the estate and rights granted under the Master Indenture shall cease, determine, and become null and void, and

thereupon the Master Trustee shall, upon a written request of the Obligated Group Agent, and upon receipt by the Master Trustee of an Officer's Certificate of the Obligated Group Agent and an opinion of 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 of the Master Indenture. 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. 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 Escrow Obligations deposited with the Master Trustee as aforesaid.

Any moneys, funds, securities, or other property remaining on deposit under the Master Indenture (other than said Escrow Obligations or other moneys deposited in trust as above provided) shall, upon the full satisfaction of the Master Indenture, forthwith be transferred, paid over and distributed to the Obligated Group.

The Obligated Group may at any time surrender to the Master Trustee for cancellation by it any Obligations previously authenticated and delivered which the Obligated Group may have acquired in any manner whatsoever, and such Obligations, upon such surrender and cancellation, shall be deemed to be paid and retired.

Provision for Payment of a Particular Series of Obligations or Portion Thereof

If the payment or provision 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 any Member of the Obligated Group) shall be made 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 direction of the Obligated Group Agent in Escrow 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 Escrow Obligations may be used at the direction of the Obligated Group Agent for any other purpose permitted by law;

(c) by delivering to the Master Trustee, for cancellation by it, all Obligations of such series or portion thereof outstanding; or

(d) by depositing with the Master Trustee, in trust, Escrow 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 of such series or portion thereof at or before their respective maturity dates;

and if all other sums payable under the Master Indenture by the Obligated Group with respect to such series of Obligations or portion thereof shall have been paid or provision for their payment shall have been made, and if any such Obligations of such series or portion thereof are to be redeemed or prepaid prior to the maturity thereof, notice of such redemption or prepayment 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 such Obligations shall cease to be entitled to any lien, benefit or security under the Master Indenture. The foregoing notwithstanding, 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 Escrow Obligations deposited with the Master Trustee as aforesaid.

COVENANTS FOR THE BENEFIT OF THE LENDERS

Certain existing Supplemental Master Indentures contain certain covenants and amendments to the Master Indenture made for the benefit of the lenders providing liquidity support to CHE and Trinity Health (collectively, the “Lenders”) pursuant to the credit agreements (the “2013 Credit Agreements”) referenced under the caption “**FINANCIAL AND OPERATING INFORMATION – Liquidity and Capital Resources – Liquidity Facilities**” in **APPENDIX A** to this Official Statement. Such Lender covenants and amendments will be effective only during the period that any Lender is not in payment default under the 2013 Credit Agreements or Lenders are owed any amounts in connection with the 2013 Credit Agreements. Such Lender covenants and amendments may only be enforced at the direction of the Lenders and may be amended or waived only with the prior written consent of the Lenders, and without the consent of the Related Bond Trustee or the Master Trustee.

APPENDIX G
FORMS OF OPINIONS OF HAWKINS DELAFIELD & WOOD LLP

On the date of issuance of the Bonds, Hawkins Delafield & Wood LLP, Bond Counsel, proposes to issue their approving opinions in substantially the following form:

October __, 2013

County of Franklin, Ohio
Columbus, Ohio

Re: County of Franklin, Ohio Revenue Bonds (CHE Trinity Health Credit Group),
Series 2013OH

Ladies and Gentlemen:

As bond counsel to the County of Franklin, Ohio (the “Issuer”), we submit this opinion with respect to the issuance by the Issuer of its County of Franklin, Ohio Revenue Bonds (Trinity Health Credit Group), Series 2013OH, dated the date hereof, in the aggregate principal sum of \$87,245,000 (the “Bonds”).

We have examined a certified transcript of proceedings with respect to the Bonds, including (i) a certified copy of an authorizing resolution, adopted by the County Hospital Commission of Franklin County (the “Hospital Commission”) on August 28, 2013 (the “Hospital Commission Resolution”), (ii) a Resolution adopted by the Board of County Commissioners of the County of Franklin, Ohio on September 3, 2013 (the “Franklin County Authorizing Resolution” and, together with the Hospital Commission Resolution, the “Authorizing Resolutions”), (iii) an executed copy of the Amended and Restated Indenture of Trust, dated as of June 1, 1998, by and between the Issuer and U.S. Bank National Association, as successor trustee (the “Trustee”), as supplemented to date (the “Amended and Restated Indenture”) and by the Tenth Supplemental Bond Indenture, dated as of October 1, 2013 (the “Tenth Supplemental Indenture” and, collectively with the Amended and Restated Indenture, the “Ohio Indenture”), between the Issuer and the Trustee, (iv) an executed copy of the Existing Lease, as supplemented by the Eighth Supplemental Lease, (v) an executed copy of the Existing Sublease, as supplemented by the Eighth Supplemental Sublease, and (vi) the Tax Certificate and Agreement of Trinity Health Corporation (the “Borrower”) and the Issuer, dated the date hereof (together with all attachments and exhibits, the “Tax Certificate and Agreement”). We have also reviewed such other information, records and documents as, in our judgment, are necessary or advisable to deliver the opinions expressed herein, including the opinion of Peck Shaffer & Williams, LLP, counsel to the Issuer, and we have examined an executed Bond or a specimen thereof.

Capitalized terms used herein and not otherwise defined shall have the meanings assigned in the Ohio Indenture.

The Bonds are issued under and pursuant to Chapter 140 and Section 339.15 of the Ohio Revised Code, as amended and supplemented (the “Act”), by the Issuer for the purpose of providing funds to loan to the Borrower to be used by the Borrower, together with other available funds: (i) finance, refinance or reimburse the Borrower for costs relating to the Project, and (ii) pay certain costs of issuing the Bonds.

Tax-exempt obligations issued by state or local government entities in other states for the benefit of the Borrower and certain members of the CHE Trinity Health Credit Group (collectively, the “Related Bonds”) are treated, together with the Bonds, as a single issue for Federal tax purposes. We have served as bond counsel with respect to the issuance of the Related Bonds and, on the date hereof, have rendered

our opinion with respect to the exclusion of interest on each issue of the Related Bonds from gross income for Federal income tax purposes in substantially the form of paragraph 6 below and subject to the same conditions and limitations set forth herein. Noncompliance with such conditions and limitations may cause interest on both the Bonds and the Related Bonds to become subject to Federal income taxation retroactive to the date of issue, irrespective of the date on which such noncompliance occurs or is ascertained.

In rendering our opinion, we have relied upon and assumed the accuracy of the opinion of Foley & Lardner LLP, special counsel to the Borrower and the CHE Trinity Health Credit Group, regarding, among other matters, the current qualification of the Borrower and certain members of the CHE Trinity Health Credit Group that are users of the Bond proceeds or Bond-financed assets (collectively, the “Users”) as organizations described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”). We note that the opinion of special counsel to the Borrower and the CHE Trinity Health Credit Group is subject to a number of qualifications and limitations. The Borrower, for itself and on behalf of each of the Users, has covenanted that it will do nothing to impair its status as a tax-exempt organization, and that it will comply with the requirements of the Code and any applicable regulations throughout the term of the Bonds. Failure of the Borrower or the Users to be organized and operated in accordance with the Internal Revenue Service’s requirements for the maintenance of their respective status as organizations described in Section 501(c)(3) of the Code or use of the Bond-financed assets in activities that constitute unrelated trades or businesses of the Borrower or the Users, as applicable, within the meaning of Section 513 of the Code may result in interest on the Bonds being included in gross income for Federal income tax purposes, possibly from the date of issuance of the Bonds.

As to questions of fact material to our opinion we have, with your consent, relied upon the certified proceedings and other certifications of public officials and officers of the Borrower furnished to us, without undertaking to verify the same by independent investigation.

Based upon our examination, we are of the opinion that under existing law:

1. The Issuer is legally organized and validly existing under the Constitution and laws of the State, including particularly the Act, and is legally authorized and empowered to adopt the Authorizing Resolutions and to enter into the Ohio Indenture and the Eighth Supplemental Lease and the Eighth Supplemental Sublease and to issue and deliver the Bonds.

2. The Authorizing Resolutions have been duly adopted by the Issuer and are valid and binding.

3. The Ohio Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Issuer. The Ohio Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Revenues and any other amounts (including proceeds of the sale of the Bonds) held by the Trustee in any fund or account established pursuant to the Ohio Indenture, except the Rebate Fund and the Bond Purchase Fund, subject to the provisions of the Ohio Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Ohio Indenture. The Ohio Indenture also creates a valid pledge to the Trustee, for the benefit of the holders from time to time of the Bonds, of the right, title, and interest of the Issuer in the Existing Lease and the Existing Sublease, as supplemented by the Eighth Supplemental Lease and the Eighth Supplemental Sublease, respectively, as more particularly described in the Ohio Indenture and the Act.

4. The Eighth Supplemental Lease and the Eighth Supplemental Sublease have been duly executed and delivered by the Issuer and constitute valid and binding agreements of the Issuer.

5. The Bonds are not a lien or charge upon the funds or property of the Issuer, except to the extent of the aforementioned pledge and assignment. The Bonds have been duly authorized to be issued and delivered by the Issuer, all conditions precedent to the delivery thereof have been fulfilled and, when duly authenticated, the Bonds will constitute valid and binding obligations of the Issuer enforceable in accordance with their terms. The Bonds do not constitute obligations or create any debt of the State of Ohio, nor do they constitute a general obligation of the Issuer, but the principal of and the interest thereon are payable solely from the sources provided therefor in the Ohio Indenture.

6. Under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described below, (i) interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code, and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering our opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Issuer, the Borrower and others in connection with the Bonds, and we have assumed compliance by the Issuer, the Borrower and the Users with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code. The Code establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that, for Federal income tax purposes, interest on the Bonds be excluded from gross income pursuant to Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of Bond proceeds, restrictions on the investment of Bond proceeds prior to expenditure and the requirement that certain earnings be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Bonds to become subject to Federal income taxation retroactive to their date of issue, irrespective of the date on which such noncompliance occurs or is ascertained. On the date of delivery of the Bonds, the Issuer, the Borrower and the Borrower on behalf of the Users will execute the Tax Certificate and Agreement containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Certificate and Agreement, the Issuer, the Borrower and the Users covenant that they will comply with the provisions and procedures set forth therein and that they will do and perform all acts and things necessary or desirable to assure that interest paid on the Bonds will, for Federal income tax purposes, be excluded from gross income. In rendering the opinion in this paragraph 6, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectation, and certifications of fact contained in the Tax Certificate and Agreement with respect to matters affecting the status of interest paid on the Bonds, and (ii) compliance by the Borrower and the Users with the procedures and covenants set forth in the Tax Certificate and Agreement as to such tax matters.

7. The interest on the Bonds is exempt from the net income base used in calculating the corporate franchise tax levied by Chapter 5733 of the Ohio Revised Code and from the Ohio personal income tax levied by Chapter 5747 of the Ohio Revised Code. Pursuant to Section 140.08 of the Ohio Revised Code, the Bonds, the transfer thereof, and the income therefrom, including any profit made on the sale thereof, are exempt from taxation by the State of Ohio or any political subdivisions of the State of Ohio.

Except as stated in paragraphs 6 and 7 above, we express no opinion as to any other Federal, state or local tax consequences arising with respect to the Bonds or the ownership or disposition thereof. We render our opinion under existing statutes and court decisions as of the issue date, and we assume no obligation to update, revise or supplement this opinion after the issue date to reflect any action hereafter taken or not taken, or any facts or circumstances, or any change in law or in interpretations thereof, or otherwise, that may hereafter arise or occur, or for any other reason. Furthermore, we express no opinion

herein as to the effect of any action hereafter taken or not taken in reliance upon an opinion of counsel other than ourselves on the exclusion from gross income for Federal income tax purposes of interest on the Bonds.

The enforceability of the rights and remedies set forth in the Authorizing Resolutions, the Ohio Indenture, the Eighth Supplemental Lease and the Eighth Supplemental Sublease and the Bonds may be limited by bankruptcy, insolvency, fraudulent conveyance or other laws affecting creditors' rights generally and by the application of general principles of equity, including those relating to equitable subordination.

Respectfully submitted,

On the date of issuance of the Bonds, Hawkins Delafield & Wood LLP, Co-Bond Counsel, proposes to issue their approving opinions in substantially the following form:

October __, 2013

Idaho Health Facilities Authority
Boise, Idaho

Re: Idaho Health Facilities Authority Hospital Revenue Bonds (CHE Trinity Health Credit Group), Series 2013ID

Ladies and Gentlemen:

As co-bond counsel to the Idaho Health Facilities Authority (the “Issuer”), we submit this opinion with respect to the issuance by the Issuer of its Idaho Health Facilities Authority Hospital Revenue Bonds (Trinity Health Credit Group), Series 2013ID, dated the date hereof, in the aggregate principal sum of \$45,735,000 (the “Bonds”).

We have examined a certified transcript of proceedings with respect to the Bonds, including a certified copy of an authorizing resolution, adopted by the Issuer (the “Authorizing Resolution”), an executed copy of the Bond Indenture, dated as of October 1, 2013 (the “Bond Indenture”), between the Issuer and The Bank of New York Mellon Trust Company, N.A., as bond trustee (the “Trustee”), an executed copy of the Loan Agreement, dated as of October 1, 2013 (the “Loan Agreement”), between the Issuer and Trinity Health Corporation (the “Borrower”), and the Tax Certificate and Agreement of the Borrower and the Issuer, dated the date hereof (together with all attachments and exhibits, the “Tax Certificate and Agreement”). We have also reviewed such other information, records, and documents as, in our judgment, are necessary or advisable to deliver the opinions expressed herein, and we have examined an executed Bond or a specimen thereof.

Capitalized terms used herein and not otherwise defined shall have the meanings assigned in the Bond Indenture.

The Bonds are issued under and pursuant to the Idaho Health Facilities Authority Act, constituting Chapter 134 of the Acts of 1972 of the State of Idaho, as amended, and Section 39-1441 *et seq.* of the Idaho Code, as amended (the “Act”), by the Issuer for the purpose of providing funds to loan to the Borrower to be used by the Borrower, together with other available funds: (i) to finance, refinance or reimburse the Borrower for costs relating to the Project, and (ii) to pay certain costs of issuing the Bonds.

Tax-exempt obligations issued by state or local government entities in other states for the benefit of the Borrower and certain members of the CHE Trinity Health Credit Group (collectively, the “Related Bonds”) are treated, together with the Bonds, as a single issue for Federal tax purposes. We have served as bond counsel with respect to the issuance of the Related Bonds and, on the date hereof, have rendered our opinion with respect to the exclusion of interest on each issue of the Related Bonds from gross income for Federal income tax purposes in substantially the form of paragraph 6 below and subject to the same conditions and limitations set forth herein. Noncompliance with such conditions and limitations may cause interest on both the Bonds and the Related Bonds to become subject to Federal income taxation retroactive to the date of issue, irrespective of the date on which such noncompliance occurs or is ascertained.

In rendering our opinion, we have relied upon and assumed the accuracy of the opinion of Foley & Lardner LLP, special counsel to the Borrower and the CHE Trinity Health Credit Group, regarding, among other matters, the current qualification of the Borrower and certain members of the CHE Trinity Health Credit Group that are users of the Bond proceeds or Bond-financed assets (collectively, the “Users”) as organizations described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”). We note that the opinion of special counsel to the Borrower and the CHE Trinity Health Credit Group is subject to a number of qualifications and limitations. The Borrower, for itself and on behalf of each of the Users, has covenanted that it will do nothing to impair its status as a tax-exempt organization, and that it will comply with the requirements of the Code and any applicable regulations throughout the term of the Bonds. Failure of the Borrower or the Users to be organized and operated in accordance with the Internal Revenue Service’s requirements for the maintenance of their respective status as organizations described in Section 501(c)(3) of the Code or use of the Bond-financed assets in activities that constitute unrelated trades or businesses of the Borrower or the Users, as applicable, within the meaning of Section 513 of the Code may result in interest on the Bonds being included in gross income for Federal income tax purposes, possibly from the date of issuance of the Bonds.

As to questions of fact material to our opinion we have, with your consent, relied upon the certified proceedings and other certifications of public officials and officers of the Borrower furnished to us, without undertaking to verify the same by independent investigation.

Based upon our examination, we are of the opinion that under existing law:

8. The Issuer is legally organized and validly existing under the Constitution and laws of the State of Idaho, including particularly the Act, and is legally authorized and empowered to adopt the Authorizing Resolution and to enter into the Bond Indenture and the Loan Agreement and to issue and deliver the Bonds.

9. The Authorizing Resolution has been duly adopted by the Issuer and is a valid and binding action of the Issuer.

10. The Bond Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Issuer. The Bond Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Revenues and any other amounts (including proceeds of the sale of the Bonds) held by the Trustee in any fund or account established pursuant to the Bond Indenture, except the Rebate Fund and the Bond Purchase Fund, subject to the provisions of the Bond Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Bond Indenture. The Bond Indenture also creates a valid pledge to the Trustee, for the benefit of the holders from time to time of the Bonds, of the right, title, and interest of the Issuer in the Loan Agreement, as more particularly described in the Bond Indenture and the Act.

11. The Loan Agreement has been duly executed and delivered by the Issuer and constitutes a valid and binding agreement of the Issuer.

12. The Bonds are not a lien or charge upon the funds or property of the Issuer, except to the extent of the aforementioned pledge and assignment. The Bonds have been duly authorized to be issued and delivered by the Issuer, all conditions precedent to the delivery thereof have been fulfilled and, when duly authenticated, the Bonds will constitute valid and binding obligations of the Issuer enforceable in accordance with their terms. The Bonds do not constitute obligations or create any debt of the State of Idaho, nor do they constitute a general obligation of the Issuer, but the principal of and the interest thereon are payable solely from the sources provided therefor in the Bond Indenture.

13. Under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described below, (i) interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code, and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering our opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Issuer, the Borrower and others in connection with the Bonds, and we have assumed compliance by the Issuer, the Borrower and the Users with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code. The Code establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that, for Federal income tax purposes, interest on the Bonds be excluded from gross income pursuant to Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of Bond proceeds, restrictions on the investment of Bond proceeds prior to expenditure and the requirement that certain earnings be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Bonds to become subject to Federal income taxation retroactive to their date of issue, irrespective of the date on which such noncompliance occurs or is ascertained. On the date of delivery of the Bonds, the Issuer, the Borrower and the Borrower on behalf of the Users will execute the Tax Certificate and Agreement containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Certificate and Agreement, the Issuer, the Borrower and the Users covenant that they will comply with the provisions and procedures set forth therein and that they will do and perform all acts and things necessary or desirable to assure that interest paid on the Bonds will, for Federal income tax purposes, be excluded from gross income. In rendering the opinion in this paragraph 6, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectation, and certifications of fact contained in the Tax Certificate and Agreement with respect to matters affecting the status of interest paid on the Bonds, and (ii) compliance by the Borrower and the Users with the procedures and covenants set forth in the Tax Certificate and Agreement as to such tax matters.

14. Interest on the Bonds is exempt from all State of Idaho income taxes under Idaho income tax laws in effect as of the date hereof.

Except as stated in paragraphs 6 and 7 above, we express no opinion as to any other Federal, state or local tax consequences arising with respect to the Bonds or the ownership or disposition thereof. We render our opinion under existing statutes and court decisions as of the issue date, and we assume no obligation to update, revise or supplement this opinion after the issue date to reflect any action hereafter taken or not taken, or any facts or circumstances, or any change in law or in interpretations thereof, or otherwise, that may hereafter arise or occur, or for any other reason. Furthermore, we express no opinion herein as to the effect of any action hereafter taken or not taken in reliance upon an opinion of counsel other than ourselves on the exclusion from gross income for Federal income tax purposes of interest on the Bonds.

The enforceability of the rights and remedies set forth in the Authorizing Resolution, the Bond Indenture, the Loan Agreement and the Bonds may be limited by bankruptcy, insolvency, fraudulent conveyance or other laws affecting creditors' rights generally and by the application of general principles of equity, including those relating to equitable subordination.

Respectfully submitted,

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APPENDIX H

BOOK-ENTRY SYSTEM

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of each Series of the Bonds, in the total aggregate principal amount of each such maturity, and will be deposited with DTC.

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

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the 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 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may

not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the 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 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

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

Principal, premium, redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the related Issuer or 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 Participants and not of DTC, nor of its nominee, the Bond Trustees or the Issuers, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, redemption proceeds, distributions and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Bond Trustees, 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 the Direct and Indirect Participants.

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuers and CHE Trinity Inc. believe to be reliable, but none of the Issuers or CHE Trinity Inc. takes any responsibility for the accuracy thereof.

None of CHE Trinity Inc., the Credit Group, the Issuers and the Bond Trustees can or do give any assurances that DTC will distribute to Participants or that Participants or others will distribute to the Beneficial Owners payments of principal of and interest and premium, if any, on the Bonds paid or any redemption or other notices or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. None of CHE Trinity Inc., the Credit Group, the Issuers or the Bond Trustees are responsible or liable for the failure of DTC or any Direct Participant or Indirect Participant to make any payments or give any notice to a Beneficial Owner with respect to the Bonds or any error or delay relating thereto.

None of CHE Trinity Inc., the Credit Group, the Issuers or the Bond Trustees will have any responsibility or obligation to Direct Participants, to Indirect Participants or to any Beneficial Owner with respect to (i) the accuracy of any records maintained by DTC, any Direct Participant, or any Indirect Participant; (ii) the payment by DTC or any Direct Participant or Indirect Participant of any amount with respect to the principal of or premium, if any, or interest on the Bonds; (iii) any notice that is permitted or required to be given to Holders under the Bond Indentures; (iv) the selection by DTC, any Direct Participant or any Indirect Participant of any person to receive payment in the event of a partial redemption of the Bonds; (v) any consent given or other action taken by DTC as Bondholder; or (vi) any other procedures or obligations of DTC, Direct Participants or Indirect Participants under the book-entry system.

