NOT A NEW ISSUE -- Book-Entry Only

Ratings:
(See "RATINGS" herein)

Subject to compliance by the Illinois Finance Authority and the Borrower with certain covenants, in the opinion of Chapman and Cutler LLP, Bond Counsel, under present law, interest on the Series 2008A Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Interest on the Series 2008A Bonds is not exempt from present Illinois income taxes. See "TAX MATTERS" herein for a more detailed discussion of some of the tax consequences of owning the Series 2008A Bonds.

EDWARD HOSPITAL & HEALTH SERVICES

$86,100,000
ILLINOIS FINANCE AUTHORITY
Revenue Bonds, Series 2008A
(Edward Hospital Obligated Group)

Original Issue Date: March 7, 2007
Conversion Date: April 9, 2008

Due: February 1, as set forth below

This Reoffering Circular supplements the Official Statement dated February 16, 2007 (the "Original Official Statement"), authorized in connection with the sale of the Illinois Finance Authority Revenue Bonds, Series 2007A-1 and A-2 (Edward Hospital Obligated Group) Auction Rate Securities (ARS) (collectively, the "Series 2007A Bonds"). The Series 2007A Bonds originally were issued by the Illinois Finance Authority (the "Authority") on March 7, 2007 pursuant to a Trust Indenture dated as of March 1, 2007 (the "Original Bond Indenture"), between the Authority and Deutsche Bank National Trust Company, a national banking association (the "Bond Trustee"). The Original Bond Indenture will be supplemented and amended pursuant to the terms of a First Supplemental Trust Indenture dated as of March 1, 2008 (the "First Supplemental Bond Indenture" and, together with the Original Bond Indenture, the "Bond Indenture"), between the Authority and the Bond Trustee.

The Series 2007A Bonds originally were issued as Auction Rate Securities (ARS). Pursuant to the provisions of the Original Bond Indenture, the Borrower has provided notice of its intention to exercise the option to convert the Interest Rate Period for the Series 2007A Bonds from an ARS Interest Rate Period to a Long Term Interest Rate Period. On April 9, 2008 (the "Conversion Date"), the Series 2007A Bonds will convert to operate in the Long Term Interest Rate Period, and thereafter shall be designated as "Illinois Finance Authority Revenue Bonds, Series 2008A (Edward Hospital Obligated Group) (the "Series 2008A Bonds"). On the Conversion Date, the Series 2008A Bonds will bear interest at the rates set forth in the table below, and shall be payable semiannually each February 1 and August 1, commencing August 1, 2008, as further described herein. The Series 2008A Bonds will be reoffered by Citigroup Global Markets Inc. (the "Reoffering Agent"). The Series 2008A Bonds are being reoffered as fully registered bonds without coupons in denominations of $5,000 and integral multiples thereof. The Series 2008A Bonds were issued in fully registered form in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), under the Book-Entry Only System (as defined herein) maintained by DTC. So long as DTC or its nominee, Cede & Co., is the registered owner of the Series 2008A Bonds, such payments will be made directly to DTC or such nominee.

The Series 2008A Bonds are payable solely from and secured by a pledge of payments to be made under the Loan Agreement dated as of March 1, 2007 (the "Original Loan Agreement"), between the Authority and Edward Hospital (the "Corporation" or the "Borrower") and the payments to be made by the Obligated Group (as defined herein) on the Obligation (the "Series 2008A Obligation") issued by the Corporation, as Obligated Group Agent under an Amended and Restated Master Trust Indenture dated as of September 1, 1997, as heretofore supplemented and amended (the "Original Master Indenture"), among the Members of the Obligated Group and The Bank of New York Trust Company, N.A., as successor master trustee (the "Master Trustee"), as further supplemented and amended by a Ninth Supplemental Master Trust Indenture dated as of March 1, 2008 (the "Ninth Supplement" and, together with the Original Master Indenture, the "Master Indenture"), as well as certain funds established under the related Bond Indenture. The Original Loan Agreement will be supplemented and amended pursuant to the terms of a First Supplemental Loan Agreement dated as of March 1, 2008 (the "First Supplement" and, together with the Original Loan Agreement, the "Loan Agreement"), between the Authority and the Borrower.

The scheduled payment of principal of and interest on the Series 2008A Bonds when due is guaranteed under a financial guaranty insurance policy (the "Bond Insurance Policy") that was issued concurrently with the original issuance and delivery of the Series 2007A Bonds by Ambac Assurance Corporation (the "Bond Insurer") and is expected to be endorsed by the Bond Insurer to reflect the conversion of the Series 2007A Bonds and the reoffering thereof as Series 2008A Bonds.

Ambac

The Series 2008A Bonds are subject to mandatory, extraordinary and optional redemption prior to maturity as more fully described in this Reoffering Circular.

MATURITIES, AMOUNTS, INTEREST RATES, PRICES OR YIELDS AND CUSIPS

Maturity (February 1)	Principal Amount	Interest Rate	Yield*	CUSIP
2021	$1,525,000	6.00%	4.950%	45200 FEX3
2022	2,650,000	6.00	5.060	45200 FEY1
2023	2,725,000	6.00	5.160	45200 FEZ8
2024	2,675.000	6.00	5.270	45200 FFA2
2025	2,925,000	6.00	5.360	45200 FFB0
2026	2,875,000	6.00	5.440	45200 FFC8

$6,150,000 6.00% Term Bonds Due: February 1, 2028, Price 103.742% to Yield 5.500%* CUSIP 45200 FFD6
$8,450,000 6.25% Term Bonds Due: February 1, 2033, Price 104.615% to Yield 5.630%* CUSIP 45200 FFE4
$56,125,000 5.50% Term Bonds Due: February 1, 2040, Price 96.642% to Yield 5.730% CUSIP 45200 FFF1

* Yield to call

THE SERIES 2008A BONDS AND THE INTEREST THEREON DO NOT CONSTITUTE AN INDEBTEDNESS OR AN OBLIGATION, GENERAL OR MORAL, OR A PLEDGE OF THE FULL FAITH OR A LOAN OF CREDIT OF THE AUTHORITY, THE STATE OF ILLINOIS OR ANY POLITICAL SUBDIVISION THEREOF, WITHIN THE PURVIEW OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION OR PROVISION. THE AUTHORITY IS OBLIGATED TO PAY THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE SERIES 2008A BONDS AND OTHER COSTS INCIDENTAL THERETO ONLY FROM THE SOURCES SPECIFIED IN THE BOND INDENTURE. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWERS, IF ANY, OF THE AUTHORITY OR THE STATE OF ILLINOIS OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE SERIES 2008A BONDS OR OTHER COSTS INCIDENTAL THERETO, EXCEPT AS OTHERWISE PROVIDED IN THE BOND INDENTURE. NO OWNER OF ANY SERIES 2008A BOND SHALL HAVE THE RIGHT TO COMPEL THE TAXING POWER, IF ANY, OF THE AUTHORITY, THE STATE OF ILLINOIS OR ANY POLITICAL SUBDIVISION THEREOF TO PAY THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2008A BONDS. THE AUTHORITY DOES NOT HAVE THE POWER TO LEVY TAXES FOR ANY PURPOSES WHATSOEVER.

This cover page contains certain information for ease of reference only. It does not constitute a summary of the Series 2008A Bonds or the security therefor. Potential investors must read this entire Reoffering Circular, including the Appendices, to obtain information essential to making an informed investment decision.

On the Conversion Date, a legal opinion will be delivered with respect to the tax status of the Series 2008A Bonds by Chapman and Cutler LLP, Chicago, Illinois, Bond Counsel. Certain legal matters will be passed upon for the Authority by its counsel, Burke Burns & Pinelli, Ltd., for the Members of the Obligated Group by their special counsel, McDermott Will & Emery LLP, Chicago, Illinois, and for the Reoffering Agent by its counsel, Sonnenschein Nath & Rosenthal LLP, Chicago, Illinois.

CITI

The date of this Reoffering Circular is April 2, 2008

The Series 2008A Bonds are exempt from registration under both the Securities Act of 1933, as amended, and the securities laws of Illinois. No dealer, broker, salesperson or other person has been authorized by the Authority, the Obligated Group, the Bond Insurer (as defined herein) or the Reoffering Agent to give any information or to make any representations other than as contained herein, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Reoffering Circular does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the Series 2008A Bonds reoffered hereby, nor shall there be any reoffering of the Series 2008A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

All information contained in this Reoffering Circular has been furnished by the Members of the Obligated Group, DTC, the Bond Insurer and other sources that are believed to be reliable and is not to be construed as a representation of the Reoffering Agent. The information set forth herein is subject to change without notice after the date of this Reoffering Circular and no sale made hereunder shall, under any circumstances, create any implication that there has been no change in the information or opinions stated herein or in the affairs of the Members of the Obligated Group, DTC or the Bond Insurer since the date of this Reoffering Circular.

The Reoffering Agent has provided the following sentence for inclusion in this Reoffering Circular: The Reoffering Agent has reviewed the information in this Reoffering Circular in accordance with, and as part of, its responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Reoffering Agent does not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THIS REOFFERING, THE REOFFERING AGENT MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2008A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE SERIES 2008A BONDS AND THE SERIES 2008A OBLIGATIONS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED. IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE MEMBERS OF THE OBLIGATED GROUP AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The CUSIP number(s) are included in this Reoffering Circular for the convenience of the Holders and potential Holders of the Series 2008A Bonds. No assurance can be given that the CUSIP number for Series 2008A Bonds will remain the same after the date of issuance and delivery of the Series 2008A Bonds.

Forward-Looking Statements

This Reoffering Circular contains disclosures which contain "forward-looking statements." Forward-looking statements include all statements that do not relate solely to historical or current fact, and can be identified by use of words like "may," "believe," "will," "expect," "project," "estimate," "anticipate," "plan," or "continue." These forward-looking statements are based on the current plans and expectations of the Obligated Group and are subject to a number of known and unknown uncertainties and risks inherent in the operation of health care facilities, many of which are beyond the Obligated Group's control, that could significantly affect current plans and expectations and the Obligated Group's future financial position and results of operations. These factors include, but are not limited to, (i) the highly competitive nature of the health care business, (ii) the efforts of insurers, health care providers and others to contain health care costs, (iii) possible changes in the Medicare and Medicaid programs that may impact reimbursements to health care providers and insurers, (iv) changes in federal, state or local regulations affecting the health care industry, (v) the possible enactment of federal or state health care reform, (vi) the ability to attract and retain qualified management and other personnel, including affiliated physicians, nurses and medical support personnel, (vii) liabilities and other claims asserted against the Obligated Group, (viii) changes in accounting standards and practices, (ix) changes in general economic conditions, (x) future divestitures or acquisitions which may result in additional charges, (xi) changes in revenue mix and the ability to enter into and renew managed care provider arrangements on acceptable terms, (xii) the availability and terms of capital to fund future expansion plans of the Obligated Group and to provide for ongoing capital expenditure needs, (xiii) changes in business strategy or development plans, (xiv) delays in receiving payments, as has been the case in Illinois as a result of state budget constraints, (xv) the ability to implement shared services and other initiatives and realize decreases in administrative, supply and infrastructure costs, (xvi) the outcome of pending and any future litigation, (xvii) the Obligated Group's continuing efforts to monitor, maintain and comply with appropriate laws, regulations, policies and procedures relating to the status of the Members of the Obligated Group as tax-exempt organizations as well as their ability to comply with the requirement of Medicare and Medicaid programs, (xviii) the ability to achieve expected levels of patient volumes and control the costs of providing services, (xix) results of reviews of cost reports, and (xx) the Obligated Group's ability to comply with recently enacted legislation and/or regulations such as HIPAA. As a consequence, current plans, anticipated actions and future financial position and results of operations may differ from those expressed in any forward-looking statements made by or on behalf of the Obligated Group. Investors are cautioned not to unduly rely on such forward-looking statements when evaluating the information presented in this Reoffering Circular, including ***APPENDICES A, B*** and ***C***.

Information provided by the Obligated Group for interim reporting periods should not be taken as being indicative of full year results for many of the reasons set forth above.

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REOFFERING CIRCULAR

relating to

$86,100,000
Illinois Finance Authority
Revenue Bonds, Series 2008A
(Edward Hospital Obligated Group)

INTRODUCTION

The description and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each document. See ***APPENDICES D*** *and* ***E*** *hereto for definitions of certain words and terms used but not otherwise defined herein.*

Purpose of this Reoffering Circular

This Reoffering Circular supplements the Official Statement dated February 16, 2007 (the "Original Official Statement"), authorized in connection with the sale of the Illinois Finance Authority Revenue Bonds, Series 2007A-1 and A-2 (Edward Hospital Obligated Group) Auction Rate Securities (ARS) (collectively, the "Series 2007A Bonds"). The Series 2007A Bonds originally were issued by the Illinois Finance Authority (the "Authority") on March 7, 2007 pursuant to a Trust Indenture dated as of March 1, 2007 (the "Original Bond Indenture"), between the Authority and Deutsche Bank National Trust Company, a national banking association (the "Bond Trustee"). The Original Bond Indenture will be supplemented and amended pursuant to the terms of a First Supplemental Trust Indenture dated as of March 1, 2008 (the "First Supplemental Bond Indenture" and together with the Original Bond Indenture, the "Bond Indenture"), between the Authority and the Bond Trustee.

The Series 2007A Bonds originally were issued as Auction Rate Securities (ARS). Pursuant to the provisions of the Original Bond Indenture, the Borrower has provided notice of its intention to exercise the option to convert the Interest Rate Period for the Series 2007A Bonds from an ARS Interest Rate Period to a Long Term Interest Rate Period. On April 9, 2008 (the "Conversion Date"), the Series 2007A Bonds will convert to operate in the Long Term Interest Rate Period, and thereafter shall be designated as "Illinois Finance Authority Revenue Bonds, Series 2008A (Edward Hospital Obligated Group) (the "Series 2008A Bonds"). On the Conversion Date, the Series 2008A Bonds will bear interest at the rates set forth on the cover page, and shall be payable semiannually each February 1 and August 1, commencing August 1, 2008, as further described herein. The Series 2008A Bonds are being reoffered in fully registered form in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), and beneficial interests in the book-entry bonds will be made available in Authorized Denominations to ultimate purchasers under the hereinafter defined Book-Entry Only System maintained by DTC.

The Obligated Group

The Corporation, Edward Health Ventures, an Illinois not-for-profit corporation ("Ventures"), Edward Health and Fitness Center, an Illinois not-for-profit corporation ("Fitness"), Edward Health Services Corporation, an Illinois not-for-profit corporation ("EHSC"), and Naperville Psychiatric Ventures d/b/a Linden Oaks Hospital, an Illinois general partnership ("Linden Oaks"), are currently the only Members of the Obligated Group as such term is used in the Amended and Restated Master Trust Indenture dated as of September 1, 1997, as heretofore supplemented and amended (the "Original Master Indenture"). The Original Master Indenture, as hereafter amended and supplemented from time to time, including by a Ninth Supplemental Master Trust Indenture dated as of March 1, 2008 (the "Ninth Supplement"), among

the Corporation, Linden Oaks, Ventures, Fitness, EHSC and The Bank of New York Trust Company, N.A., as successor master trustee (the "Master Trustee"), is referred to as the "Master Indenture." EHSC, the Corporation, Fitness, Linden Oaks and Ventures are collectively referred to as the "Obligated Group" or as the "Members of the Obligated Group."

The Corporation, which was organized in 1984, operates Edward Hospital, a 317-bed acute care facility located in Naperville, Illinois (the "Hospital"), which is approximately 25 miles southwest of downtown Chicago. The Corporation took over possession and operation of the Hospital in 1984 from The Edward Hospital District, DuPage County, Illinois (the "District"), a municipal corporation and political subdivision of the State of Illinois (the "State"). The Hospital and the land on which the Hospital and certain adjacent facilities operated by affiliates of the Corporation, including Ventures, Fitness and Linden Oaks (the "Hospital Campus") are located, were previously leased by the Corporation for a nominal rent from the District pursuant to a long-term lease (the "Lease"). Effective November 1, 2000, the District was dissolved resulting in the termination of the Lease. Effective November 1, 2000, the Corporation became the fee simple owner of the land, the Hospital and the other facilities located thereon. For information concerning the dissolution of the District, the termination of the Lease and certain deed restrictions, see "BONDHOLDERS' RISKS — Dissolution of the District and Termination of the Lease" and "***APPENDIX A*** – DESCRIPTION OF THE MEMBERS OF THE OBLIGATED GROUP - History of the Corporation."

Linden Oaks owns and operates Linden Oaks Hospital, a 110-bed acute care psychiatric hospital located on the Hospital Campus in Naperville, Illinois. See "***APPENDIX A*** - "DESCRIPTION OF THE MEMBERS OF THE OBLIGATED GROUP -- Naperville Psychiatric Ventures" for additional information on Linden Oaks.

EHSC, established in April 1987, is the parent corporation and sole corporate member of the Corporation, Ventures and another corporate entity (EHSC and its affiliates, including the Members of the Obligated Group, are collectively referred to herein as the "EHSC System"). Ventures, established in March 1986, participates in joint ventures and other activities intended to benefit the EHSC System. Ventures is a participant in certain health facilities and also owns and operates a medical office building located on the Hospital Campus and two offsite Medical Office buildings in Bolingbrook and South Naperville. Ventures is the sole corporate member of Fitness. Fitness owns the Edward Health & Fitness Center, which is located on the Hospital Campus, with a second site located in Woodridge, Illinois.

Other Persons may become Members of the Obligated Group in accordance with the procedures set forth in the Master Indenture; however, the Corporation, Linden Oaks, Ventures, Fitness and EHSC have no plans to add additional Members to the Obligated Group in the immediately foreseeable future. For further information concerning the Members of the Obligated Group, their history, facilities, services and operations (including certain statistical and financial information) and the corporate organization and financial performance of the Members of the Obligated Group, see ***APPENDICES A, B*** and ***C*** hereto. See ***APPENDIX A*** hereto for a more detailed description of the Members of the Obligated Group, their history, organization and financial performance. ***APPENDIX A*** also includes certain unaudited condensed consolidated financial information of EHSC. ***APPENDIX B*** hereto includes certain audited consolidated financial statements of EHSC. ***APPENDIX C*** hereto includes certain unaudited consolidated financial statements of EHSC. The audited consolidated financial statements include information regarding affiliates that are not Members of the Obligated Group.

Security

Except as described in this Reoffering Circular, (i) the Series 2008A Bonds are payable solely from and secured by a pledge of payments to be made under the Loan Agreement dated as of March 1, 2007 (the "Original Loan Agreement"), and the Edward Hospital Obligated Group Direct Note Obligation, Series

2008A (the "Series 2008A Obligation"), to be issued by the Corporation, as Obligated Group Agent under the Master Indenture in substitution for the Series 2007A Obligations (as defined in the Original Official Statement). The Original Loan Agreement will be supplemented and amended pursuant to the term of a First Supplemented Loan Agreement dated as of March 1, 2008 (the "First Supplement" and, together with the Original Loan Agreement, the "Loan Agreement"), between the Authority and the Borrower. The sources of payment of, and security for, the Series 2008A Bonds are more fully described in this Reoffering Circular. See "SECURITY FOR THE SERIES 2008A BONDS" herein.

The Bond Indenture permits the Bond Trustee to surrender the Series 2008A Obligation in exchange for one or more substitute obligations. See "SECURITY FOR THE SERIES 2008A BONDS - Release and Substitution of Series 2008A Obligation; Changes in Obligated Group Members" and "SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE AND LOAN AGREEMENT — The Bond Indenture -- Bond Trustee Authorized to Vote Obligations; Exercise of Remedies; Substitution of Obligations" in ***APPENDIX E*** hereto.

In addition to the foregoing, the Authority has pledged and assigned to the Bond Trustee under the Bond Indenture the payments to be received pursuant to the Loan Agreement, except its rights to indemnification and payment of fees and expenses and the rights to make determinations and to receive notices (the "Unassigned Rights"), the Series 2008A Obligation and all moneys and investments from time to time on deposit in the funds and accounts under the Bond Indenture.

Bond Insurer Covenants

As described in ***APPENDIX D*** – "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE — Summary of Certain Provisions of the Third Supplemental Master Indenture -- Deposit of Gross Receipts," the Members of the Obligated Group agreed that in order to induce Financial Security Assurance Inc., the bond insurer (the "2001 Bond Insurer") for the Illinois Health Facilities Authority Revenue Bonds, Series 2001A and Series 2001C (Edward Hospital Obligated Group) (collectively, the "Series 2001 Bonds"), to insure the Series 2001 Bonds, each Member of the Obligated Group would enter into certain covenants (the "Bond Insurer Covenants") for the benefit of the 2001 Bond Insurer and grant to the Master Trustee a security interest in each Member of the Obligated Group's Gross Receipts. The security interest in Gross Receipts secures all Obligations outstanding under the Master Indenture. Pursuant to the Third Supplemental Master Trust Indenture dated as of April 1, 2001 (the "Third Supplement"), the Members of the Obligated Group have covenanted that, if certain events of default under the Master Indenture have occurred and are continuing, the Members of the Obligated Group will deposit the proceeds of their Gross Receipts with the Master Trustee daily. Amounts so deposited will be applied to pay debt service on Obligations due or past due and thereafter may be applied by the Obligated Group for any valid purpose. Such agreement can only be enforced by the 2001 Bond Insurer and may be modified, amended or waived with the prior written consent of the 2001 Bond Insurer and without the consent of the Master Trustee, the trustee for the Series 2001 Bonds, the holder of any Series 2001 Obligations or any owner of any Series 2001 Bonds. Similar provisions were made for the benefit of the Bond Insurer, as hereinafter defined, pursuant to the Fifth Supplement in connection with the original issuance of the Series 2007A Bonds, which provisions will be included in the Ninth Supplement for the benefit of the Bond Insurer. Such provisions for the benefit of the Bond Insurer can only be enforced by the Bond Insurer and may be modified, amended or waived with the prior written consent of the Bond Insurer and without the consent of the Master Trustee, the Bond Trustee, the holder of any Series 2008A Obligation or any owners of any Series 2008A Bonds. Such covenants, including the security interest in Gross Receipts, will have no force and effect if the Bond Insurer has lost its rights under the Bond Indenture and the 2001 Bond Insurer has lost its rights under the related bond trust indentures. See "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Bond Insurer Covenants" in ***APPENDIX D*** hereto for a description of the Bond Insurer Covenants.

Potential purchasers of the Series 2008A Bonds should not consider either the security interest in Gross Receipts or the covenant to deposit the proceeds of Gross Receipts with the Master Trustee in making their investment decisions.

Bond Insurance

The scheduled payment of principal of and interest on the Series 2008A Bonds when due is guaranteed under a financial guaranty insurance policy (the "Bond Insurance Policy") which was issued concurrently with the original issuance of the Series 2007A Bonds by Ambac Assurance Corporation (the "Bond Insurer") and which is expected to be endorsed by the Bond Insurer to reflect the conversion of the Series 2007A Bonds and the reoffering thereof as Series 2008A Bonds. See "THE BOND INSURER AND THE BOND INSURANCE POLICY," "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE" in ***APPENDIX D*** hereto, and "BONDHOLDERS RISKS - The Bond Insurer."

Reoffering Agent

The Series 2008A Bonds will be reoffered by Citigroup Global Markets Inc. (the "Reoffering Agent").

The Series 2007 Project

A portion of the proceeds of the Series 2007A Bonds is being used to finance, refinance and reimburse the cost of the acquisition, construction, furnishing and equipping of the Series 2007 Project, which includes, but is not limited to, (i) the construction of a four-story addition to a building on the northwest portion of the Hospital's campus, adding ICU and Medical/Surgical beds and certain administrative and mechanical space; (ii) a two-floor addition to a parking deck on the Hospital's campus; (iii) the renovation of the Hospital's MRI area and the upgrade of certain MRI equipment; and (iv) the construction and equipping of routine capital expenditures at the Hospital. See "***APPENDIX A*** –CAPITAL PROJECTS, FUTURE PLANS AND STRATEGIES - The Series 2007 Projects" for a more detailed description of the improvements.

Other Indebtedness

The Obligated Group currently has $295,250,000 in principal amount of Indebtedness outstanding and secured by Obligations issued under the Master Indenture (not including swap obligations and bank obligations), which amount will be $295,910,000 upon completion of the plan of finance described under "PLAN OF FINANCE" herein. Additional Obligations may be issued in the future under the Master Indenture on a parity with the Series 2008A Obligation. The Members of the Obligated Group and any future Members of the Obligated Group are jointly and severally liable on any Obligations issued under the Master Indenture.

Bondholders' Risks

An investment in the Series 2008A Bonds involves a certain degree of risk related to the nature of the business of the Obligated Group, the regulatory environment, and the provisions of the principal documents. See "SECURITY FOR THE SERIES 2008A BONDS" and "BONDHOLDERS' RISKS" herein for a description of the security for the Series 2008A Bonds and for a discussion of certain risk factors which should be considered in connection with an investment in the Series 2008A Bonds.

Additional Information

This Reoffering Circular speaks only as of its date, and the information herein is subject to change, completion or amendment without notice. Brief descriptions of the Authority, the Bond Insurer, the

Obligated Group, the Series 2008A Bonds and certain other documents relating to the Series 2008A Bonds are included in this Reoffering Circular. Such information and descriptions do not purport to be comprehensive or definitive. All references herein to specified documents are qualified in their entirety by reference to each such document, copies of which are available from the Authority and the Reoffering Agent during the initial offering period and thereafter from the Bond Trustee, and all references to the Series 2008A Bonds are qualified in their entirety by reference to the definitive forms thereof and the information with respect thereto included in the aforesaid documents. See ***APPENDIX D*** – "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE" and ***APPENDIX E*** **–** SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE AND LOAN AGREEMENT" hereto.

The foregoing Introduction contains only a brief summary of certain information contained in this Reoffering Circular. It is not intended to be complete and is qualified by the more detailed information contained elsewhere in this Reoffering Circular.

PLAN OF FINANCE

General

The Series 2007A Bonds are being converted primarily because of the disruption in the auction bond market. Further, the market for insured variable rate bonds has also come under stress, and interest rates on these bonds have increased over the average rates in recent years. The Obligated Group has insured variable rate Indebtedness outstanding which is subject to refunding, as discussed below. See "BONDHOLDERS RISKS - Risks Related to Variable Rate Indebtedness" herein and ***APPENDIX A***.

Following the reoffering of the Series 2008A Bonds, it is expected that the Authority will issue $56,600,000 in aggregate principal amount of its Variable Rate Demand Revenue Refunding Bonds, Series 2008B-1 (Edward Hospital Obligated Group) (the "Series 2008B-1 Bonds"), $56,600,000 in aggregate principal amount of its Variable Rate Demand Revenue Refunding Bonds, Series 2008B-2 (Edward Hospital Obligated Group) (the "Series 2008B-2 Bonds" and, together with the Series 2008B-1 Bonds, the "Series 2008B Bonds") and $13,020,000 in aggregate principal amount of its Variable Rate Demand Revenue Refunding Bonds, Series 2008C (Edward Hospital Obligated Group) (the "Series 2008C Bonds" and, together with the Series 2008B Bonds, the "Series 2008BC Bonds"). It is anticipated that the Series 2008BC Bonds will be offered in the Weekly Interest Rate Period, and credit facilities are expected to be provided by one or more banks to provide credit and liquidity support for the Series 2008BC Bonds. The proceeds from the Series 2008BC Bonds will be sufficient to redeem all the outstanding Illinois Finance Authority Revenue Bonds, Series 2007B-1, B-2 and C (Edward Hospital Obligated Group) (collectively, the "Refunded Bonds"). The Series 2008BC Bonds are being offered pursuant to a separate Official Statement.

Amounts owed by the Obligated Group with respect to the Series 2008BC Bonds and with respect to the credit facilities will be secured by Obligations (the "Series 2008B-1 Obligations," the "Series 2008B-2 Obligations," the "Series 2008C Obligations" and the "Bank Obligation," respectively) issued under the Master Indenture on a parity basis with the Series 2008A Obligation, the hereafter defined Letter of Credit Obligation and the Outstanding Obligations.

The Refunding

The proceeds from the sale of the Series 2008BC Bonds will be used to refund all of the outstanding principal amount of the Refunded Bonds on or about April 30, 2008.

THE SERIES 2008A BONDS

The Series 2007A Bonds were issued initially as Auction Rate Securities and are being reoffered in a Long Term Interest Rate Period. Reference is made to the Series 2008A Bonds and the Bond Indenture for a more detailed description of such provisions. The discussion herein is qualified by such reference. See ***APPENDIX E*** – "SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE AND LOAN AGREEMENT – Definitions of Certain Terms" for the definitions of certain terms relating to the Series 2008A Bonds. Any reference herein to the Series 2008A Bonds or to the Bond Indenture or other documents shall be deemed to mean the Series 2008A Bonds or such documents, unless the context or use clearly indicates otherwise.

General

The Series 2007A Bonds originally were issued as ARS. On the Conversion Date, the Series 2007A Bonds will convert to operate in the Long Term Interest Rate Period. The Series 2008A Bonds will be dated the Conversion Date and will mature on February 1 of the years set forth on the cover page (as applicable, the "Maturity Date"). The Long Term Interest Rates for the Series 2008A Bonds shall be determined by the Reoffering Agent prior to the Conversion Date. The Series 2008A Bonds will be reoffered in Authorized Denominations of $5,000 or any integral multiple thereof.

The interest on the Series 2008A Bonds will be payable semiannually each February 1 and August 1 (commencing August 1, 2008), or if any February 1 or August 1 is not a Business Day, the next succeeding Business Day, any redemption date and on the Maturity Date. The Series 2008A Bonds will be reoffered as fully registered bonds, without coupons, and will be registered initially in the name of Cede & Co., as nominee of DTC. While the Series 2008A Bonds are registered in the name of Cede & Co., payment of the principal of and interest on the Series 2008A Bonds will be made by wire transfer to the account of Cede & Co. at DTC. In the event the Series 2008A Bonds are no longer book-entry bonds, such amounts shall be paid by the Bond Trustee on the applicable Payment Dates by wire transfer of immediately available funds to the respective Holders thereof on the applicable Record Date to an account specified by the Holder thereof in a writing delivered to the Bond Trustee. The Record Date for the Series 2008A Bonds will be the fifteenth day immediately preceding each Interest Payment Date.

Long Term Interest Rate. The Series 2008A Bonds will bear interest at the interest rates set forth on the cover page of this Reoffering Circular. Interest on Series 2008A Bonds will be computed on the basis of a 360 day year based on twelve 30 day months.

Transfer and Exchange. In the event the book-entry-only system is discontinued, the following provisions will apply. Upon surrender of a Series 2008A Bond or Series 2008A Bonds at the principal corporate trust office of the Bond Trustee, as bond registrar, together with an assignment duly executed by the Bondholder or his attorney or legal representative in such form and with such guaranty of signature as shall be satisfactory to the Bond Trustee, a Series 2008A Bond or the Series 2008A Bonds may be exchanged for a fully registered Series 2008A Bond or Series 2008A Bonds of the same Series, aggregating in amount the then unpaid principal amount of the Series 2008A Bond or Series 2008A Bonds surrendered, and in Authorized Denominations. Any Series 2008A Bonds may be registered as transferred upon the books kept for the registration and transfer of Series 2008A Bonds only upon surrender thereof to the Bond Trustee, as bond registrar, together with an assignment duly executed by the Bondholder or his attorney or legal representative in such form and with such guaranty of signature as shall be satisfactory to the Bond Trustee. Such registrations of transfers or exchanges of Series 2008A Bonds shall be without charge to the Bondholders, except that any taxes or other governmental charges required to be paid with respect to the same shall be paid by the Bondholder requesting such registration of transfer or exchange as a condition precedent to the exercise of such privilege. Any service charge made by the Bond Trustee for any such registration of transfer or exchange shall be paid by the Borrower. For a description of the registration of

transfer procedures while the Series 2008A Bonds are in the book-entry only system, see the information herein under the caption "BOOK-ENTRY ONLY SYSTEM."

Redemption

Optional Redemption. If there is no continuing Event of Default under the terms of the Bond Indenture, the Series 2008A Bonds shall be subject to optional redemption prior to maturity on or after February 1, 2018, at the option of the Authority, upon direction of the Obligated Group Agent, in Authorized Denominations, out of amounts prepaid on the Series 2008A Obligation, in whole or in part at any time, and if in part, in the manner set forth below under the caption "Selection of Series 2008A Bonds for Redemption" at the principal amount of the Series 2008A Bonds to be redeemed plus accrued interest thereon to the date of redemption, and without premium.

Extraordinary Optional Redemption. The Series 2008A Bonds are subject to redemption prior to maturity, in whole or in part, at any time, in Authorized Denominations by the Authority, at the written direction of the Obligated Group Agent, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the redemption date, in the event of damage to or destruction of the Facilities or any part thereof of any Member of the Obligated Group or condemnation or sale consummated under threat of condemnation of the Facilities or any part thereof of any Member of the Obligated Group, if the net proceeds of insurance, condemnation or sale received in connection therewith and applied to make prepayments on the applicable Series 2008A Obligation exceed the greater of (a) $1,000,000 and (b) the sum of $1,000,000, plus an amount equal to $1,000,000 multiplied by a percentage equal to the aggregate percentage increase or decrease in the Construction Index from its level as of December 1, 1989, but only to the extent of such net proceeds. In the event of a partial redemption, the selection of the Series 2008A Bonds to be redeemed shall be subject to the approval of the Bond Insurer.

Payment of the principal of and interest on the Series 2008A Bonds upon any redemption of such Series 2008A Bonds described above under "Optional Redemption" or "Extraordinary Optional Redemption" will not be insured by the Bond Insurance Policy. See "THE BOND INSURER AND THE BOND INSURANCE POLICY" herein.

Mandatory Sinking Fund Redemption. The following requirements of mandatory sinking fund redemption are subject to the provision that any partial redemption of Series 2008A Bonds as described under the captions "Optional Redemption" or "Extraordinary Optional Redemption" above shall reduce the mandatory scheduled redemption requirements as provided in the Bond Indenture.

The Series 2008A Bonds maturing on February 1, 2028 are subject to mandatory sinking fund redemption prior to maturity in the following amounts on the following dates, at the principal amount specified below plus accrued interest to the date fixed for redemption, without premium.

Series 2008A Bonds Maturing February 1, 2028

Redemption Dates (February 1)	Redemption Amounts
2027	$3,075,000
2028*	3,075,000

* Final Maturity

The Series 2008A Bonds maturing on February 1, 2033 are subject to mandatory sinking fund redemption prior to maturity in the following amounts on the following dates, at the principal amount specified below plus accrued interest to the date fixed for redemption, without premium.

Series 2008A Bonds Maturing February 1, 2033

Redemption Dates (February 1)	Redemption Amounts
2029	$975,000
2030	1,875,000
2031	1,800,000
2032	1,925,000
2033*	1,875,000

* Final Maturity

The Series 2008A Bonds maturing on February 1, 2040 are subject to mandatory sinking fund redemption prior to maturity in the following amounts on the following dates, at the principal amount specified below plus accrued interest to the date fixed for redemption, without premium.

Series 2008A Bonds Maturing February 1, 2040

Redemption Dates (February 1)	Redemption Amounts
2034	$2,025,000
2035	8,150,000
2036	8,550,000
2037	8,850,000
2038	9,125,000
2039	9,525,000
2040*	9,900,000

* Final Maturity

The Bond Trustee will determine the principal amount of Series 2008A Bonds that must be redeemed on such mandatory sinking fund redemption date after taking into account optional redemptions and extraordinary optional redemptions of Series 2008A Bonds. The mandatory sinking fund redemption requirement for any year as stated above for the Series 2008A Bonds shall also be reduced by the principal amounts of any Series 2008A Bonds that are purchased and delivered or tendered to such Bond Trustee for cancellation by the 45th day next preceding the mandatory sinking fund redemption date.

Selection of Series 2008A Bonds for Redemption. In the case of any redemption in part of the Series 2008A Bonds, the Series 2008A Bonds to be redeemed will be redeemed in Authorized Denominations and will be selected by the Bond Trustee in such manner as the Bond Trustee in its discretion may fair and appropriate, consistent with the requirements of the Series 2008A Bond Indenture.

Notice of Redemption. Notice of redemption will be sent by the Bond Trustee by mail, postage prepaid, not less than 30 days (or, in the case of acceleration of the Series 2008A Bonds following an Event of Default under the Series 2008A Bond Indenture (see ***APPENDIX E*** – "SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE AND LOAN AGREEMENT – The Bond Indenture -- Defaults and Remedies"), not less than seven days) nor more than 60 days prior to the redemption date, to the Holders of the Series 2008A Bonds to be redeemed at their addresses shown on the registration books kept by the Bond Trustee; provided, however, that, failure to give such notice to any Bondholder or any defect in such notice shall not effect the validity of the proceedings for the redemption of any of the other Series 2008A Bonds to be redeemed. The Bond Trustee shall send a second notice of redemption by

certified mail return receipt requested to any registered Holder who has not submitted Series 2008A Bonds called for redemption 30 days after the redemption date; provided, however, that the failure to give any second notice by mailing, or any defect in such notice, shall not affect the validity of any proceedings for the redemption of any of the Series 2008A Bonds to be redeemed and the Bond Trustee shall not be liable for any failure to send any second notice.

Each notice will (i) specify the Series 2008A Bonds to be redeemed, the redemption date, the redemption price, and the place or places where amounts due upon such redemption will be payable (which will be the principal corporate trust office of the Bond Trustee) and, if less than all of the Series 2008A Bonds are to be redeemed, the numbers and portions of the Series 2008A Bonds to be redeemed, (ii) state any condition to the redemption and (iii) state that on the redemption date, and upon the satisfaction of any such condition, the Series 2008A Bonds redeemed will cease to bear interest. CUSIP number identification will accompany all redemption notices.

Purchase Option. The Authority has granted to the Obligated Group Agent or its designee the option to purchase, at any time and from time to time, any Series 2008A Bond which is subject to optional redemption at a purchase price equal to the redemption price therefor. On the date fixed for purchase pursuant to any exercise of such option, the Obligated Group Agent or its designee shall pay the purchase price of the Series 2008A Bonds then being purchased to the Bond Trustee in immediately available funds, who shall pay the same to the sellers of such Series 2008A Bonds against delivery thereof. Following such purchase, the Bond Trustee shall cause such Series 2008A Bonds to be registered in the name of the Obligated Group Agent or its designee and shall deliver them to the Obligated Group Agent or its designee. Neither the Authority nor the Obligated Group Agent shall enter into any agreement or consent to or participate in any arrangement pursuant to which Series 2008A Bonds are tendered (other than optional or mandatory tenders undertaken pursuant to the Bond Indenture) or purchased for any purpose other than the redemption and cancellation of such Series 2008A Bonds without the prior written consent of the Bond Insurer.

No purchase of Series 2008A Bonds as described in this provision shall operate to extinguish the indebtedness of the Authority evidenced thereby. If any Series 2008A Bonds purchased as described in this provision will not be cancelled in connection with such purchase, any such purchase shall be subject to the approval of the Bond Insurer.

SECURITY FOR THE SERIES 2008A BONDS

The Series 2008A Bonds are special limited obligations of the Authority payable solely from the revenues and other moneys received pursuant to the Loan Agreement and secured by (i) the Series 2008A Obligation assigned by the Authority to the Bond Trustee pursuant to the Bond Indenture; (ii) a pledge of the revenues and other moneys received and to be received under the Loan Agreement, except for Unassigned Rights; and (iii) the money and securities held by the Bond Trustee in certain of the funds and accounts under the Bond Indenture. The covenants and agreements in the Bond Indenture are for the equal and ratable benefit of all present and future Holders of the Series 2008A Bonds, without preference, priority or distinction of any such Series 2008A Bond over any other such Series 2008A Bond.

The Obligations and Absence of Collateral Security Therefor

Pursuant to the Master Indenture, the Corporation, as Obligated Group Agent, will issue to the Authority the Series 2008A Obligation to secure the Corporation's obligation to make loan repayments under the Loan Agreement. The Authority will assign all its right, title and interest in the Series 2008A Obligation to the Bond Trustee pursuant to the Bond Indenture. The Series 2008A Obligation and any other Obligations issued under the Master Indenture are and will be general, joint and several obligations of the Members of the Obligated Group and any future Members of the Obligated Group and, except as

described below, are not secured by any pledge of, mortgage on or security interest in any assets of the Members of the Obligated Group.

Bond Insurance; Bond Insurer Covenants

Scheduled payments of principal of and interest on the Series 2008A Bonds, when due, are guaranteed by the Bond Insurance Policy, as set forth in the form of Bond Insurance Policy included as ***APPENDIX G*** to this Reoffering Circular. It is anticipated that on the Conversion Date, the Bond Insurer will deliver an endorsement to the Bond Insurance Policy to reflect the conversion of the Series 2007A Bonds and the reoffering thereof as Series 2008A Bonds. See the information contained herein under the caption "THE BOND INSURER AND THE BOND INSURANCE POLICY."

The Fifth Supplement and the Ninth Supplement following the Conversion Date for the Series 2007A Bonds, contain the Bond Insurer Covenants, which may only be enforced by the Bond Insurer and may be modified, amended or waived at any time with the prior written consent of the Bond Insurer and the Members of the Obligated Group and without the consent of the Master Trustee, the Bond Trustee, the Holders of the Series 2008A Obligation or any other Obligation or any Holder of the Series 2008A Bonds. Bondholders should not rely on the Bond Insurer Covenants made for the benefit of the Bond Insurer. See "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE" in ***APPENDIX D*** hereto, for a description of the Bond Insurer Covenants.

The Bond Insurer shall be deemed to be the exclusive Holder of the Series 2008A Bonds insured by it and the related Series 2008A Obligation for the purpose of (i) execution and delivery of any amendments to the Bond Indenture, the Loan Agreement, the Master Indenture or the Series 2008A Obligation, or (ii) the direction or right to consent to an action or remedy to be undertaken by the Authority, the Master Trustee or the Bond Trustee at the request of the Holders of the Series 2008A Bonds or the Series 2008A Obligation. So long as the Bond Insurance Policy is in full force and effect, the Bond Insurer is not in default of its payment obligations under the Bond Insurance Policy and the Bond Insurer consents to the foregoing amendments, the consent of the Bondholders shall not be required under the Bond Indenture.

Debt Service Reserve Fund

As additional security for the Series 2008A Bonds, the First Supplemental Bond Indenture establishes a Debt Service Reserve Fund. Upon reoffering of the Series 2008A Bonds, there will be deposited into the Debt Service Reserve Fund, a Letter of Credit (the "DSR Letter of Credit") issued by JP Morgan Chase Bank, N.A. (the "Letter of Credit Bank") in a stated amount equal to the Debt Service Reserve Fund Requirement (defined in the First Supplemental Bond Indenture as an amount equal to approximately $7,000,000, subject to certain reductions, as set forth in the First Supplemental Bond Indenture). The DSR Letter of Credit will be drawn upon to make up any deficiencies in the Bond Fund. To secure its obligation to repay the Letter of Credit Bank for any amounts drawn on the DSR Letter of Credit, the Corporation will deliver an Obligation (the "Letter of Credit Obligation") to the Letter of Credit Bank. The DSR Letter of Credit is for an initial term of five years. If sooner terminated or not extended, the Corporation will need to provide another source of funds to satisfy the Debt Service Reserve Fund Requirement. See "SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE AND LOAN AGREEMENT - Bond Indenture -- Debt Service Reserve Fund and The Loan Agreement- Restoration of Debt Service Reserve Fund" in ***APPENDIX E*** hereto.

The Master Indenture

The Series 2008A Obligation and the Letter of Credit Obligation will be secured on a parity with the Outstanding Obligations and any Additional Obligations that may hereafter be issued under and in accordance with the terms of the Master Indenture, provided that any such Additional Obligations may be

secured by collateral in addition to that generally provided for all Obligations, to the extent permitted by the Master Indenture. Upon the reoffering of the Series 2008A Bonds, the issuance of the Series 2008BC Bonds and the refunding of the Refunded Bonds, Obligations (excluding swap obligations and bank obligations) will be outstanding under the Master Indenture in the aggregate principal amount of $295,910,000. See, however, the audited consolidated financial statements of EHSC in ***APPENDIX B*** hereto and ***APPENDIX A*** hereto under the caption "INDEBTEDNESS OF THE OBLIGATED GROUP" for a description of other indebtedness of the Obligated Group not secured by the Master Indenture.

Payments on the Obligations will be the joint and several obligations of each Member of the Obligated Group and any future Members of the Obligated Group. Notwithstanding uncertainties as to the enforceability of the covenant of each Member of the Obligated Group in the Master Indenture to be jointly and severally liable for each Obligation (as described herein under "BONDHOLDERS' RISKS - Matters Relating to Enforceability of the Master Indenture"), the accounts of the Members of the Obligated Group will be combined in determining whether various covenants and tests contained in the Master Indenture are met.

Except as described in the next two sentences, the Series 2008A Obligation is an unsecured general obligation of the Members of the Obligated Group and is not secured by a pledge, grant or mortgage of any real property or other specific assets or revenues of any Member of the Obligated Group. As described in ***APPENDIX D*** – "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - The Third Supplemental Master Indenture -- Deposit of Gross Receipts," the Members of the Obligated Group agreed in order to induce the 2001 Bond Insurer to insure the Series 2001 Bonds, that each Member of the Obligated Group would enter into certain covenants for the benefit of the 2001 Bond Insurer and grant to the Master Trustee a security interest in its Gross Receipts. The security interest in Gross Receipts secures all Obligations outstanding under the Master Indenture. Pursuant to the Third Supplement, the Members of the Obligated Group have covenanted that, upon the occurrence of certain events of default under the Master Indenture, the Members of the Obligated Group will deposit the proceeds of their Gross Receipts with the Master Trustee daily. Similar provisions were made for the benefit of the Bond Insurer pursuant to the Fifth Supplement in connection with the original issuance of the Series 2007A Bonds, which provisions will be included in the Ninth Supplement for the benefit of the Bond Insurer. Such provisions can only be enforced by the Bond Insurer and may be modified, amended or waived with the prior written consent of the Bond Insurer and without the consent of the Master Trustee, the Bond Trustee, the Holder of the Series 2008A Obligation or any Holder of the Series 2008A Bonds. Such covenants, including the security in Gross Receipts, will have no force and effect if the Bond Insurer has lost its rights under the Bond Indenture and if the 2001 Bond Insurer has lost its rights under the bond trust indentures pursuant to which the Series 2001 Bonds were issued. See "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Bond Insurer Covenants" in ***APPENDIX D*** hereto for a description of the Bond Insurer Covenants.

Potential purchasers of the Series 2008A Bonds should not consider either the security interest in Gross Receipts or the covenant to deposit the proceeds of Gross Receipts with the Master Trustee in making their investment decisions.

The Master Indenture permits the Members of the Obligated Group to (i) issue secured or unsecured Additional Obligations, (ii) incur other secured or unsecured Indebtedness, (iii) enter into guaranties or (iv) sell, lease or otherwise dispose of Property, all upon the terms and conditions specified therein. See "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Permitted Additional Indebtedness" and "-- Sale, Lease or Other Disposition of Property" in ***APPENDIX D*** hereto. Pursuant to the terms of the Master Indenture, the Members of the Obligated Group covenant that they will not create or permit Liens on their Property (which does not include certain property defined as "Excluded Property" in the Master Indenture) other than Permitted Encumbrances. See "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Liens on Property" in ***APPENDIX D*** hereto.

In addition, certain material amendments to the Master Indenture may be made with the consent of the holders of not less than 51% of the principal amount of outstanding Obligations. Such amendments may adversely affect the security of the Series 2008A Bondholders.

Additional Indebtedness and Additional Obligations

The Master Indenture permits the Members of the Obligated Group to incur Additional Indebtedness upon the terms and subject to the conditions specified therein. Such Additional Indebtedness may, but need not, be evidenced or secured by an Additional Obligation issued under the Master Indenture. See the information under the captions "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Permitted Additional Indebtedness" in ***APPENDIX D*** hereto. Any such Additional Indebtedness may be issued to the Authority or to persons other than the Authority.

Subject to certain conditions set forth in the Master Indenture, Additional Indebtedness, including Additional Obligations, may be secured by security in addition to that provided for the Series 2008A Obligation, including Liens on the Property (including health care Facilities) of Members of the Obligated Group, letters or lines of credit, insurance or security interests in reserve or other funds, which additional security or Liens need not be extended to any other Obligation (including the Series 2008A Obligation). See the information under the caption "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Liens on Property" and "- Definitions of Certain Terms -- Permitted Encumbrances" in ***APPENDIX D*** hereto. The Master Indenture provides that a supplemental master indenture pursuant to which one or more series of Obligations entitled to additional security is issued may provide for such amendments to the provisions of the Master Indenture, including the provisions thereof relating to the exercise of remedies upon the occurrence of an event of default, as are necessary to provide such security and to permit realization upon such security solely for the benefit of the Obligations entitled thereto.

Loan Agreement

The Loan Agreement imposes certain restrictions on the actions of the Corporation for the benefit of the Authority and the owners of the Series 2008A Bonds. The Loan Agreement provides that the Corporation shall make payments to the Bond Trustee for deposit into the Bond Fund established under the Bond Indenture in amounts sufficient to pay when due the principal of, premium, if any, and interest on the Series 2008A Bonds. The Obligated Group's obligation to make payments on the Series 2008A Obligation will be satisfied to the extent that payments are made by the Corporation under the Loan Agreement, and the Corporation will receive similar credit under the Loan Agreement for payments made by the Obligated Group on the Series 2008A Obligation.

Release and Substitution of Series 2008A Obligation; Changes in Obligated Group Members

Under certain circumstances, the Series 2008A Obligation may be exchanged for the obligation of an entity or a group of entities of which the Corporation (but not necessarily the other Members of the Obligated Group) would be a part. Such entity or group of entities could be financially and operationally different than the current Obligated Group and could have substantial debt outstanding which would rank on a parity with the obligation substituted for the Series 2008A Obligation. The substitution of such obligation for the Series 2008A Obligation could adversely affect the market price of the Series 2008A Bonds.

For more information see "SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE AND LOAN AGREEMENT — The Bond Indenture -- Bond Trustee Authorized to Vote Master Indenture Obligations; Exercise of Remedies; Substitution of Series 2008A Obligation" in ***APPENDIX E*** hereto.

In addition, any person may become a Member of the Obligated Group or cease being such a Member in accordance with the provisions of the Master Indenture (see the information under the captions "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Entrance into the Obligated Group" and "- Cessation of Status as a Member of the Obligated Group" in ***APPENDIX D*** hereto), resulting in an Obligated Group which is financially and operationally different from the current Obligated Group.

Amendment of Bond Indenture, Loan Agreement and Series 2008A Obligation

The Bond Indenture permits the modification or amendment of the Bond Indenture and the Loan Agreement and the Series 2008A Obligation from time to time, in certain circumstances, without the consent of the Holders of the Series 2008A Bonds and in other circumstances with the consent of the Holders of a majority of the principal amount of the Series 2008A Bonds (but only with the consent of the Bond Insurer, unless the Bond Insurer has lost its rights under the Bond Insurance Policy). Such amendments could be substantial and could result in the modification, waiver or removal of material covenants and restrictions contained therein. Such amendments could adversely affect the security of the Series 2008A Bondholders. See ***APPENDIX E*** – "SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE AND LOAN AGREEMENT - The Bond Indenture -- Supplemental Indentures Requiring Consent of Bondholders", and "- The Bond Indenture -- Amendments to Loan Agreement and Obligations Requiring Consent of Bondholders."

Amendments to Documents

The First Supplemental Bond Indenture, First Supplemental Loan Agreement and Ninth Supplemental Master Indenture include certain amendments to the Original Bond Indenture, Original Loan Agreement and Master Trust Indenture, respectively. By purchasing the Series 2008A Bonds, the purchasers and the Beneficial Owners will be deemed to have consented to these amendments. Upon the reoffering of the Series 2008A Bonds, the Bond Trustee, as the holder of the Series 2008A Obligation, will also consent to such amendments, and these amendments have been consented to by the Bond Insurer. Upon such consents, these amendments will become effective. Such amendments are reflected in the summary of these documents included in *Appendices D* and *E* hereto.

Limited Obligation of Authority

THE SERIES 2008A BONDS, ANY PREMIUM THEREON AND THE INTEREST THEREON DO NOT CONSTITUTE AN INDEBTEDNESS OR AN OBLIGATION, GENERAL OR MORAL, OR A PLEDGE OF THE FULL FAITH OR A LOAN OF CREDIT OF THE AUTHORITY, THE STATE OF ILLINOIS OR ANY POLITICAL SUBDIVISION THEREOF, WITHIN THE PURVIEW OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION OR PROVISION. THE AUTHORITY IS OBLIGATED TO PAY THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE SERIES 2008A BONDS AND OTHER COSTS INCIDENTAL THERETO ONLY FROM THE SOURCES SPECIFIED IN THE BOND INDENTURE. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWERS, IF ANY, OF THE AUTHORITY, THE STATE OF ILLINOIS OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE SERIES 2008A BONDS. NO OWNER OF ANY SERIES 2008A BOND SHALL HAVE THE RIGHT TO COMPEL THE TAXING POWER OF THE AUTHORITY, THE STATE OF ILLINOIS OR ANY POLITICAL SUBDIVISION THEREOF TO PAY THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2008A BONDS. THE AUTHORITY DOES NOT HAVE THE POWER TO LEVY TAXES FOR ANY PURPOSE WHATSOEVER.

THE BOND INSURER AND THE BOND INSURANCE POLICY

The information relating to the Bond Insurer and the Bond Insurance Policy contained herein has been furnished by the Bond Insurer. No representation is made by the Members of the Obligated Group or the Reoffering Agent as to the accuracy, completeness or adequacy of such information or as to the absence of material adverse changes in the condition of the Bond Insurer subsequent to the date of this Reoffering Circular. Reference is made to Appendix G for a specimen of the Bond Insurance Policy. It is anticipated that on the Conversion Date, the Bond Insurer will deliver an endorsement to the Bond Insurance Policy to reflect the conversion of the Series 2007A Bonds and the reoffering thereof as Series 2008A Bonds.

Payment Pursuant to Financial Guaranty Insurance Policy

Ambac Assurance Corporation (the "Bond Insurer") issued the Bond Insurance Policy relating to the Series 2007A Bonds, effective as of the date of original issuance of the Series 2007A Bonds, which is being endorsed to reflect the conversion of the Series 2007A Bonds and the reoffering thereof as Series 2008A Bonds. Under the terms of the Bond Insurance Policy, the Bond Insurer will pay to The Bank of New York, in New York, New York, or any successor thereto (the "Insurance Trustee"), that portion of the principal of and interest on the Series 2008A Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor (as such terms are defined in the Bond Insurance Policy). The Bond Insurer will make such payments to the Insurance Trustee on the later of the date on which such principal and/or interest becomes Due for Payment or within one business day following the date on which the Bond Insurer shall have received notice of Nonpayment from the Bond Trustee. The insurance extends for the term of the Series 2008A Bonds and cannot be canceled by the Bond Insurer.

The Bond Insurance Policy insures payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the Series 2008A Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Series 2008A Bonds, the Bond Insurer will remain obligated to pay the principal of and interest on outstanding Series 2008A Bonds on the originally scheduled interest and principal payment dates, including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the Series 2008A Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration, except to the extent that the Bond Insurer elects, in its sole discretion, to pay all or a portion of the accelerated principal and interest accrued thereon to the date of acceleration (to the extent unpaid by the Obligor). Upon payment of all such accelerated principal and interest accrued to the acceleration date, the Bond Insurer's obligations under the Bond Insurance Policy shall be fully discharged.

In the event the Bond Trustee has notice that any payment of principal of or interest on a Series 2008A Bond that has become Due for Payment and that is made to a holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, non-appealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from the Bond Insurer to the extent of such recovery if sufficient funds are not otherwise available.

The Bond Insurance Policy does **not** insure any risk other than Nonpayment (as set forth in the Bond Insurance Policy). Specifically, the Bond Insurance Policy does **not** cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity;

2. payment of any redemption, prepayment or acceleration premium; and

3. nonpayment of principal or interest caused by the insolvency or negligence of the Trustee, Paying Agent or Bond Registrar, if any.

If it becomes necessary to call upon the Bond Insurance Policy, payment of principal requires surrender of the Series 2008A Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Series 2008A Bonds to be registered in the name of the Bond Insurer to the extent of the payment under the Bond Insurance Policy. Payment of interest pursuant to the Bond Insurance Policy requires proof of holder entitlement to interest payments and an appropriate assignment of the holder's right to payment to the Bond Insurer.

Upon payment of the insurance benefits to a holder of a Series 2008A Bond, the Bond Insurer will become the owner of the Series 2008A Bond, appurtenant coupon, if any, or right to payment of the principal of or interest on such Series 2008A Bond and will be fully subrogated to the surrendering holder's rights to payment.

Ambac Assurance Corporation

The Bond Insurer is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin, and is licensed to do business in 50 states, the District of Columbia, the Territory of Guam, the Commonwealth of Puerto Rico and the U.S. Virgin Islands, with admitted assets of approximately **$10,792,000,000** (unaudited) and statutory capital of approximately **$6,409,000,000** (unaudited) as of **December 31, 2007**. Statutory capital consists of the Bond Insurer's policyholders' surplus and statutory contingency reserve. The Bond Insurer has been assigned the following financial strength ratings by the following rating agencies: Aaa, with negative outlook, by Moody's Investors Service, Inc.; AAA, with negative outlook, by Standard and Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc.; and AA, with negative outlook, by Fitch Ratings.

The Bond Insurer has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by the Bond Insurer will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by the Bond Insurer under policy provisions substantially identical to those contained in the Bond Insurance Policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the Obligor.

The Bond Insurer makes no representation regarding the Series 2008A Bonds or the advisability of investing in the Series 2008A Bonds and makes no representation regarding, nor has it participated in the preparation of, this Reoffering Circular other than the information supplied by the Bond Insurer and presented under the heading "THE BOND INSURER AND THE BOND INSURANCE POLICY."

Available Information

The parent company of the Bond Insurer, Ambac Financial Group, Inc. (the "Company"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). These reports, proxy statements and other information can be read and copied at the SEC's public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at http://www.sec.gov that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including the Company. These reports, proxy statements and other information can also be read at the Bond Insurer's internet website at www.ambac.com and at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005.

Copies of the Bond Insurer's financial statements prepared on the basis of accounting practices prescribed or permitted by the State of Wisconsin Office of the Commissioner of Insurance are available without charge from the Bond Insurer. The address of the Bond Insurer's administrative offices is One State Street Plaza, 19th Floor, New York, New York 10004, and its telephone number is (212) 668-0340.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the SEC (File No. 1-10777) are incorporated by reference in this Reoffering Circular:

1. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2007 and filed on February 29, 2008;

2. The Company's Current Report on Form 8-K dated and filed on March 7, 2008; and

3. The Company's Current Reports on Form 8-K dated and filed on March 12, 2008.

The Bond Insurer's consolidated financial statements and all other information relating to the Bond Insurer and subsidiaries included in the Company's periodic reports filed with the SEC subsequent to the date of this Reoffering Circular and prior to the date of closing of the Series 2008A Bonds shall, to the extent filed (rather than furnished pursuant to Item 9 of Form 8-K), be deemed to be incorporated by reference into this Reoffering Circular and to be a part hereof from the respective dates of filing of such reports.

Any statement contained in a document incorporated in this Reoffering Circular by reference shall be modified or superseded for the purposes of this Reoffering Circular to the extent that a statement contained in a subsequently filed document incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Reoffering Circular.

Copies of all information regarding the Bond Insurer that is incorporated by reference in this Reoffering Circular are available for inspection in the same manner as described above in "Available Information".

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Reoffering Circular will be available for inspection in the same manner as described above in **"Available Information"**.

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company, New York, New York, will act as the depository for the Series 2008A Bonds. The Series 2008A Bonds will be reoffered 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. The ownership of one fully-registered Series 2008A Bond for each maturity of the Series 2008A Bonds, each in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co.

DTC, the world's largest 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 2.2 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, FICC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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 Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Series 2008A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2008A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2008A Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2008A 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 Series 2008A Bonds, except in the event that use of the book-entry system for the Series 2008A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2008A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2008A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2008A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2008A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2008A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2008A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2008A Bond documents. For example, Beneficial Owners of Series 2008A Bonds may wish to ascertain that the nominee holding the Series 2008A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption and tender notices shall be sent to DTC. If less than all of a Series of the Series 2008A Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2008A Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority or to the Obligated Group Agent, as the case may be, as soon as possible after the Record Date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those DTC Participants to whose accounts the Series 2008A Bonds are credited on the Record Date (identified in a listing attached to the "Omnibus Proxy").

Payments of principal, interest, redemption prices and purchase prices, respectively, on the Series 2008A 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 Bond Trustee or the Authority or the Borrower, as the case may be, on a payable date in accordance with their respective holdings shown on DTC's records. Payments by DTC Participants to Beneficial Owners will be governed by standing instructions and customary practices, as in the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Bond Trustee, the Authority, or the Obligated Group Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest, redemption prices and purchase prices to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Bond Trustee, as well as the Authority or Obligated Group Agent, as the case may be. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Series 2008A Bonds purchased or tendered, through its Participant, to the Bond Trustee, and shall effect delivery of such Series 2008A Bonds by causing the Direct Participant to transfer the Participant's interest in such Series 2008A Bonds, on DTC's records, to such Bond Trustee or such Remarketing Agent. The requirement for physical delivery of such Series 2008A Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in such Series 2008A Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of such tendered Series 2008A Bonds to such Remarketing Agent's DTC account.

DTC may discontinue providing its services as depository with respect to the Series 2008A Bonds at any time by giving reasonable notice to the Authority and the Bond Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2008A Bond certificates are required to be printed and delivered.

THE INFORMATION PROVIDED ABOVE HAS BEEN PROVIDED BY DTC. NO REPRESENTATION IS MADE BY THE AUTHORITY, THE OBLIGATED GROUP OR THE REOFFERING AGENT AS TO THE ACCURACY OR ADEQUACY OF SUCH INFORMATION PROVIDED BY DTC OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

For so long as the Series 2008A Bonds are registered in the name of DTC or its nominee, Cede & Co., the Authority, the Obligated Group and the Bond Trustee will recognize only DTC or its nominee, Cede & Co., as the registered owner of the Series 2008A Bonds for all purposes, including payments, notices and voting.

The Bond Trustee and the Authority at the direction and expense of the Obligated Group, with respect to the Series 2008A Bonds may decide to discontinue use of the system of book entry transfers through DTC (or a successor securities depository). Once the Authority or the Obligated Group Agent, as the case may be, has requested that holders withdraw securities from DTC, DTC will notify its Participants

of such request and such Participants may utilize DTC's withdrawal process to withdraw their Series 2008A Bonds from DTC. In the event a Participant utilizes DTC's withdrawal process, Series 2008A Bond certificates will be printed and delivered.

Under the Bond Indenture, payments made by the Bond Trustee to DTC or its nominee will satisfy the Authority's obligations under the Bond Indenture and the Borrower's obligations under the Loan Agreement, to the extent of the payments so made.

Neither the Authority, the Reoffering Agent, the Obligated Group, the Master Trustee nor the Bond Trustee will have any responsibility or obligation with respect to (i) the accuracy of the records of DTC, its nominee or any DTC Participant or Indirect Participant with respect to any beneficial ownership interest in any Series 2008A Bond, (ii) the delivery to any DTC Participant or Indirect Participant or any other Person, other than an owner, as shown in the Bond Register, of any notice with respect to any Series 2008A Bond including, without limitation, any notice of redemption, tender, purchase or any event which would or could give rise to a tender or purchase right or option with respect to any Series 2008A Bond, (iii) the payment of any DTC Participant or Indirect Participant or any other Person, other than an owner, as shown in the Bond Register, of any amount with respect to the principal of, premium, if any, or interest on, or the purchase price of, any Series 2008A Bond or (iv) any consent given by DTC as registered owner.

Prior to any discontinuation of the book-entry only system described above, the Authority and the Obligated Group, as applicable, and the Bond Trustee may treat DTC as, and deem DTC to be, the absolute owner of the Series 2008A Bonds for all purposes whatsoever, including, without limitation, (i) the payment of principal of, premium, if any, and interest on the Series 2008A Bonds, (ii) giving notices of redemption and other matters with respect to the Series 2008A Bonds, (iii) registering transfers with respect to the Series 2008A Bonds and (iv) the selection of Series 2008A Bonds for redemption.

DEBT SERVICE SCHEDULE

The following table[1] sets forth for each bond year ending June 30, the amounts required in each year for the payment of principal at maturity or by mandatory redemption for the Series 2008A Bonds and the Series 2008BC Bonds, together with the other long-term debt of the Corporation after giving effect to the refunding of the Refunded Bonds.

Bond Year Ending	The Series 2008A Bonds		The Series 2008BC Bonds[2]		Debt Service on Other Long	Total Debt
June 30	Principal	Interest	Principal	Interest	Term Debt [2]	Service
2009	--	$3,979,717	$2,165,000	$4,845,896	$ 5,741,280	$16,731,893
2010	--	4,906,500	2,260,000	4,763,021	5,754,347	17,683,868
2011	--	4,906,500	2,345,000	4,675,832	5,742,399	17,669,731
2012	--	4,906,500	2,365,000	4,662,466	5,745,823	17,679,790
2013	--	4,906,500	2,540,000	4,493,223	5,745,305	17,685,028
2014	--	4,906,500	2,635,000	4,395,904	5,743,749	17,681,153
2015	--	4,906,500	2,745,000	4,294,067	5,743,099	17,688,665
2016	--	4,906,500	2,875,000	4,176,893	5,755,046	17,713,439
2017	--	4,906,500	2,910,000	4,155,133	5,744,587	17,716,220
2018	--	4,906,500	3,095,000	3,964,443	5,742,799	17,708,741
2019	--	4,906,500	3,225,000	3,844,765	5,742,549	17,718,813
2020	--	4,906,500	3,380,000	3,710,099	5,743,005	17,739,604
2021	$1,525,000	4,906,500	3,515,000	3,588,718	4,205,878	17,741,096
2022	2,650,000	4,815,000	3,655,000	3,453,260	3,350,190	17,923,449
2023	2,725,000	4,656,000	3,745,000	3,375,342	3,367,185	17,868,527
2024	2,675,000	4,492,500	3,965,000	3,158,687	3,380,765	17,671,952
2025	2,925,000	4,332,000	4,120,000	3,013,413	3,396,442	17,786,854
2026	2,875,000	4,156,500	4,290,000	2,854,235	3,420,760	17,596,495
2027	3,075,000	3,984,000	4,470,000	2,688,183	3,447,248	17,664,431
2028	3,075,000	3,799,500	4,610,000	2,555,887	3,461,533	17,501,920
2029	975,000	3,615,000	4,830,000	2,336,438	5,783,779	17,540,216
2030	1,875,000	3,554,063	4,140,000	2,159,716	5,826,347	17,555,125
2031	1,800,000	3,436,875	4,310,000	1,995,258	5,847,907	17,390,040
2032	1,925,000	3,324,375	4,500,000	1,819,125	5,855,769	17,424,269
2033	1,875,000	3,204,063	4,690,000	1,645,050	5,902,362	17,316,475
2034	2,025,000	3,086,875	4,870,000	1,484,865	5,962,107	17,428,847
2035	8,150,000	2,975,500	5,100,000	1,265,059	--	17,490,559
2036	8,550,000	2,527,250	5,310,000	1,059,886	--	17,447,136
2037	8,850,000	2,057,000	5,540,000	851,367	--	17,298,367
2038	9,125,000	1,570,250	5,770,000	631,262	--	17,096,512
2039	9,525,000	1,068,375	6,010,000	402,013	--	17,005,388
2040	9,900,000	544,500	6,240,000	163,488	--	16,847,988

(1) Includes *de minimis* rounding adjustments.

(2) This table assumes an average annual interest rate of 3.59% on a portion of the Series 2001C Bonds subject to an interest rate swap therefor, 3.93% on the Series 2008B Bonds based on the interest rate swap therefor, and 3.37% (20 year SIFMA average) on the Series 2008C Bonds and the portion of the Series 2001C Bonds not subject to an interest rate swap. Actual rates will differ from the assumed rates. For a description of other long-term debt of the Obligated Group included in this table, see ***APPENDIX A*** hereto in the table under the heading "INDEBTEDNESS OF THE OBLIGATED GROUP." Does not include liquidity fees of 0.17% and remarketing fees of 0.08% for the Series 2001C Bonds or the letter of credit fees of 0.75% and remarketing fees of 0.10% for the Series 2008BC Bonds. Does not include $10,000,000 in available bank lines of credit not secured by the Master Indenture (no amounts have been drawn or are currently outstanding under such lines of credit).

BONDHOLDERS' RISKS

General

As described herein under the caption, "SECURITY FOR THE SERIES 2008A BONDS," the principal of and interest on the Series 2008A Bonds are payable solely from amounts payable by the Borrower under the Loan Agreement and by the Obligated Group on the Series 2008A Obligation. No representation or assurance is given or can be made that revenues will be realized by the Borrower or the Obligated Group in amounts sufficient to pay debt service on the Series 2008A Bonds when due and other payments necessary to meet the obligations of the Borrower or the Obligated Group. The risk factors discussed below as well as those factors discussed under "SECURITY FOR THE SERIES 2008A BONDS" (including the lack of certain covenants) should be considered in evaluating the ability of the Borrower and the other Members of the Obligated Group to make payments in amounts sufficient to provide for the payment of the principal of, premium, if any, and interest on the Series 2008A Bonds.

The receipt of future revenues by the Borrower and the other Members of the Obligated Group will be subject to, among other factors, federal and state policies affecting the health care industries (including changes in reimbursement rates and policies), increased competition from other health care providers, the capability of the management of the Borrower and the other Members of the Obligated Group and future economic and other conditions that are impossible to predict. The extent of the ability of the Borrower and the other Members of the Obligated Group to generate future revenues has a direct effect upon the payment of principal of, premium, if any, and interest on the Series 2008A Bonds. Neither the Reoffering Agent nor the Authority has made any independent investigation of the extent to which any such factors may have an adverse affect on the revenues of the Obligated Group.

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

The Bond Insurer

In the event the Authority fails to make regularly scheduled payments of the principal of and interest on any Series 2008A Bonds when the same become due, any owner of such Series 2008A Bonds shall have recourse against the Bond Insurer for such payments. There can be no assurance that the Bond Insurer will have sufficient revenues to enable it to make timely payments on such Series 2008A Bonds. Moreover, the Bond Insurance Policy does not insure the principal of or interest on the Series 2008A Bonds coming due by reason of acceleration, optional redemption or extraordinary optional redemption, nor do they insure the payment of any redemption premium payable upon the optional redemption of the Series 2008A Bonds.

Under no circumstances, including the situation in which interest on the Series 2008A Bonds becomes subject to federal taxation for any reason, can the maturity of the Series 2008A Bonds be accelerated except with the consent of the Bond Insurer, unless the Bond Insurer has defaulted on its obligations under the Bond Insurance Policy or renounced its obligations thereunder. Furthermore, so long as the Bond Insurer performs its obligations under the Bond Insurance Policy, the Bond Insurer may direct, and must consent to, any remedies that the Bond Trustee exercises under the Bond Indenture.

Recent Developments Affecting Bond Insurers

Recent developments which have been the subject of substantial discussion in the financial press and which affect the financial markets, including the municipal bond market and the bond insurance business, including that of the Bond Insurer, have had a serious adverse effect on the financial condition of a number of bond insurers, weakening their credit strength as reflected in their credit ratings.

No review of the business or affairs of the Bond Insurer has been conducted in connection with the reoffering of the Series 2008A Bonds. No assurance can be given by the Authority, the Obligated Group or the Reoffering Agent as to the Bond Insurer's ability to pay claims under the Bond Insurance Policy.

In the event that the Bond Insurer is unable to make payments of principal and interest on the Series 2008A Bonds as such payments become due, such Series 2008A Bonds will be payable solely from moneys received by the Bond Trustee pursuant to the Series 2008A Obligation, the Loan Agreement and the Bond Indenture. See "THE BOND INSURER AND THE BOND INSURANCE POLICY" herein for further information concerning the Bond Insurer and the Bond Insurance Policy.

Dissolution of the District and Termination of the Lease

Prior to November 1, 2000, the Hospital and the land upon which the Hospital and related facilities are located (the "Transferred Assets"), including certain of the facilities owned and operated by Fitness and Ventures, were leased from the District pursuant to a Lease entered into as of July 1, 1984 between the District and the Corporation, as amended by a First Amendment to Lease entered into as of March 25, 1985 and a Second Amendment to Lease entered into as of October 27, 1986 (collectively, the "Lease"). The District entered into a contract with the Corporation dated September 21, 1999 and amended January 7, 2000 (the "Transfer Agreement") that requires: (i) the Corporation to provide hospital services on a permanent basis to the inhabitants of the District, (ii) the Corporation to discharge or assume all remaining debts, liabilities and obligations of the District in return for the transfer to the Corporation of all assets of the District, and (iii) the Illinois Department of Public Health ("IDPH") to be a party to the contract as the trustee for the inhabitant's interests following the District's dissolution. As further required for dissolution pursuant to the Illinois Hospital District Act (the "Hospital Act"), the Circuit Court of DuPage County found that the District had fulfilled its obligations under the Hospital Act and that the Transfer Agreement is a binding contract, and ordered the District dissolved, effective November 1, 2000.

Under the Transfer Agreement, the Corporation also covenants to (a) utilize the Transferred Assets solely for the provision of health care and related services, (b) provide health care and related services at a level comparable to the quality of care provided on the Transferred Assets prior to the District's dissolution, (c) maintain its license to operate the Hospital, and (d) use its best efforts to maintain its accreditation with the Joint Commission or other accreditation applicable to hospital facilities. Pursuant to the Transfer Agreement, the deed which conveys the Hospital, land and other Transferred Assets from the District to the Corporation contains a limitation permitting all of the land to be used "solely for the provision of health care and related services to the community." If the Corporation breaches any of its material obligations under the Transfer Agreement, including those described above, IDPH has the right to exercise any remedy allowable by law, including equitable relief.

For additional information concerning the dissolution of the District and the termination of the Lease, see "DESCRIPTION OF THE MEMBERS OF THE OBLIGATED GROUP - History of the Corporation" in ***APPENDIX A***.

Interest Rate Swap Risk

The Members of the Obligated Group may periodically enter into interest rate swap agreements to hedge interest rate risk. In anticipation of the issuance of the Series 2007B Bonds, the Obligated Group entered into swap agreements. The Obligated Group also entered into a swap agreement with respect to the Series 2001C Bonds in November 2001. The swap agreements are subject to periodic "mark-to-market" valuations and may, at any time, as they do currently, have a negative value (which could be substantial) to the Obligated Group. Changes in the market value of such agreements could negatively or positively impact the Obligated Group's operating results and financial condition, and such impact could be material. Any of the Obligated Group's swap agreements may be subject to early termination upon the occurrence of

certain specified events. If either the Obligated Group or the counterparty terminates such an agreement when the agreement has a negative value to the Obligated Group, the Obligated Group could be obligated to make a termination payment to the counterparty in the amount of such negative value, and such payment could be substantial and potentially materially adverse to the Obligated Group's financial condition. In the event of an early termination of a swap agreement, there can be no assurance that (i) the Obligated Group will receive any termination payment payable to it by the respective swap provider, (ii) the Obligated Group will not be obligated to or will have sufficient monies to make a termination payment payable by it to the applicable swap provider, and (iii) the Obligated Group will be able to obtain a replacement swap agreement with comparable terms.

The swap agreements require the Obligated Group to secure its obligations in certain circumstances. The Obligated Group's ability to place a lien on its collateral is limited by the Master Indenture. See "APPENDIX C -SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Definitions of Certain Terms -- Permitted Encumbrances." If the Obligated Group is unable to secure its obligations under a swap agreement with sufficient collateral, the related swap provider will have the right to terminate such swap agreement and the Obligated Group could be required to make a termination payment to the swap provider, the amount of which could be substantial. Under the terms of the swap agreements, no collateral is currently required to be posted.

Pursuant to each swap agreement, each swap provider is obligated to make floating rate payments to the Obligated Group based on the application of a percentage of LIBOR plus a spread, based on the applicable notional amount, which floating rate payments may be more or less than the amount the Obligated Group is required to pay with respect to related bonds. There is no guarantee that any floating amount payable by a swap provider under any swap agreement will match the amount payable by the Obligated Group to the owners of the related bonds at all times or at any time. To the extent of a mismatch, the Obligated Group is exposed to "basis risk" in that the floating amount it receives from the swap provider pursuant to each swap agreement will not equal the variable amount it is required to pay on the related bonds.

The agreement by the swap providers to pay certain amounts to the Obligated Group pursuant to the swap agreements does not alter or affect the Obligated Group's obligation to pay the principal of, interest on, and redemption price of, any of the bonds. The swap providers have no obligation to make any payments with respect to the principal of, interest on, or redemption price of, the related bonds. Neither the holders of the related bonds nor any other person (other than the Obligated Group) shall have any rights under the swap agreements or against the swap providers.

It is anticipated that these interest rate swaps will remain in effect when the Series 2007B are refunded as described in "PLAN OF FINANCE" in this Reoffering Circulars. See Notes 2 and 8 to the Audited Consolidated Financial Statements of EHSC attached hereto as ***APPENDIX B,*** for additional information on the Obligated Group's interest rate swap agreements.

Nonprofit Healthcare Environment

The Members of the Obligated Group are each not-for-profit entities, exempt from federal income taxation as organizations described in Section 501(c)(3) of the Code. As not-for-profit tax-exempt organizations they are subject to federal, state and local laws, regulations, rulings and court decisions relating to their organizations and operations, including their operation for charitable purposes. At the same time, the Members each conduct complex business transactions and are significant employers in their communities. There can often be a tension between the rules designed to regulate a wide range of charitable organizations and the day-to-day operations of a complex healthcare organization.

Recently, an increasing number of the operations or practices of healthcare providers have been challenged or questioned to determine if they are consistent with the regulatory requirements for nonprofit tax-exempt organizations. These challenges are broader than concerns about compliance with federal and state statutes and regulations, such as Medicare and Medicaid compliance, and instead in many cases are examinations of core business practices of the healthcare organizations. Areas which have come under examination have included pricing practices, billing and collection practices, charitable care, executive compensation, exemption of property from real property taxation, and others. These challenges and questions have come from a variety of sources, including state attorneys general, the Internal Revenue Service (the "IRS"), labor unions, Congress, state legislatures and patients, and in a variety of forums, including hearings, audits and litigation. These challenges or examinations include the following, among others:

Congressional Hearings. Beginning in 2003, a number of House and Senate Committees, including, the House Committee on Energy and Commerce, the House Committee on Ways and Means and the Senate Finance Committee, conducted hearings and/or investigations into issues related to nonprofit tax-exempt healthcare organizations. These hearings and investigations have included a nationwide investigation of hospital billing and collection practices and prices charged to uninsured patients and possible reforms to the nonprofit sector. These hearings and investigations may result in new legislation. The effect on the nonprofit health care sector or the Members of the Obligated Group of any such legislation, if enacted, cannot be determined at this time.

Internal Revenue Service Examination of Compensation Practices. In August 2004, the IRS announced an enforcement effort to identify and halt abuses by tax-exempt organizations that pay excessive compensation and benefits to their officers and other insiders. The IRS announced that it would contact nearly 2,000 charities and foundations to seek more information about their compensation practices and procedures. The IRS began its enforcement project at the end of July, 2004, and it has continued into 2008. No Member of the Obligated Group has been contacted by the IRS in connection with this enforcement effort.

Litigation Relating to Billing and Collection Practices. Lawsuits have been filed in both federal and state courts alleging, among other things, that the defendant hospitals have failed to fulfill their obligations to provide charity care to uninsured patients and have overcharged uninsured patients. See "BONDHOLDERS' RISKS - Charity Care" below. No Member of the Obligated Group has been or is currently a party to such litigation, but there can be no assurance that a Member will not become a party to any such action in the future.

Challenges to Real Property Tax Exemptions. Recently, the real property tax exemptions afforded to certain nonprofit healthcare providers by state and local taxing authorities in the State have been challenged on the grounds that the healthcare providers were not engaged in charitable activities. These challenges have been based on a variety of grounds, including allegations of aggressive billing and collection practices and excessive financial margins. While the Members of the Obligated Group are not aware of any current challenge to the tax exemption afforded to any of their material Properties, there can be no assurance that these types of challenges will not occur in the future. See "BONDHOLDERS' RISKS - Risks Related to Tax-Exempt Status -- Tax Exemption for Nonprofit Hospitals" for further discussion regarding real property tax exemptions. The Members of the Obligated Group currently pay property taxes on a significant portion of their property.

Current State Legislative Initiatives. In addition to the increased scrutiny that tax-exempt hospitals have faced in the past few years through federal and state charity care litigation, congressional hearings and internal revenue service examinations, the office of the Illinois Attorney General (the "Attorney General") has also directed its attention toward state legislative and regulatory initiatives relating to tax-exempt hospitals. Under current Illinois law, tax-exempt hospitals are required annually to submit

audited financial statements and detailed community benefits reports to the Attorney General. The Attorney General has also issued subpoenas to a number of Illinois hospitals, including those in the Obligated Group, requesting additional information on charity care policies, billing practices and other matters. Several pieces of significant legislation were introduced in Illinois' 2006 legislative session to provide the Attorney General with increased oversight and responsibility over tax-exempt hospitals' charity care policies, property tax exemption, billing and collection procedures, labor relations and access to capital markets. These recent initiatives are indicative of a greater scrutiny of the billing, collection and other business practices of tax-exempt hospitals, and may indicate an increasingly more difficult operating environment for healthcare organizations, including the Members of the Obligated Group. While the Fair Patient Billing Act (Public Act 094-0885), relating to Illinois hospitals' billing and collection procedures, was signed into law by the Governor on June 20, 2006, the Attorney General withdrew the bill focused on charity care policies and property tax exemption from consideration in the 2006 legislative session, and has not introduced any such legislation in the current legislative session. The Attorney General has expressed her intent to discuss these issues further with Illinois hospitals, industry organizations and consumer groups. There can be no assurance what future legislative initiatives may contain or what the final form of any legislation passed may be. It is unclear whether the challenges, examinations and/or legislation would have a material adverse effect on the Members of the Obligated Group.

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

Payment for Health Care Services

Third-Party Payment Programs. Most of the net patient service revenues of the Obligated Group are derived from third-party payors that reimburse or pay for the services and items provided to patients covered by such third parties for such services, including the federal Medicare program, state Medicaid program and private health plans and insurers, health maintenance organizations, preferred provider organizations and other managed care payors. Many of these third-party payors make payments to the Obligated Group at rates other than the direct charges of the Obligated Group, which rates may be determined other than on the basis of the actual costs incurred in providing services and items to patients. Accordingly, there can be no assurance that payments made under these programs will be adequate to cover the Obligated Group's actual costs of furnishing health care services and items. In addition, the financial performance of the Obligated Group could be adversely affected by the insolvency of, or other delay in receipt of payments from, third-party payors, which provide coverage for services to their patients.

Medicare and Medicaid Programs. Medicare and Medicaid are the commonly used names for health care reimbursement or payment programs governed by certain provisions of the federal Social Security Act. Medicare is an exclusively federal program and Medicaid is a combined federal and state program. Medicare provides certain health care benefits to beneficiaries who are 65 years of age or older, disabled or qualify for the End Stage Renal Disease Program. Medicare Part A covers inpatient services and certain other services, and Medicare Part B covers certain physician services, medical supplies and durable medical equipment. 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 is administered by an agency of the State.

Health care providers have been and continue to be affected significantly by changes made in the last several years in federal and state health care laws and regulations, particularly those pertaining to Medicare and Medicaid. The Medicare Prescription Drug, Improvement and Modernization Act of 2003

(the "MMA"), which contains a number of significant changes to the Medicare program, was signed into law in December 2003. The Deficit Reduction Act of 2005 (the "DRA"), contained, among other things, a number of provisions to slow the pace of spending growth in the Medicare program while increasing health care providers' focus on quality and efficient delivery of health care services. Diverse and complex statutory and regulatory mechanisms, the effect of which is to limit the amount of money paid to health care providers under both the Medicare and Medicaid programs, have been enacted and approved in recent years. Management of the Obligated Group is unable to predict what effect, if any, current and future legislative initiatives related to Medicare and Medicaid may have on operations of the Obligated Group.

Medicare. Approximately 21% of the net patient service revenues of the Obligated Group were derived from the Medicare program for the fiscal year ended June 30, 2007. As a consequence, any adverse development or change in Medicare reimbursement could have a material adverse effect on the financial condition and results of operations of the Obligated Group.

Medicare Part A pays acute care hospitals for most inpatient services under a payment system known as the "Prospective Payment System" or "PPS." Separate PPS payments are made for inpatient operating costs and inpatient capital-related costs.

Inpatient Operating Costs. Acute care hospitals such as the Hospital are paid a specified amount toward their operating costs based on the Diagnosis Related Group ("DRG") to which each Medicare service is assigned, which is determined by the diagnosis and procedure and other factors for each particular inpatient stay. The amount paid for each DRG is established prospectively by the Centers for Medicare & Medicaid Services ("CMS"), an agency of the United States Department of Health and Human Services ("HHS"), and is not related to a hospital's actual costs. For certain Medicare beneficiaries who have unusually costly hospital stays ("outliers"), CMS will provide additional payments above those specified for the DRG. Outlier payments cease to be available upon the exhaustion of such patient's Medicare benefits or a determination that acute care is no longer necessary, whichever occurs first. There is no assurance that any of these payments will cover the actual costs incurred by a hospital. In addition, recent revisions to the outlier regulations, implemented in order to curb outlier payment abuse, may adversely affect hospitals' ability to receive such subsidies.

DRG payments are adjusted annually based on the hospital "market basket" index, or the cost of providing health care services. For nearly every year since 1983, Congress has modified the increases and given substantially less than the increase in the "market basket" index. Under the MMA, hospitals will receive the full increase in the "market basket" index in federal fiscal years 2005-2009 so long as they participate in CMS's Hospital Quality Initiative. Pursuant to the DRA, for federal fiscal year 2007 and thereafter, there will be a 2% reduction from the market basket update (3.4% in federal fiscal year 2007 and 3.3% in federal fiscal year 2008) for non-participating hospitals. CMS added new quality measures that hospitals must report during calendar year 2008 in order to qualify for the full market basket update in federal fiscal year 2009. The Hospital participates in the Hospital Quality Initiative. There is no assurance that future increases in the DRG payments will keep pace with the increases in the cost of providing hospital services.

The Secretary of HHS is required to review annually the DRG categories to take into account any new procedures and reclassify DRGs and recalibrate the DRG relative weights that reflect the relative hospital resources used by hospitals with respect to discharges classified within a given DRG category. During federal fiscal years 2007 and 2008, CMS created new DRGs and revised or deleted others in order to better recognize the severity of illness for each patient. There is no assurance that the Members of the Obligated Group will be paid amounts that will reflect adequately changes in the cost of providing health care or in the cost of health care technology being made available to patients. CMS may only adjust DRG weights on a budget-neutral basis.

Prior to 2002, certain hospitals and rehabilitation and psychiatric units were exempt from PPS and were instead reimbursed on a "reasonable cost" basis, subject to the Tax Equity and Fiscal Responsibility Act of 1982 rate of increase ceiling on inpatient costs per discharge. The Balance Budget Act of 1997 (the "BBA") provided for the gradual elimination of these "cost based" reimbursement systems. In accordance with the final rule published on August 7, 2001, inpatient rehabilitation services were converted to PPS during a nine-month transition period commencing with cost reporting periods beginning on or after January 1, 2002 and prior to October 1, 2002. On August 1, 2006, CMS released its final rule regarding the inpatient rehabilitation facility ("IRF") prospective payment system. The final rule provides for a 3.3% market basket update, a 2.6% reduction in the standard payment amount, and certain other changes to conform the IRF regulations to the provisions of the DRA. In addition, on November 15, 2004, CMS published a final rule to implement the conversion of inpatient psychiatric services to PPS, as mandated by the Medicare, Medicaid and SCHIP Balanced Budget Refinement Act of 1999. The IPF PPS rates are being phased in over a three year period. The transition to a PPS payment methodology has not had a materially adverse impact on the Obligated Group's finances and operations.

Capital Costs. Hospitals are reimbursed on a fully prospective basis for capital costs (including depreciation and interest) related to the provision of inpatient services to Medicare beneficiaries. Thus, capital costs are reimbursed exclusively on the basis of a standard federal rate (based on average national costs), subject to certain adjustments (such as for disproportionate share, indirect medical education and outlier cases) specific to the hospital. Hospitals are reimbursed at 100% of the standard federal rate for all capital costs. This applies to the standard federal rate before the application of the adjustment factors for outliers, exceptions and budget neutrality.

There can be no assurance that the prospective payments for capital costs will be sufficient to cover the actual capital-related costs of the Obligated Group allocable to Medicare patient stays or to provide adequate flexibility in meeting the future capital needs of the Obligated Group.

Costs of Outpatient Services. Section 1833(t) of the Social Security Act ("SSA") provides for a PPS of reimbursement for hospital outpatient services, including hospital operating and capital costs. Several Part B services are specifically excluded from this rule, including certain physician and non-physician practitioner services, ambulance, physical and occupational therapy, and speech language pathology services.

Under hospital outpatient PPS, predetermined amounts are paid for designated services furnished to Medicare beneficiaries. CMS classifies outpatient services and procedures that are comparable clinically and in terms of resource use into ambulatory payment classification ("APC") groups. Using hospital outpatient claims data from the most recent available hospital cost reports, CMS determines the median costs for the services and procedures in each APC group.

Outpatient PPS ("OPPS") rates are adjusted annually based on the hospital inpatient market basket percentage increase. The APC adjustment is the full market basket increase of 3.4% for 2007 and 3.3% for 2008. There can be no assurance that the hospital outpatient PPS rate, which bases payment on APC groups rather than on individual services, will be sufficient to cover the actual costs of Members of the Obligated Group allocable to Medicare patient care. Beginning in calendar year 2007, hospitals that fail to report certain required quality data will have their market basket percentage increase reduced by two percentage points.

In addition to the APC rate, there is a predetermined beneficiary coinsurance amount for each APC group. There can be no assurance that the beneficiary will pay this amount.

Medicare Audits. The Members of the Obligated Group receive payments for various services provided to Medicare patients based upon charges or other reimbursement methodologies that are then

reconciled annually based upon the preparation and submission of annual cost reports. Estimates for the annual cost reports are reflected as amounts due to/from third-party payors and represent several years of open cost reports due to time delays in the fiscal intermediary's audits and the basic complexity of billing and reimbursement regulations. These estimates are adjusted periodically based upon correspondence received from the fiscal intermediary. Medicare regulations also provide for withholding Medicare payment in certain circumstances if it is determined that an overpayment of Medicare funds has been made. In addition, under certain circumstances, payments may be determined to have been made as a consequence of improper claims subject to the Federal False Claims Act or other federal statutes, subjecting the Members of the Obligated Group to civil or criminal sanctions. The Members of the Obligated Group are not aware of any situation whereby a material Medicare payment is being withheld from them.

The Members of the Obligated Group, like other hospital systems throughout the country, are subject from time to time to audits and other investigations relating to various aspects of their operations. Medicare participating hospitals are subject to audits and retroactive audit adjustments with respect to reimbursement claimed under the Medicare program. Medicare regulations also provide for withholding Medicare payment in certain circumstances. Although the Corporation does not anticipate or have reason to believe that a substantial withholding or audit adjustment will be made, there can be no assurance that, if such withholdings or audit adjustments were to be assessed, they would not have a material adverse effect on the financial position of the Obligated Group. The management of the Corporation does not believe that any other type of audit or investigation would result in a liability that would have a material adverse effect on the business, operations, or financial condition of Obligated Group.

Medicare requires that extensive financial information be reported on a periodic basis and in a specific format or content. These requirements are numerous, technical and complex and may not be fully understood or implemented by billing or reporting personnel. With respect to certain types of required information, the False Claims Act and the Social Security Act may be violated by submission of inaccurate and/or incomplete information to the government even without any intent to defraud. New billing systems, new medical procedures and procedures for which there are no clear guidance from CMS may all result in potential liability. The penalties for violations may include an obligation to refund money to the Medicare program, to pay criminal or civil fines and, for serious or repeated violations, exclusion from participation in the Medicare program. The Members of the Obligated Group have in place internal compliance and training programs designed to minimize the risks of non-compliance with such requirements.

Through its compliance program, the Corporation has recently discovered instances of non-compliance at one of its facilities with certain of the requirements of the Medicare Secondary Payer Law, concerning asking Medicare patients about third parties which may have an obligation to pay for items and services otherwise reimbursable by Medicare and providing such information to the Medicare program. The Corporation has since corrected this oversight in its patient registration process and has implemented additional internal controls to assure compliance on an ongoing basis. The Corporation has investigated the matter, and has determined, to the best of its ability, that there was only minimal financial impact on the Medicare program and that appropriate refunds have been made. However, in accordance with the Corporation's Corporate Compliance Program, the matter has been disclosed to the proper Medicare authorities, and such authorities may seek to impose financial or other penalties to resolve the matter. Nonetheless, in the opinion of the Corporation, the possibility that resolving the matter would have a material adverse affect on the business, operations, or financial condition of the Members of the Obligated Group is remote.

Physician Payment. Certain physician services are reimbursed on the basis of a national fee schedule called the "resource based-relative value scale" ("RB-RVS"). The RB-RVS fee schedule establishes payment amounts for all physician services, including services of provider-based physicians, and is subject to annual updates. The Sustainable Growth Rate ("SGR"), which is 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. Although the underlying conversion factor used to calculate payment amounts to physicians under the RB-RVS fee schedule decreased by 4.4% from 2005 to 2006, the Deficit Reduction Act of 2005 (the "DRA") restored payments to physicians at 2005 levels, which restoration is effective as of January 1, 2006. For 2007, the final rule issued by CMS provided for a 5.0% reduction to such underlying conversion factor, but such reduction was eliminated by Congress pursuant to the Tax Relief and Health Care Act of 2006, instead freezing payments at their current levels. President Bush signed into law in December 2007 the Medicare, Medicaid, and SCHIP Extension Act of 2007 (the "MMSEA") that, among other things, provides a temporary 0.5% increase to the underlying conversion factor through June 30, 2008, eliminating an estimated 10.1% reduction set to have become effective January 1, 2008. Such reduction is scheduled to become effective July 1, 2008 if Congress does not intervene.

Home Health Care. CMS pays home health agencies for 60-day episodes of care based on PPS and reimburses agencies at higher rates for beneficiaries with greater needs. The system uses national payment rates that vary with the level of care required by each beneficiary, adjusted to reflect area wage differences. CMS pays agencies 60% of the initial episode payment when they accept new Medicare patients as part of a streamlined approval process. The remaining 40% is paid at the completion of the first 60-day episode. CMS provided for a 3.3% market basket update for calendar year 2007 and 3.0% for calendar year 2008. As required by the DRA, agencies that do not submit data relating to ten quality indicators will, beginning in calendar year 2007, have their market basket update percentage reduced by two percent.

Approximately 1% of the net patient service revenues of the Obligated Group for its fiscal year ended June 30, 2007, were derived from home health care services.

Provider-Based Standards. CMS made significant changes to the provider-based regulation included in the final outpatient PPS rulemaking for federal fiscal year 2003. Generally, CMS eliminated a few requirements for on-site provider-based facilities and clarified some of the provisions of the prior provider-based rules. CMS clarified that prior approval of provider-based status by CMS is not required for an entity to bill as provider-based. Rather, a provider may provide an optional attestation of its status as a provider-based entity. Although such attestation is not required to bill as a provider-based entity, it may provide some overpayment protection in the event that CMS subsequently makes a determination that an entity is not provider-based, assuming accurate representation by the provider to CMS. Any reclassification by CMS may adversely affect the entity's reimbursement under the Medicare program. Based on current regulations, the Members of the Obligated Group believe all of their respective current facilities qualify as "provider-based" entities.

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

The MMA made several substantive changes to Medicare Advantage in addition to renaming the program. These changes are designed to improve Medicare Advantage by providing increased payments to providers and by offering more health plan choices, including expanded rural coverage through the inclusion of regional plans, beginning in 2006. Increased payments to Medicare Advantage providers were effective as of March 2004. There can be no assurance, however, that rates negotiated for the treatment of Medicare Advantage enrollees will be sufficient to cover the cost of providing services to such patients of the Obligated Group.

Medicaid. Approximately 4% of the net patient service revenues of the Obligated Group were derived from the Medicaid program for the fiscal year ended June 30, 2007. Significant changes have been and may continue to be made in the Medicaid program which could have a material adverse impact on the financial condition of the Obligated Group.

Medicaid (Title XIX of the federal Social Security Act) is a health insurance program for certain low-income and needy individuals that is jointly funded by the federal government and the states. Pursuant to broad federal guidelines, each state establishes its own eligibility standards; determines the type, amount, duration, and scope of services; sets the payment rates for services; and administers its own programs. In Illinois, Medicaid is administered by the Illinois Department of Healthcare and Family Services.

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

The following paragraphs discuss Medicaid reimbursement in Illinois.

Illinois Medicaid. Fiscal considerations of both the federal and state governments in establishing their budgets will directly affect the funds available to the providers for payment of services rendered to Medicaid beneficiaries. Historically, federal payments and the amount appropriated by the Illinois General Assembly for payment of Medicaid claims have not been sufficient to reimburse hospitals for their actual costs in providing services to Medicaid patients. In certain prior years, the State of Illinois ceased making payments and hospitals were paid on a delayed basis through either emergency appropriations or additional appropriations made during the ensuing fiscal year. Failure of the State of Illinois to pay Medicaid claims on a timely basis may have an adverse effect on the cash flow and financial condition of the Obligated Group.

On July 17, 2005, the Governor of Illinois signed legislation that provides for a hospital assessment program (the "Hospital Assessment Program") intended to qualify for federal matching funds under the Illinois Medicaid program, with a sunset provision that would become effective on July 1, 2008. The Hospital Assessment Program builds upon 2004 legislation that established a one-year hospital assessment program, which sunset on July 1, 2005. Under the Hospital Assessment Program, each hospital is assessed an amount based on that hospital's adjusted gross hospital revenue. Such assessments are to be used to provide additional reimbursement for Medicaid inpatient and outpatient services. The Hospital Assessment Program in part responds to federal government comments made in regard to Illinois' 2004 hospital assessment program. On November 21, 2006, HHS approved the Hospital Assessment Program. The impact on the Obligated Group due to the implementation of the Hospital Assessment Program is an aggregate additional cost of approximately $2,500,000 per year for fiscal years 2006-2008. Based on the latest proposal for a program to replace the current Hospital Assessment Program, the impact on the Obligated Group is estimated to be $3.1 million for fiscal year 2009.

Inpatient Hospital Services. Payment is made under PPS, rather than a cost reimbursement system, using Medicare DRG rates and is modified by the State. Hospitals are reimbursed at the federal and regional blended rate per discharge for the Medicare program. This rate includes hospital-specific add-ons recognizing sole community hospitals, rural referral centers, Medicare dependent hospitals and rural hospitals deemed urban. Additional add-ons are made for outlier cases, indirect and direct medical education, capital costs, CRNA costs, and disproportionate share adjustments. Payment will not exceed Medicare upper limits. Psychiatric, rehabilitation, long-term stay, and sole community hospitals are reimbursed based on an allowable operating cost *per diem* plus other costs reimbursed on a *per diem* basis plus disproportionate share adjustments, outlier adjustments, applicable trauma center adjustments, and uncompensated care adjustments. Separate reimbursement rules exist for out-of-state hospitals and children's hospitals.

Outpatient Hospital Services. Outpatient reimbursement is on a fee-for-service basis based on the Ambulatory Project Group System. Services provided under the Hospital Ambulatory Care Program are paid the lesser of charges, or, for Group I procedures, the alternate reimbursement rate, and, for Group II or III procedures, one of two separate rate maximums depending on the hospital's classification. Group IV procedures are reimbursed the lesser of charges or one of six rate maximums depending on the hospital's classification. An outpatient indigent volume adjustment is made to qualifying hospitals.

Managed Care Programs. The Medicaid managed care program is a voluntary program that operates predominantly in Cook County and, therefore, does not have a material impact on the Obligated Group as the Hospital is located in DuPage County, Illinois. In Cook County, the Illinois Department of Public Heath contracts with Health Maintenance Organizations ("HMOs") and Managed Care Community Networks ("MCCNs") to provide health services to managed care enrollees. Four HMOs and one MCCN provide services for Medicaid clients. Expansion of the "Voluntary Enrollment Period" program will depend on legislative initiatives.

On July 1, 2006, Illinois implemented a statewide Primary Care Case Management ("PCCM") Program for certain Illinois Medicaid program participants. People who are enrolled in the PCCM program have a primary care provider, who provides continuity of care by coordinating and managing participants' care. This allows participants to receive primary and preventive health care services at a physician's office or a clinic rather than at an emergency room or through hospitalization. This program has little or no impact on the Obligated Group.

Commercial Insurance and Other Third-Party Plans

Many commercial insurance plans, including group plans, reimburse their customers or make direct payments to the Members of the Obligated Group for charges at established rates. Generally, these plans pay semi-private room rates plus ancillary service charges, which are subject to various limitations and deductibles depending on the plan. Patients carrying such coverage are responsible to the hospital for any deficiency between the commercial insurance proceeds and total billed charges.

Managed Care and Integrated Delivery Systems. Many hospitals and health systems, including the Obligated Group, are pursuing strategies with physicians in order to offer an integrated package of health care services, including physician hospital services, to patients, health care insurers, and managed care providers. These integration strategies take many forms, several of which are discussed below. Further, many of these integration strategies are capital intensive and may create certain business and legal liabilities for the Obligated Group.

The Members of the Obligated Group have entered into contractual arrangements with preferred provider organizations ("PPOs"), HMOs, and other similar managed care organizations ("MCOs"), pursuant to which they agree to provide or arrange to provide certain health care services for these

organizations' eligible enrollees. Revenues received under such contracts are expected to be sufficient to cover the variable cost of the services provided. There can, however, be no assurance that revenues received under such contracts will be sufficient to cover all costs of services provided. Failure of the revenues received under such contracts to cover all costs of services provided may have a material adverse effect on the operations or financial condition of the Members of the Obligated Group. See ***APPENDIX A*** – "CERTAIN FINANCIAL AND UTILIZATION INFORMATION - Reimbursement and Third Party Payors -- Managed Care" hereto.

Medicare law states that MCO and provider contracts may include a physician incentive plan only if (1) no specific payment is made directly or indirectly under the plan to a physician or physician group as an inducement to reduce or limit medically necessary services furnished to an individual enrollee; and (2) the stop-loss protection, enrollee survey and disclosure requirements of this section are met. If an MCO and provider enter into an agreement that does not meet these requirements, CMS may apply intermediate sanctions or the Office of Inspector General ("OIG") may apply civil money penalties.

MCOs in general reimburse participating providers on the basis of capitation for services rendered to enrollees. A capitated payment does not fluctuate with the frequency of patient visits. Rather, an MCO typically negotiates with the provider a flat fee per patient regardless of the extent of covered medical services required by that patient. Therefore, there is a risk that the provider may need to furnish the enrollee with additional services whose cost will not be covered by the capitated rate paid by the MCO. See "Capitated Payments" below for more information.

State Laws. States are increasingly regulating the delivery of health care services in response to the federal government's failure to adopt comprehensive health care reform measures. Much of this increased regulation has centered around the managed care industry. State legislatures have cited their right and obligation to regulate and oversee health care insurance and have enacted sweeping measures that aim to protect consumers and, in some cases, providers. For example, a number of states have enacted laws mandating a minimum of 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 this increased state oversight, the Members of the Obligated Group could be subject to a variety of state health care laws and regulations, affecting both managed care organizations and health care providers. In addition, the Members of the Obligated Group could be subject to state laws and regulations prohibiting, restricting, or otherwise governing preferred provider organizations, third-party administrators, physician-hospital organizations, independent practice associations or other intermediaries; fee-splitting; the "corporate practice of medicine"; selective contracting ("any willing provider" laws and "freedom of choice" laws); coinsurance and deductible amounts; insurance agency and brokerage; quality assurance, utilization review, and credentialing activities; provider and patient grievances; mandated benefits; rate increases; and many other areas.

Dependence Upon Third-Party Payors. The Obligated Group's ability to develop and expand its services and, therefore, its profitability is dependent upon the Obligated Group's ability to enter into contracts with third-party payors at competitive rates. There can be no assurance that the Obligated Group will be able to attract and maintain third-party payors in the future, and where it does, no assurance that it will be able to contract with such payors on advantageous terms. The inability of the Members of the Obligated Group to contract with a sufficient number of such payors on advantageous terms would have a material adverse effect on the Obligated Group's operations and financial results. Further, while the Obligated Group expects to employ a system to control health care service utilization and increase quality, the Obligated Group cannot predict changes in utilization patterns or on health care providers.

Physician Contracting and Relations. The Obligated Group has contracted with physician organizations ("POs") (e.g., independent physician associations, physician-hospital organizations, etc.) to arrange for the provision of physician and ancillary services. Because POs are separate legal entities with their own goals, obligations to shareholders, financial status, and personnel, there are risks involved in contracting with the POs. In addition, as of June 30, 2007, Members of the Obligated Group employed approximately 110 physicians, including internists, family practice physicians, psychiatrists and emergency room physicians.

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

Regulation of the Health Care Industry

General. The health care industry is highly dependent on a number of factors that may limit the ability of the Corporation to meet its obligations under the Loan Agreement and the Obligated Group and any future Member of the Obligated Group to meet their respective obligations under the Master Indenture and the Series 2008A Obligation. Among other things, participants in the health care industry (such as the Obligated Group) are subject to significant regulatory requirements of federal, state and local governmental agencies and independent professional organizations and accrediting bodies, technological advances and changes in treatment modes, various competitive factors and changes in third-party reimbursement programs. Discussed below are certain of these factors that could have a significant effect on the future operations and financial condition of the Obligated Group.

Balanced Budget Act of 1997. As described below, the BBA contains a number of provisions that affect the Obligated Group in addition to those previously referenced. The Obligated Group has taken operational steps to address the impact of the BBA.

Conviction of health care-related crimes can result in either mandatory or permissive exclusion from participation in federal and certain state health care programs for various periods of time depending on the nature of such crimes. Under the BBA, those convicted of three health care-related crimes for which mandatory exclusion is the penalty will be permanently excluded from participation. Those convicted of two health care-related crimes for which mandatory exclusion is the penalty will be excluded for a minimum of ten years. The Secretary of HHS will be able to deny entry into Medicare or Medicaid or deny renewal to any provider or supplier convicted of any felony that the Secretary deems to be "inconsistent with the best interests" of the program's beneficiaries.

Health Insurance Portability and Accountability Act. The Health Insurance Portability and Accountability Act of 1996 ("HIPAA") added two prohibited practices, the commission of which may lead to civil monetary penalties: (1) the practice or pattern of presenting a claim for an item or service on a reimbursement code that the person knows or should know will result in greater payment than appropriate, i.e., upcoding, and (2) engaging in a practice of submitting claims for payment for medically unnecessary services. Violation of such prohibited practices could amount to civil monetary penalties of up to $10,000 for each item or service involved. Management of the Obligated Group does not expect that the prohibited practices provisions of HIPAA will affect the Obligated Group in a material respect.

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

HHS promulgated privacy regulations under HIPAA that protect patient medical records and other personal health information maintained by health care providers, hospitals, health plans, health insurers, and health care clearinghouses. Compliance with the privacy regulations was required as of April 14, 2003. Management of the Obligated Group believes that its operations and information systems comply with the HIPAA privacy regulations.

Security regulations have also been promulgated under HIPAA. These security regulations were issued in final form on February 20, 2003, with a compliance date of April 21, 2005 (the "Security Regulations"). Additionally, HHS promulgated regulations to standardize the electronic transfer of information pursuant to certain enumerated transactions (the "Code Set Transactions"), with a compliance deadline of October 16, 2003. Management of the Obligated Group believes that all of their health care facilities are in substantial compliance with the Security Regulations and the Code Set Transactions.

Federal "Fraud and Abuse" Laws and Regulations. The Federal Medicare/Medicaid Anti-Fraud and Abuse Amendments to the Social Security Act (the "Anti-Kickback Law") make it a felony offense to knowingly and willfully offer, pay, solicit or receive remuneration in order to induce business for which reimbursement is provided under the Medicare or Medicaid programs. In addition to criminal penalties, including fines of up to $25,000 and five years' imprisonment, violations of the Anti-Kickback Law can lead to civil monetary penalties ("CMP") and exclusion from Medicare, Medicaid and certain other state and federal health care programs. The scope of prohibited payments in the Anti-Kickback Law is broad and includes economic arrangements involving hospitals, physicians and other health care providers, including joint ventures, space and equipment rentals, purchases of physician practices and management and personal services contracts. HHS has published regulations which describe certain "safe harbor" arrangements that will not be deemed to constitute violations of the Anti-Kickback Law. The safe harbors described in the regulations are narrow and do not cover a wide range of economic relationships which many hospitals, physicians and other health care providers consider to be legitimate business arrangements not prohibited by the statute. Because the regulations describe safe harbors and do not purport to describe comprehensively all lawful or unlawful economic arrangements or other relationships between health care providers and referral sources, hospitals and other health care providers having these arrangements or relationships may be required to alter them in order to ensure compliance with the Anti-Kickback Law.

The BBA provides for CMP in the case of violations of the federal anti-kickback statute in which a person contracts with an excluded provider for the provision of health care items or services where the person knows or should know that the provider has been excluded from participation in a federal health care program. Violations will result in damages three times the remuneration involved as well as a penalty of $50,000 per violation.

Management of the Obligated Group has and is taking steps it believes are reasonable to ensure that its contracts with physicians and other referral sources are in material compliance with the Anti-Kickback Law. However, in light of the narrowness of the safe harbor regulations and the scarcity of case law interpreting the Anti-Kickback Law, there can be no assurances that the Obligated Group will not be found to have violated the Anti-Kickback Law, and if so, whether any sanction imposed would have a material adverse effect on the operations of the Obligated Group.

Restrictions on Referrals. Current federal law (known as the "Stark" law provisions) prohibits providers of "designated health services" from billing Medicare or Medicaid when the patient is referred by a physician, or an immediate family member, with a financial relationship with the provider, with limited exceptions. "Designated health services" include the following: clinical laboratory services; physical therapy services; occupational therapy services; radiology services, including magnetic resonance imaging, computerized axial tomography scans, and ultrasound services; radiation therapy services and supplies; durable medical equipment and services; parenteral and enteral nutrients, equipment and supplies; prosthetics, orthotics, and prosthetic devices and supplies; home health services; outpatient prescription drugs; and inpatient and outpatient hospital services. The sanctions under the Stark law include denial and refund of payments, civil monetary penalties and exclusions from the Medicare and Medicaid programs.

On January 4, 2002, Phase I of a final regulation interpreting Stark law provisions as they relate to designated health services became effective. Phase I covers the general prohibition on certain referrals, the general exemption to both the ownership and compensation arrangement prohibition, and related definitions.

On March 26, 2004, CMS published the Phase II Interim Final Stark II regulations, with an effective date of July 26, 2004. The Phase II regulations cover those parts of the Stark law that were not covered by Phase I, namely the ownership and investment exceptions to the general prohibition, the compensation arrangement exceptions to the general prohibition and the Stark law's reporting provisions. Phase II also includes additional regulatory exceptions, definitions and CMS's response to public comments regarding the Phase I regulations.

On September 5, 2007, CMS published the Phase III Final Stark II regulations, with an effective date of December 4, 2007. The Phase III regulations finalize and respond to public comments regarding the Phase II regulations, as well as providing revisions to the definitions of compensation arrangements and other regulatory modifications.

Management of the Obligated Group believes that the Obligated Group is currently in material compliance with the Stark provisions. However, in light of the scarcity of case law interpreting the Stark provisions, there can be no assurances that the Obligated Group will not be found to have violated the Stark provisions, and if so, whether any sanction imposed would have a material adverse effect on the operations of the Obligated Group or the financial condition of the Obligated Group.

Illinois Insurance Claims Fraud Prevention Act. The Illinois Insurance Claims Fraud Prevention Act prohibits remuneration (in cash or kind) for patient referrals where ultimately an insurance company will pay claims. Penalties for violations of this Act include a civil penalty of $5,000 to $10,000 per violation, plus an assessment of not more than three times the amount of each claim for compensation under a contract of insurance.

Illinois Hospital Report Card Act. The Illinois Hospital Report Card Act, which mandates public access to certain information regarding hospital staffing and patient outcomes, requires the provision of certain hospital data reports to the Illinois Department of Public Health, and provides whistleblower protection for hospital employees who make good faith disclosures under the act. In addition, hospitals must share with consumers, upon request, nurse staff schedules, nurse assignment rosters, methods to determine and adjust nurse staff schedules, and staff training information. Additional nursing and nosocomial infection data must also be reported to Illinois Department of Public Health, for subsequent public release following review by an Illinois Department of Public Health advisory committee. The reporting and public disclosure requirements mandated by the Illinois Hospital Report Card Act have not had an adverse impact on operations of the Obligated Group.

Compliance/OIG Investigations. Medicare requires that extensive financial information be reported on a periodic basis and in a specific format or content. These requirements are numerous, technical and complex and may not be fully understood or implemented by billing or reporting personnel. With respect to certain types of required information, the False Claims Act and the Social Security Act may be violated by mere recklessness in the submission of information to the government even without any intent to defraud. New billing systems, new medical procedures and procedures for which there are no clear guidance from CMS may all result in liability. The penalties for violation include criminal or civil liability and may include, for serious or repeated violations, exclusion from participation in the Medicare program.

The False Claims Act provides that an individual may bring a civil action for a violation of such Act. These actions are referred to as Qui Tam actions. In this way, a hospital employee would be able to sue on behalf of the U.S. government if he or she believes that the hospital has committed fraud. If the government proceeds with an action brought by this individual, then he or she could receive as much as 25% of any money recovered. The potential that a Qui Tam action could be brought against any hospital exists.

Patient Transfers. In response to concerns regarding inappropriate hospital transfers of emergency patients based on the patient's inability to pay for the services provided, Congress enacted the Emergency Medical Treatment and Active Labor Act ("EMTALA"). Among other things, EMTALA imposes certain requirements that must be met before transferring a patient to another facility. Failure to comply with EMTALA can result in exclusion from the Medicare and/or Medicaid programs as well as imposition of civil and criminal penalties. Failure of the Obligated Group to meet its responsibilities under the law could adversely affect its financial condition.

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

Environmental Laws and Regulations. Health care providers are subject to a wide variety of federal, state and local environmental and occupational health and safety laws and regulations that address, among other things, hospital operations, facilities and properties owned or operated by hospitals. Among the type of regulatory requirements faced by hospitals are (a) air and water quality control requirements, (b) waste management requirements, (c) specific regulatory requirements regarding asbestos, polychlorinated biphenyls and radioactive substances, (d) requirements for providing notice to employees and members of the public about hazardous materials handled by or located at the hospital, (e) requirements for training employees in the proper handling and management of hazardous materials and wastes, and (f) other requirements.

In its role as the owner and operator of properties or facilities, the Members of the Obligated Group, may be subject to liability for investigating and remedying any hazardous substances that may have migrated off its property. Typical hospital operations include, but are not limited to, in various combinations, the handling, use, storage, transportation, disposal and discharge of hazardous, infectious, toxic, radioactive, flammable and other hazardous materials, wastes, pollutants or contaminants. As such, hospital operations are particularly susceptible to the practical, financial and legal risks associated with compliance with such laws and regulations. Such risks may (a) result in damage to individuals, property or the environment, (b) interrupt operations and increase their cost, (c) result in legal liability, damages, injunctions or fines and (d) result in investigations, administrative proceedings, penalties or other governmental agency actions. There is no assurance that the Obligated Group will not encounter such risks

in the future, and such risks may result in material adverse consequences to the operations or financial condition of the Obligated Group.

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

Corporate Compliance Program

The Obligated Group has developed and implemented a compliance program for itself and its affiliates that includes a compliance plan to assist all employees in understanding and adhering to the legal and ethical standards that govern the provision of patient care (the "Compliance Plan"). The Compliance Plan has been designed to (i) comply with the standards set forth in the Federal Sentencing Guidelines for Organizational Defendants (the "Federal Sentencing Guidelines") and (ii) help assure that the Obligated Group acts in accordance with its mission, values and known legal duties. Amendments to the Federal Sentencing Guidelines, effective November 1, 2004, recommend an effective compliance and ethics program with knowledgeable and reasonable oversight by the governing authority of an organization. See ***APPENDIX A*** – "GOVERNANCE AND ADMINISTRATION - Policy Regarding Corporate Compliance" hereto for additional information on the compliance plan.

Antitrust

Enforcement of the antitrust laws against health care providers is becoming more common, and antitrust liability may arise in a wide variety of circumstances, including medical staff privilege disputes, third-party contracting, physician relations, and joint venture, merger, affiliation and acquisition activities. In some respects, the application of federal and state antitrust laws to health care is still evolving, and enforcement activity by federal and state agencies appears to be increasing. At various times, health care providers may be subject to an investigation by a governmental agency charged with the enforcement of antitrust laws, or may be subject to administrative or judicial action by a federal or state agency or a private party. Violators of the antitrust laws could be subject to criminal and civil enforcement by federal and state agencies, as well as by private litigants.

The ability to consummate mergers, acquisitions or affiliations may also be impaired by the antitrust laws, potentially limiting the ability of health care providers to fulfill their strategic plans. Liability in any of these or other antitrust areas of liability may be substantial, depending on the facts and circumstances of each case.

Issues Related to the Health Care Market of the Obligated Group

Affiliation, Merger, Acquisition and Divestiture. Significant numbers of affiliations, mergers, acquisitions and divestitures have occurred in the health care industry recently. As part of its ongoing planning process, the system considers potential affiliations and acquisition of operations or properties that may become affiliated with or become part of the Obligated Group in the future. As a result, it is possible that the organizations and assets that currently comprise the Obligated Group and its affiliates may change from time to time. See ***APPENDIX D*** - "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Merger, Consolidation, Sale or Conveyance" hereto.

Possible Increased Competition. The Obligated Group faces increased competition in the future from other hospitals, from skilled nursing facilities and from other forms of health care delivery that offer health care services to the populations which the Obligated Group currently serves. This includes the construction of new or the renovation of existing hospitals and skilled nursing facilities, health maintenance

organization facilities, ambulatory surgery centers, freestanding emergency facilities, private laboratory and radiological services, skilled and specialized nursing facilities, home care, intermediate nursing home care, preventive care and drug and alcohol abuse programs. See ***APPENDIX A*** - "COMPETITION AND MARKET SHARE" for additional information.

In addition, competition could result from forms of health care delivery that are able to offer lower priced services to the population served by the Obligated Group. These services could be substituted for some of the revenue-generating services currently offered by the Obligated Group. The services that could serve as substitutes for hospital services include skilled and specialized nursing facilities, diagnostics, home care, intermediate nursing home care, preventive care, and drug and alcohol abuse programs.

As part of the MMA, Congress enacted a moratorium on the investment by referring physicians in certain types of specialty hospitals. The moratorium expressly applied to hospitals engaged in the care and treatment of patients with cardiac or orthopedic conditions, patients receiving surgical procedures and patients receiving any other specialized type of services that CMS may designate. The moratorium officially expired on June 8, 2005. CMS, however, suspended processing specialty hospital applications and agreements following the official expiration of the moratorium, which suspension was extended by the DRA. During the processing suspension CMS was directed, pursuant to the DRA, to prepare a report containing, among other things, a strategic and implementing plan relating to investment in specialty hospitals that addresses issues such as the provision of charity care, proportionality of investment returns and patient disclosure. On August 8, 2006, CMS issued its final report, outlining its strategic and implementing plan. The report, among other things, calls for Medicare reimbursement reforms in order to better align payments with the costs of care and transparency in specialty hospital physician investment.

Risks Related to Tax-Exempt Status

Tax Exemption for Nonprofit Hospitals. Loss of tax-exempt status by a Member of the Obligated Group could result in loss of tax exemption of the Series 2008A Bonds and of other tax-exempt debt issued for the benefit of the Obligated Group, and defaults in covenants regarding the Series 2008A Bonds and other related tax-exempt debt would likely be triggered. Such an event would have material adverse consequences on the financial condition of the Obligated Group. Management of the Obligated Group is not aware of any transactions or activities currently ongoing that are likely to result in the revocation of the tax-exempt status of any Member of the Obligated Group.

The maintenance by an entity of its status as an organization described in Section 501(c)(3) of the Code is contingent upon compliance with general rules promulgated in the Code and related regulations regarding the organization and operation of tax-exempt entities, including their operation for charitable and educational purposes and their avoidance of transactions that may cause their assets to inure to the benefit of private individuals. The IRS has announced that it intends to closely scrutinize transactions between not-for-profit corporations and for-profit entities, and in particular has issued audit guidelines for tax-exempt hospitals. Although specific activities of hospitals, such as medical office building leases and compensation arrangements and other contracts with physicians, have been the subject of interpretations by the IRS in the form of Private Letter Rulings, many activities have not been addressed in any official opinion, interpretation or policy of the IRS. Because the Members of the Obligated Group conduct diverse operations involving private parties, there can be no assurances that certain of their transactions would not be challenged by the IRS.

The IRS has taken the position that hospitals which are in violation of the Anti-Kickback Law may also be subject to revocation of their tax-exempt status. See the information herein under the caption, "BONDHOLDERS' RISKS – Regulation of the Health Care Industry -- Federal 'Fraud and Abuse' Laws and Regulations." As a result, tax-exempt hospitals, such as those of the Obligated Group, which have, and

will continue to have, extensive transactions with physicians are subject to an increased degree of scrutiny and perhaps enforcement by the IRS.

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

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

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

In recent years, the 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 Members of the Obligated Group participate in activities that may generate unrelated business taxable income. Management of the Obligated Group believe they 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 Members of the Obligated Group as well as the exclusion from gross income for federal income tax purposes of the interest payable on the Series 2008A Bonds and other tax-exempt debt of the Members of the Obligated Group. 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 Members of the Obligated Group to federal or state income taxes.

In 1990, the Employee Plans and Exempt Organizations Division of the IRS expanded the Coordinated Examination Program, or CEP, of the IRS to tax-exempt health care organizations. CEP audits are conducted by teams of revenue agents. The CEP audit teams consider a wide range of possible issues, including the community benefit standard, private inurement and private benefit, partnerships and joint ventures, retirement plans and employee benefits, employment taxes, tax-exempt bond financing, political contributions and unrelated business income.

Not for profit health care organizations are subject to audits by the IRS. Management believes that it has properly complied with the tax laws. Nevertheless, because of the complexity of the tax laws and the presence of issues about which reasonable persons can differ, a CEP audit could result in additional taxes, interest and penalties. A CEP audit could ultimately affect the tax-exempt status of the Members of the Obligated Group as well as the exclusion from gross income for federal income tax purposes of the interest payable with respect to the Series 2008A Bonds and other tax-exempt debt of the Obligated Group.

In addition to the foregoing proposals with respect to income by not-for-profit corporations, various state and local governmental bodies have challenged the tax-exempt status of not-for-profit institutions and have sought to remove the exemption of property from real estate taxes of part or all of the property of various not-for-profit institutions on the grounds that a portion of its property was not being used to further the charitable purposes of the institutions or that the institutions did not provide sufficient care to indigent persons so as to warrant exemption from taxation as a charitable institution. Several of these disputes have been determined in favor of the taxing authorities or have resulted in settlements.

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

Tax-Exempt Status of the Series 2008A Bonds

The tax-exempt status of the Series 2008A Bonds is based on the continued compliance by the Authority, the Obligated Group and any other users of property financed or refinanced with proceeds of the Series 2008A Bonds with certain covenants relating generally to restrictions on the use of the facilities financed or refinanced with the proceeds of the Series 2008A Bonds, arbitrage limitations, rebate of certain excess investment earnings to the federal government and status of users of the properties financed or refinanced with the proceeds of the Series 2008A Bonds as organizations described in Section 501(c)(3) of the Code (See "Tax Exemption for Nonprofit Hospitals" above). Failure to comply with such covenants could cause interest on all the Series 2008A Bonds to become subject to federal income taxation retroactive to the date of issuance of the Series 2008A Bonds. In the event that the Series 2008A Bonds become subject to federal income taxation retroactive to the date of issuance, the Series 2008A Bonds are not subject to redemption solely as a consequence thereof, although the principal thereof may be accelerated with the consent of the Bond Insurer.

Charity Care

Hospitals are permitted to acquire tax-exempt status under the Code because the provision of health care historically has been treated as a "charitable" enterprise. This treatment arose before most Americans had health insurance, when charitable donations were required to fund the health care provided to the sick and disabled. Some commentators and others have taken the position that, with the onset of employer health insurance and governmental reimbursement programs, there is no longer any justification for special tax treatment for the health care industry, and the availability for tax-exempt status should be eliminated. Management of the Obligated Group cannot predict the likelihood of such a dramatic change in the law.

Federal and state tax authorities are beginning to demand that tax-exempt hospitals justify their tax-exempt status by documenting their charitable care and other community benefits.

As further described above under the caption "BONDHOLDERS' RISKS – Nonprofit Healthcare Environment – Litigation Relating to Billing and Collection Practices," charity care issues also serve as the basis of certain claims against major hospital systems throughout the United States on behalf of uninsured patients. The more than 50 lawsuits filed against nonprofit hospitals raise a number of claims against the hospital defendants, including claims that the defendants, by accepting tax-exempt status, entered into agreements with the federal, state and local governments promising to provide free or reduced care to all those who need it; the uninsured patients are beneficiaries of those agreements and can bring suit on them; the defendants engaged in illegal and oppressive tactics against the uninsured; the defendants engaged in illegal price discrimination by charging the uninsured rates far in excess of the rates charged to such third party payors as Medicare and certain insurers; the defendants violated state consumer fraud statutes; the defendants allowed a portion of their properties to be used by for-profit entities at less than fair value and engaged in other inappropriate transactions with doctors and certain insiders; the defendants transferred monies illegally to their affiliates for other than charitable purposes; and the defendants and the American Hospital Association, another named defendant in many of the lawsuits, conspired with the defendants to charge illegal prices to the uninsured.

Bond Audits

IRS officials have indicated that more resources will be invested in audits of tax-exempt bonds in the charitable organization sector. The Series 2008A Bonds may be, from time to time, subject to audits by the IRS. The Obligated Group believes that the Series 2008A Bonds properly comply with the tax laws applicable to tax-exempt bonds. In addition, Bond Counsel will render an opinion with respect to the tax-exempt status of the Series 2008A Bonds, as described under the caption, "TAX EXEMPTION." No ruling with respect to the tax-exempt status of the Series 2008A Bonds has been or will be sought from the IRS, however, and opinions of counsel are not binding on the IRS or the courts and are not guarantees. There can be no assurance that an audit of the Series 2008A Bonds will not adversely affect the Series 2008A Bonds.

Termination of Managed Care Contracts

Certain health maintenance and preferred provider organization contracts with the Members of the Obligated Group account for approximately 63% of the net patient service revenues of the Obligated Group for the fiscal year ended June 30, 2007, respectively. Some of these contracts can be terminated by the third-party payor at any time without the necessity of showing cause upon as little as 90 days' prior written notice. Termination of such contracts could have an adverse effect on the financial performance of the Obligated Group. See "CERTAIN FINANCIAL AND UTILIZATION INFORMATION - Reimbursement and Third Party Payors -- Managed Care" in ***APPENDIX A*** hereto.

Capitated Payments

Under the traditional fee-for-service method of health care delivery, hospitals, physicians and other providers are reimbursed on a per-service basis and thus have a financial incentive to provide more services, which, in turn, generate more revenue. Under a capitated payment arrangement, in contrast, providers are reimbursed on a "per member, per month" basis; the provider bears some or all of the risk if the cost of services provided exceeds the amount of the capitation payments. This creates an incentive to control utilization of services.

Capitated contracts may cover hospital and professional services separately, or together as "full-risk" contracts. In either case, the provider assumes financial responsibility for the provision of covered

health care services to enrollees under such contracts. The financial risk of such arrangements for a hospital is increased by a variety of factors, including, but not limited to, the following: utilization of facilities and services by enrollees above expected levels; increases in the hospital's cost of providing health care services; increases in the cost of emergency care provided by out-of-area providers; increases in the cost of tertiary care provided by providers other than the hospital; and the size or demographic makeup of the enrollee pool. Insufficient information regarding historical costs, utilization or other factors or inability to manage care jointly with other providers (including physicians) may adversely affect a network's ability to manage the risks of a capitated payment arrangement. The Obligated Group received 2% of its total revenue from capitated contracts for the fiscal year ended June 30, 2007.

Labor Relations

Not-for-profit health care providers and their employees are under the jurisdiction of the National Labor Relations Board. At the present time, none of the Obligated Group's employees are members of unions or receive union wages and benefits. Unionization of employees or a shortage of qualified professional personnel could cause an increase in payroll costs beyond those projected. The Members of the Obligated Group cannot control the prevailing wage rates in their respective service areas and any increase in such rates will directly affect the costs of their operations. See ***APPENDIX A*** –"EMPLOYEES" hereto for additional information.

Incurrence of Additional Indebtedness

The Master Indenture permits Additional Indebtedness to be incurred by the Members of the Obligated Group, and permits Additional Indebtedness to be secured by Additional Obligations that will be on a parity with the Series 2008A Obligation and may also be secured by security in addition to that provided for the Series 2008A Obligation. See "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE" in ***APPENDIX D*** attached hereto.

Certain Matters Relating to Security for the Series 2008A Bonds

The Facilities of the Members of the Obligated Group are not pledged as security for the Series 2008A Obligation. In addition, such Facilities are not comprised of general purpose buildings and, as described elsewhere herein under the caption "BONDHOLDERS' RISKS - Dissolution of the District and Termination of the Lease," pursuant to the Transfer Agreement the Corporation is required to utilize the Transferred Assets solely to provide health care and related services on a permanent basis. Pursuant to the Transfer Agreement, the deed which conveys the Hospital, land and other Transferred Assets from the District to the Corporation contains a limitation permitting all of the land to be used "solely for the provision of health care and related services to the community" and the Illinois Department of Public Health is granted the power under the Transfer Agreement to enforce the terms of the Transfer Agreement by invoking any other right or remedy allowed at law or in equity, including, without limitation, an action for specific performance. It could be difficult to find a buyer for such Facilities if it were necessary to proceed against such Facilities, whether pursuant to a judgment, if any, against the Members of the Obligated Group, or otherwise. Thus, upon any default which results in the acceleration of the Obligations, including the Series 2008A Obligation, the Master Trustee may not realize an amount sufficient to pay in full the Obligations from the sale of such Facilities.

The Bond Indenture and the Master Indenture each provide that, except during the continuance of an event of default, the Bond Trustee or the Master Trustee, as the case may be, undertakes to perform such duties and only such duties as are specifically set forth in the respective Bond Indenture or Master Indenture, and no implied covenants or obligations should be read into the respective Bond Indenture or Master Indenture against the Bond Trustee or the Master Trustee, as the case may be. If any event of default has occurred and is continuing, the Bond Trustee or the Master Trustee, as the case may be, is

required to exercise such of the rights and powers vested in it under the Bond Indenture or the Master Indenture, as the case may be, and use the same degree of care and skill in their exercise, as an ordinary, prudent person would exercise or use in the conduct of such person's own affairs.

The Bond Indenture and the Master Indenture provide that, prior to taking any action under the Bond Indenture or the Master Indenture (other than payment of the principal or purchase price of and interest on the Series 2008A Bonds or the Series 2008A Obligation, as the case may be, causing an acceleration of the Series 2008A Bonds or the Series 2008A Obligation, as the case may be, when required by the Bond Indenture or the Master Indenture, effecting redemptions of Series 2008A Bonds or requesting payment pursuant to the Bond Insurance Policy), the Bond Trustee or the Master Trustee may require an indemnity bond satisfactory to reimburse the Bond Trustee or Master Trustee, as the case may be, for all costs and expenses to which it may be put and to protect such Trustee against all liability, except liability which is adjudicated to have resulted from its own negligence or willful default.

Certain material amendments to the Bond Indenture and the Loan Agreement may be made with the consent of the Bond Insurer, but without the consent of the Holders of the Series 2008A Bonds, as long as the Bond Insurance Policy is in effect and the Bond Insurer has not lost its consent rights under the Bond Indenture and regardless of the current rating on bonds insured by the Bond Insurer, including such Series 2008A Bonds, or the effect of any such amendments on the rating on such Series 2008A Bonds.

In addition, certain material amendments to the Master Indenture may be made with the consent of the holders of not less than 51% of the principal amount of outstanding Obligations. Such amendments may adversely affect the security of the Bondholders.

Under the terms of the Bond Indenture, the Bond Insurer will be considered the Holder of the Series 2008A Obligation and will have the right to direct the Bond Trustee to take any and all actions and to give any consents, approvals or notices under the Master Indenture so long as the Bond Insurance Policy is in effect and the Bond Insurer has not lost its right under the Bond Indenture and regardless of the current rating on bonds insured by the Bond Insurer, including the Series 2008A Bonds, or the effect of any such actions or amendments on such ratings. For a discussion of what actions may be taken with the consent or direction of 51% or more of the holders of outstanding Obligations under the Master Indenture, see the discussion under "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE" in ***APPENDIX D***. A majority of the holders of outstanding Obligations may be composed wholly or partially of the holders of Obligations other than the Series 2008A Obligation.

The remedies available to the Bond Trustee, the Master Trustee and the owners of the Series 2008A Bonds upon an event of default under the Bond Indenture, the Master Indenture, the Loan Agreement and the Series 2008A Obligation are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including, specifically, Title 11 of the United States Code (the "United States Bankruptcy Code"), the remedies provided in the Bond Indenture, the Master Indenture, the Loan Agreement and the Series 2008A Obligation may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2008A Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by general principles of equity and by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors' generally and laws relating to fraudulent conveyances.

Release and Substitution of Series 2008A Obligation; Changes in Obligated Group Members

Under certain circumstances, the Series 2008A Obligation may be exchanged for the obligation of an entity or a group of entities of which the Corporation (but not necessarily the other Members of the Obligated Group) would be a part. Such entity or group of entities could be financially and operationally

different than the current Obligated Group and could have substantial debt outstanding which would rank on a parity with the obligation substituted for the Series 2008A Obligation. The substitution of such obligation for the Series 2008A Obligation could adversely affect the market price of the Series 2008A Bonds.

For more information see "SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE AND LOAN AGREEMENT — The Bond Indenture -- Bond Trustee Authorized to Vote Master Indenture Obligations; Exercise of Remedies; Substitution of Series 2008A Obligation" in ***APPENDIX E*** hereto.

In addition, any person may become a Member of the Obligated Group or cease being such a Member in accordance with the provisions of the Master Indenture (see the information under the captions "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Entrance into the Obligated Group" and "- Cessation of Status as a Member of the Obligated Group" in ***APPENDIX D*** hereto), resulting in an Obligated Group which is financially and operationally different from the current Obligated Group.

Matters Relating to Enforceability of the Master Indenture

The accounts of the Members of the Obligated Group will be combined for financial reporting purposes and will be used in determining whether the test relating to debt service coverage contained in the Master Indenture is met, notwithstanding the uncertainties as to the enforceability of certain obligations of the Members of the Obligated Group contained in the Master Indenture which bear on the availability of the assets and revenues of the Members for payment of debt service on Obligations, including the Series 2008A Obligation pledged under the Bond Indenture as security for the Series 2008A Bonds. The joint and several obligations described herein of Members of the Obligated Group to make payments of debt service on Obligations issued under the Master Indenture (including transfers in connection with voluntary dissolution or liquidation) to enable the Obligated Group to make payments of debt service on the Obligations may not be enforceable to the extent (1) enforceability may be limited by applicable bankruptcy, moratorium, reorganization or similar laws affecting the enforcement of creditors' rights and by general equitable principles and (2) such payments (i) are requested to make payments on any Obligations which are issued for a purpose which is not consistent with the charitable purposes of the Member from which such payments are requested or which are issued for the benefit of any entity other than a tax-exempt organization; (ii) are requested to be made from any moneys or assets which are donor restricted or which are subject to a direct or express trust which does not permit the use of such moneys or assets for such a payment; (iii) would result in the cessation or discontinuation of any material portion of the health care or related services previously provided by the Member from which such payment is requested; or (iv) are requested to be made pursuant to any loan violating applicable usury laws.

A Member may not be required to make any payment or to transfer funds to provide for the payment of any Obligation, or portion thereof, the proceeds of which were not loaned or otherwise disbursed to such Member to the extent that such payment or transfer would render the Member insolvent or which would conflict with, not be permitted by or which is subject to recovery for the benefit of other creditors of such Member under applicable fraudulent conveyance, bankruptcy or moratorium laws. There is no clear precedent in the law as to whether such payments or transfers from a Member in order to pay debt service on the Obligations may be voided by a trustee in bankruptcy in the event of bankruptcy of the Member, or by third-party creditors in an action brought pursuant to state fraudulent transfer or fraudulent conveyance statutes. Under the United States Bankruptcy Code, a trustee in bankruptcy and, under state fraudulent transfer or fraudulent conveyance statutes and common law, a creditor of a related guarantor, may avoid any obligation incurred by a related guarantor if, among other bases therefor, (1) the guarantor has not received fair consideration or reasonably equivalent value in exchange for the guaranty and (2) the

guaranty renders the guarantor insolvent, as defined in the United States Bankruptcy Code or applicable state fraudulent transfer or fraudulent conveyance statutes, 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 force a Member of the Obligated Group to pay debt service on an Obligation for which it was not the direct beneficiary, a court might not enforce such a payment in the event it is determined that the Member of the Obligated Group is analogous to a guarantor of the debt of the Member who directly benefited from the borrowing and that sufficient consideration for the Member's guaranty was not received and that the incurrence of such obligation has rendered or will render the Member insolvent or the Member is or will thereby become undercapitalized.

The effectiveness of the security interest in the Obligated Group's Gross Receipts granted in the Master Indenture for the benefit of the 2001 Bond Insurer and the Bond Insurer may be limited by a number of factors, including: (i) provisions prohibiting the direct payment of amounts due to health care providers from Medicare and Medicaid programs to persons other than such providers; (ii) the absence of an express provision permitting assignment of receivables owed to a Member of the Obligated Group under its contracts, and present or future prohibitions against assignment contained in any applicable statutes or regulations; (iii) certain judicial decisions which cast doubt upon the right of the Master Trustee, in the event of the bankruptcy of any Member of the Obligated Group, to collect and retain accounts receivable from Medicare, Medicaid and other governmental programs; (iv) commingling of the proceeds of Gross Receipts with other moneys of a Member of the Obligated Group not subject to the security interest in Gross Receipts; (v) statutory liens; (vi) rights arising in favor of the United States of America or any agency thereof; (vii) constructive trusts, equitable or other rights impressed or conferred by a federal or state court in the exercise of its equitable jurisdiction; (viii) federal bankruptcy laws or state insolvency laws which may affect the enforceability of the Mortgage or the security interest in the Gross Receipts of the Obligated Group which are earned by the Obligated Group within 90 days preceding or, in certain circumstances with respect to related corporations, within one year preceding and after any effectual institution of bankruptcy proceedings by or against a Member of the Obligated Group; (ix) rights of third parties in Gross Receipts 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 or other documents are not executed in accordance with the Illinois Uniform Commercial Code as from time to time in effect. Under the Illinois Uniform Commercial Code, such security interest ceases to attach to proceeds of Gross Receipts, e.g., collections of accounts receivable which cannot be traced to a specific account of the Members of the Obligated Group or otherwise have ceased to be "identifiable cash proceeds."

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

Potential Effects of Bankruptcy

If a Member of the Obligated Group were to file a petition for relief (or if a petition were filed against a Member of the Obligated Group) under the United States Bankruptcy Code, the filing would operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against such Member of the Obligated Group and its property. If the bankruptcy court so ordered, such Member's property, including its accounts receivable and proceeds thereof, could be used for the benefit of

such Member of the Obligated Group despite the claims of its creditors. Amounts received by Bondholders with respect to the payment of principal of, Tender Price of and interest on the Series 2008A Bonds during an applicable preference period could be required to be disgorged by the Bondholders to a bankruptcy trustee.

In a bankruptcy proceeding, such Member of the Obligated Group could file a plan for the adjustment of its debts which modifies the rights of creditors generally, or the rights of any class of creditors, secured or unsecured. The plan, when confirmed by the court, would bind all creditors who had notice or knowledge of the plan and discharge all claims against the debtor provided for in the plan. No plan may be confirmed unless, among other conditions, the plan is in the best interests of creditors, is feasible and has been accepted by each class of claims impaired thereunder. Each class of claims has accepted the plan if at least two-thirds in dollar amount and more than one-half in number of the allowed claims of the class that are voted with respect to the plan are cast in its favor. Even if the plan is not so accepted, it may be confirmed if the court finds that the plan is fair and equitable with respect to each class of non-accepting creditors impaired thereunder and does not discriminate unfairly.

Other Risk Factors Affecting the Obligated Group

In the future, the following factors, among others, may adversely affect the operations of the Obligated Group, to an extent that cannot be determined at this time:

(1) Employee strikes and other adverse labor actions that could result in a substantial reduction in revenues without corresponding decreases in costs, and shortage of skilled professionals, such as nurses and technicians.

(2) Reduced need for hospitalization, skilled or intermediate nursing care, elderly housing or other services arising from increased utilization management by third-party payors or from future medical and scientific advances.

(3) Reduced demand for the services provided by the Obligated Group that might result from decreases in population in its service area.

(4) Increased unemployment or other adverse economic conditions in the service area of the Obligated Group that would increase the proportion of patients who are unable to pay fully for the cost of their care.

(5) Any increase in the quantity of indigent care provided which is mandated by law or required due to increased needs of the community in order to maintain the charitable status of the Obligated Group.

(6) Regulatory actions that might limit the ability of the Obligated Group to undertake capital improvements to its facilities or to develop new institutional health services.

(7) Decrease in availability or receipt of grants, or in receipt of contributions or bequests.

(8) Inflation or other adverse economic conditions.

(9) Inability of the Obligated Group to meet or continue to comply with legal, regulatory, professional and private licensing and accreditation requirements, all or some of which may be subject to renewal based on inspection or other criteria.

(10) The attempted imposition of or the increase in taxes related to the property and operations of not-for-profit organizations.

(11) The occurrence of natural disasters, including floods and earthquakes, which may damage the facilities of the Obligated Group, interrupt utility service to the facilities, or otherwise impair the operation and generation of revenues from said facilities.

(12) Laws requiring particular staffing levels at hospitals.

Nursing Shortage

Recently, the healthcare industry, including the Members of the Obligated Group, has experienced a shortage of nursing and other technical staff, which has resulted in increased costs and lost revenues due to the need to hire agency nursing personnel at higher rates and increased compensation levels. The Members of the Obligated Group currently incur periodic agency nursing costs at their facilities. While agency costs are currently incurred, if the shortage continues, it could adversely affect the Obligated Group's operations or financial condition.

Cost and Availability of Insurance

In the past few years, the insurance market for casualty and professional liability insurance has tightened significantly with respect to both cost and availability of coverage, resulting in escalating fees and premiums and in some cases a lack of adequate coverage. See ***APPENDIX A*** – "INSURANCE" hereto for additional information regarding insurance coverage of the Obligated Group.

Risks Related to Variable Rate Indebtedness

Indebtedness outstanding under the Master Indenture in the principal amount of $31,120,000 is subject to variable interest rate exposure, which amount does not include that portion of the Series 2001C Bonds and Series 2008B Bonds subject to an interest rate swap. Such interest rates vary from time to time and may be converted to fixed interest rates. This protection against rising interest rates is limited, however, because the Obligated Group would be required to continue to pay interest at the applicable variable rate until it is permitted to either convert the obligation to a fixed rate pursuant to the terms of the applicable transaction documents or terminate any related swap agreement. In addition, Indebtedness secured by the Master Indenture in the principal amount of $174,320,000, which includes the Series 2001C Bonds and Series 2008BC Bonds, is subject to credit/liquidity facility renewal risk. The amounts set forth in this paragraph reflect the conversion of the Series 2008A Bonds, and the planned refunding of the Series 2007B Bonds and Series 2007C Bonds with the Series 2008BC Bonds.

Recently, the market for auction rate securities has been disrupted to a significant degree such that the Obligated Group is currently paying an average interest rate of approximately 8.95% per annum on its outstanding auction rate securities and has suffered auctions in which sufficient clearing bids have not been obtained resulting in such bonds bearing interest at the maximum rate allowed under the related bond documents. Further, the market for insured variable rate bonds similar to the Refunded Bonds has also come under stress, and interest rate on these bonds have increased over the average rates in recent years. See "PLAN OF FINANCE" for further information on the Obligated Group's plans to respond to this disruption in the market.

Bond Ratings

There is no assurance that the ratings assigned to the Series 2008A Bonds at the time of issuance will not be lowered or withdrawn at any time, the effect of which could adversely affect the market price for, and marketability of, the Series 2008A Bonds. See "RATINGS" herein.

Market for Series 2008A Bonds

The Reoffering Agent has advised the Obligated Group that it intends to make a market in the Series 2008A Bonds; however, the Reoffering Agent is not obligated to make such markets, and no assurance can be given that secondary markets therefor will develop. Consequently, investors may not be able to resell the Series 2008A Bonds purchased should they need or wish to do so for emergency or other purposes.

CONTINUING DISCLOSURE

Because the Series 2008A Bonds are limited obligations of the Authority, the Authority does not intend to provide the Bond Trustee or any holder of the Series 2008A Bonds with any additional information regarding itself or the Series 2008A Bonds after the date of issuance of the Series 2008A Bonds. Moreover, the Authority has no responsibility for compliance by the Members of the Obligated Group, the Obligated Group Agent or the Dissemination Agent (as hereinafter defined) with the requirements of the Master Continuing Disclosure Agreement described below or for the accuracy or completeness of the financial information or operating data provided thereunder.

The Corporation, in its capacity as the Obligated Group Agent, entered into a Master Continuing Disclosure Agreement, as amended and supplemented (the "Master Continuing Disclosure Agreement"), dated as of September 15, 1997, for purposes of complying with the requirements of Rule 15c2-12 (the "Rule") of the SEC under the Securities Exchange Act of 1934, as amended, with respect to the Series 2008A Bonds and other series of Related Bonds (as deemed in the Master Continuing Disclosure Agreement) which may be subject to the requirements of the Rule. Under the Master Continuing Disclosure Agreement, the Obligated Group Agent has appointed the Master Trustee as the dissemination agent for the Obligated Group (in such capacity, "Dissemination Agent") for the purpose of carrying out certain undertakings of the Members of the Obligated Group as set forth in the Master Continuing Disclosure Agreement.

The Master Continuing Disclosure Agreement provides that, among other things: (a) the Obligated Group Agent will agree to provide to the Dissemination Agent, not later than the last day of the sixth calendar month after the end of each fiscal year of the Obligated Group (each an "Annual Report Date"), an annual report (the "Annual Report") containing certain financial information and operating data as more particularly described below; (b) the Dissemination Agent will agree to provide the Annual Report (and any audited financial statements provided separately to the Dissemination Agent as described below) to certain recipients designated therein, including each nationally recognized municipal securities repository ("NRMSIR") designated by the SEC and any Illinois state information depository ("SID"), if and when established; and (c) the Dissemination Agent will agree to notify, among others, each NRMSIR and SID, within five days of each Annual Report Date, of any failure by the Obligated Group Agent to provide the Dissemination Agent with an Annual Report as describe above.

The Annual Report required to be delivered under the Master Continuing Disclosure Agreement will include the following:

(1) the consolidated financial statements of EHSC and its affiliates, for the two most recently completed fiscal years, which may be unaudited if such financial statements have not been approved by the governing body of EHSC prior to the Annual Report Date, provided that the Obligated Group Agent shall provide the Dissemination Agent with the audited financial statements as soon as practicable after they have been approved by the governing body of the Obligated Group Agent;

(2) other financial information consisting of (a) consolidated summary of revenues, gains and expenses of EHSC and its affiliates for each of the two most recently completed fiscal years, (b) a summary

of the percentages of gross patient service revenues of the Obligated Group by payor class for each of the two most recently completed fiscal years, in each case presented in a manner substantially similar to the corresponding information presented with respect to EHSC and its affiliates in ***APPENDIX A*** to this Reoffering Circular; and (c) a management's discussion of financial performance of EHSC and its affiliates for the two most recently completed fiscal years; and

(3) operating data with respect to the Borrower summarizing historical utilization of patient care services presented in a manner substantially similar to the corresponding information set forth in ***APPENDIX A*** to this Reoffering Circular.

The Master Continuing Disclosure Agreement also requires the Obligated Group Agent to provide to the Dissemination Agent, on a timely basis, for dissemination to certain recipients designated therein, including each NRMSIR and SID, if any, notice of the occurrence of any of the following events if such event is determined to be material by the Obligated Group Agent as more particularly provided in the Master Continuing Disclosure Agreement: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the Series 2008A Bonds or other Related Bonds; (7) modifications of rights of holders of the Series 2008A Bonds or other Related Bonds; (8) bond calls with respect to the Series 2008A Bonds or other Related Bonds other than in connection with mandatory sinking fund redemptions; (9) defeasances; (10) release, substitution, or sale of property, if any, securing repayments of the Series 2008A Bonds or other Related Bonds; and (11) rating changes with respect to the Series 2008A Bonds or other Related Bonds.

The Master Continuing Disclosure Agreement permits the Obligated Group Agent to specify other types of financial information or operating data to be included in each Annual Report in lieu of the financial information or operating data described above under certain circumstances, and the Master Continuing Disclosure Agreement may otherwise be amended or compliance with the terms thereof waived, provided that, among other things, there is delivered to the Dissemination Agent in connection therewith an opinion of nationally recognized securities disclosure counsel to the effect that the undertakings of the Master Continuing Disclosure Agreement (taking into account the types of financial information or operating data then to be provided or the amendments or waiver then to be effected) would then continue to comply with the Rule.

In the event of a failure by the Obligated Group Agent to comply with any of its obligations under the Master Continuing Disclosure Agreement, the Dissemination Agent or any Bondholder may and, upon the written direction of Bondholders (or the Bond Trustee) owning at least 25% in aggregate principal amount of Related Bonds then outstanding, the Dissemination Agent shall take such actions as it may deem necessary (including, but not limited to, seeking specific enforcement) to cause the Obligated Group Agent to comply with such obligations. The failure by the Members of the Obligated Group or the Obligated Group Agent to comply with the provisions of the Master Continuing Disclosure Agreement with respect to the Series 2008A Bonds will not constitute an event of default under the Master Indenture, the Bond Indenture or the Loan Agreement.

The obligations of the Obligated Group Agent, the Members of the Obligated Group and the Dissemination Agent under the Master Continuing Disclosure Agreement will terminate at such time as the Series 2008A Bonds or any Related Bonds are no longer outstanding under the Bond Indenture or any Related Bond Indenture (as defined in the Master Continuing Disclosure Agreement).

APPROVAL OF LEGALITY

Certain legal matters incident to the reoffering of the Series 2008A Bonds are subject to the opinion of Chapman and Cutler LLP, Chicago, Illinois, as Bond Counsel ("Bond Counsel"), who has been retained by, and acts as, Bond Counsel to the Authority. A form of Bond Counsel's opinion with respect to the reoffering of the Series 2008A Bonds is attached hereto as ***APPENDIX F***. Bond Counsel has not been retained or consulted on disclosure matters and has not undertaken to review or verify the accuracy, completeness or sufficiency of this Reoffering Circular or other offering material relating to the Series 2008A Bonds and assumes no responsibility for the statements or information contained in or incorporated by reference in this Reoffering Circular, except that in its capacity as Bond Counsel, Chapman and Cutler LLP has, at the request of the Reoffering Agent, reviewed the information and summaries contained in this Reoffering Circular under the captions "THE SERIES 2008A BONDS" (excluding any information relating to DTC and its book-entry only system, "SECURITY FOR THE SERIES 2008A BONDS" (but only such information appearing under the subcaptions thereof entitled "Loan Agreement," "Amendments of the Bond Indenture, Loan Agreement and Series 2008A Obligation" and "Limited Obligation of Authority") and in ***APPENDIX E*** to this Reoffering Circular solely to determine whether such information and summaries conform to the Series 2008A Bonds, the Bond Indenture and the Loan Agreement (apart from any information relating to DTC and its book-entry only system) and are accurate in all material respects. Certain other legal matters will be passed upon for the Members of the Obligated Group by their special counsel, McDermott Will & Emery LLP, Chicago, Illinois, for the Authority by its counsel, Burke Burns & Pinelli, Ltd., and for the Reoffering Agent by its counsel, Sonnenschein Nath & Rosenthal LLP, Chicago, Illinois.

TAX MATTERS

Federal Tax Matters Relating to the Series 2008A Bonds

Federal tax law contains a number of requirements and restrictions which apply to the Series 2008A Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of Series 2008A Bond proceeds and the facilities financed or refinanced therewith, and certain other matters. The Authority and the Borrower have covenanted to comply with all requirements that must be satisfied in order for the interest on the Series 2008A Bonds to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the Series 2008A Bonds to become includible in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2008A Bonds.

Subject to compliance by the Authority and the Borrower with the above-referenced covenants, under present law, in the opinion of Bond Counsel, interest on the Series 2008A Bonds is excludable from the gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations. Interest on the Series 2008A Bonds is taken into account, however, in computing an adjustment used in determining the federal alternative minimum tax for certain corporations.

In rendering its opinion, Bond Counsel will rely upon certifications of the Authority and the Borrower with respect to certain material facts within the knowledge of the Authority and the Borrower and will rely on the opinion of McDermott Will & Emery LLP, special counsel to the Obligated Group, that the Borrower is a 501(c)(3) organization and as to certain other matters. Bond Counsel's opinion represents its legal judgment based upon its review of the law and the facts which it deems relevant to render such opinion and is not a guarantee of a result.

The Code includes provisions for an alternative minimum tax ("AMT") for corporations in addition to the corporate regular tax in certain cases. The AMT, if any, depends upon the corporation's alternative

minimum taxable income ("AMTI"), which is the corporation's taxable income with certain adjustments. One of the adjustment items used in computing AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). "Adjusted current earnings" would include all tax-exempt interest, including interest on the Series 2008A Bonds.

Ownership of the Series 2008A Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Series 2008A Bonds should consult their tax advisors as to the applicability of any such collateral consequences.

The issue price (the "Issue Price") for each maturity of the Series 2008A Bonds is the price at which a substantial amount of such maturity of the Series 2008A Bonds is first sold to the public. The Issue Price of a maturity of the Series 2008A Bonds may be different from the price set forth, or the price corresponding to the yield set forth, on the cover page hereof.

Owners of Series 2008A Bonds who dispose of Series 2008A Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase Series 2008A Bonds in the public offering, but at a price different from the Issue Price or purchase Series 2008A Bonds subsequent to the initial public offering should consult their own tax advisors.

If a Series 2008A Bond is purchased at any time for a price that is less than the Series 2008A Bond's stated redemption price at maturity, the purchaser will be treated as having purchased a Series 2008A Bond with market discount subject to the market discount rules of the Code (unless a statutory de minimis rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Series 2008A Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Series 2008A Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Series 2008A Bonds.

An investor may purchase a Series 2008A Bond at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as "bond premium" and must be amortized by an investor on a constant yield basis over the remaining term of the Series 2008A Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax-exempt bond. The amortized bond premium is treated as a reduction in the tax-exempt interest received. As bond premium is amortized, it reduces the investor's basis in the Series 2008A Bond. Investors who purchase a Series 2008A Bond at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the Series 2008A Bond's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Series 2008A Bond.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive dates, that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Series 2008A Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to Series 2008A Bonds issued prior to enactment. Prospective purchasers of the Series 2008A Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The IRS has an ongoing program of auditing tax–exempt obligations to determine whether, in the view of the IRS, interest on such tax–exempt obligations is includible in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the IRS will commence an audit of the Series 2008A Bonds. If an audit is commenced, under current procedures the IRS may treat the Authority as a taxpayer and the holders of the Series 2008A Bonds may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Series 2008A Bonds until the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax-exempt obligations, including the Series 2008A Bonds, are in certain cases required to be reported to the IRS. Additionally, backup withholding may apply to any such payments to any Series 2008A Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Series 2008A Bond owner who is notified by the IRS of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

Illinois Tax Matters

Interest on the Series 2008A Bonds is not exempt from present Illinois income taxes. Ownership of the Series 2008A Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Series 2008A Bonds. Prospective purchasers of the Series 2008A Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

RATINGS

S&P and Moody's have assigned the Series 2008A Bonds long-term ratings of AAA, with negative outlook and Aaa, with negative outlook, respectively. Such ratings are based on the Bond Insurance Policy of the Bond Insurer. S&P and Moody's have also assigned underlying long-term ratings of A+ and A2, respectively, to the Series 2008A Bonds based upon the senior long-term unenhanced debt of the Obligated Group, which ratings are independent of the Bond Insurance Policy. Such ratings reflect only the view of the rating agency providing the same, and an explanation of the significance of such ratings may be obtained only from the rating agency furnishing the same. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2008A Bonds.

FINANCIAL STATEMENTS

The consolidated financial statements of EHSC at June 30, 2007 and 2006 and for the years then ended, included in ***APPENDIX B*** hereto, have been audited by Ernst & Young LLP, independent auditors, as stated in their report appearing therein. The financial statements included in ***APPENDIX B*** hereto are not necessarily indicative of the financial results to be achieved for future periods. Certain operational and unaudited financial information of the Corporation for the seven-months ended January 31, 2008 and 2007 is included in ***APPENDIX A***. Certain unaudited consolidated financial statements of EHSC for the seven months ended January 31, 2008 are included in ***APPENDIX C***. The results of operations for the seven-month period ended January 31, 2008 should not be considered to be indicative of the results for the fiscal year ending June 30, 2008.

The audited consolidated financial statements of EHSC and its affiliates included in *APPENDIX B* hereto include certain affiliates that are not part of the Obligated Group. The excluded affiliates that appear in ***APPENDIX B*** hereto represent approximately 3% and 3% of the consolidated total assets and approximately 1% and 2% of consolidated total operating revenues for the years ended June 30, 2007 and 2006, respectively.

RELATIONSHIP OF CERTAIN PARTIES

McDermott Will & Emery LLP, special counsel to the Obligated Group, also represents an affiliate of Citigroup Global Markets Inc. from time to time in swap and other derivative transactions.

PURCHASE AND REOFFERING

The Series 2008A Bonds are expected to be reoffered by the Reoffering Agent on or about April 9, 2008 pursuant to a Purchase and Remarketing Agreement, between the Obligated Group and the Reoffering Agent (the "Purchase Agreement"). The Series 2008A Bonds are expected to be reoffered at an aggregate purchase price of $85,733,137.25, which reflects $366,862.75 of aggregate net original issue discount. The Obligated Group will pay a fee of $417,585 to the Reoffering Agent in connection with its services under the Purchase Agreement.

The Reoffering Agent intends to offer the Series 2008A Bonds to the public initially at the prices set forth on the cover page of this Reoffering Circular, which may subsequently change without any requirement of prior notice. The Reoffering Agent reserves the right to join with dealers and other reoffering agent in offering the Series 2008A Bonds to the public. The Reoffering Agent may offer and sell the Series 2008A Bonds to certain dealers at prices lower than the public offering prices. In connection with this offering, the Reoffering Agent may overallot or effect transactions that stabilize or maintain the market price of the Series 2008A Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The obligations of the Reoffering Agent to accept delivery of the Series 2008A Bonds will be subject to various conditions of the Purchase Agreement. The Purchase Agreement provides that the Reoffering Agent will purchase all of the Series 2008A Bonds if any are purchased and contains the agreement of the Obligated Group to indemnify the Reoffering Agent against certain liabilities. Any amounts received by the Reoffering Agent in excess of the amount necessary to pay 100% of the principal amount of and accrued interest on the Series 2007A Bonds on the Conversion Date will be used to pay costs related to the conversion or to fund health care capital expenditures of the Hospital.

MISCELLANEOUS

The references herein to any applicable law, the Master Indenture, the Series 2008A Obligation, the Bond Indenture, the Ninth Supplement, the Master Continuing Disclosure Agreement and the Loan Agreement are brief summaries of certain provisions thereof. Such summaries do not purport to be complete, and for full and complete statements of the provisions thereof reference is made to any applicable law, the Series 2008A Obligation, the Bond Indenture, the Ninth Supplement, the Master Continuing Disclosure Agreement and the Loan Agreement. Copies of such documents are on file with the Reoffering Agent and, following the delivery of the Series 2008A Bonds, will be on file at the office of the Bond Trustee. All estimates and other statements in this Reoffering Circular involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact.

It is anticipated that CUSIP identification numbers will be printed on the Series 2008A Bonds, but neither the failure to print such numbers on any Series 2008A Bond nor any error in the printing of such

numbers shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for any Series 2008A Bonds.

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

The Members of the Obligated Group have reviewed the information contained herein which relates to them, their Property and operations and have approved all such information for use within this Reoffering Circular.

The delivery of this Reoffering Circular has been duly authorized by the Authority. The execution and delivery of this Reoffering Circular has been approved by the Obligated Group.

Approved:

EDWARD HOSPITAL, as Obligated Group Agent

By: /s/Pamela Meyer Davis
President and Chief Executive Officer

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APPENDIX A

INFORMATION REGARDING THE OBLIGATED GROUP

The information contained in this Appendix A has been obtained from the Obligated Group and from other sources as shown herein.

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INTRODUCTION

THE OBLIGATED GROUP

General

As of the date of this Reoffering Circular for the Series 2008A Bonds, Edward Hospital (the "Corporation"), which owns and operates an acute care hospital with 288 operating and 317 licensed beds known as Edward Hospital (the "Hospital"), Edward Health Services Corporation ("EHSC"), Edward Health Ventures ("Ventures") and Edward Health and Fitness Center ("Fitness"), each of which is an Illinois not-for-profit corporation, and Naperville Psychiatric Ventures d/b/a Linden Oaks Hospital ("NPV"), an Illinois general partnership which owns and operates an acute psychiatric hospital with 96 operating and 110 licensed beds known as Linden Oaks Hospital ("Linden Oaks"), are Members of the Obligated Group under the Amended and Restated Master Trust Indenture dated as of September 1, 1997. References herein to the Obligated Group and the Members of the Obligated Group shall be deemed to include the Corporation, EHSC, Ventures, Fitness and NPV. Capitalized terms used but not defined in this **APPENDIX A** shall have the meanings ascribed thereto elsewhere in this Reoffering Circular.

Tax Exempt Status

Each of the Corporation, EHSC, Ventures, Fitness and NPV is an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), which is exempt from federal taxation under Section 501(a) of the Code and is not a "private foundation" as defined in Section 509(a) of the Code (a "Tax-Exempt Organization").

DESCRIPTION OF THE MEMBERS OF THE OBLIGATED GROUP

Set forth below are brief descriptions of the Members of the Obligated Group and their respective operations.

EHSC

EHSC coordinates the health care related activities of the other Members of the Obligated Group, hereinafter sometimes referred to as the "EHSC System." In addition to exercising overall control over the EHSC System, EHSC provides administrative and operational support to the members of the EHSC System. Its revenues are derived primarily from intercompany billings for management services provided to the members of the EHSC System. Management and support salaries comprise the major part of the operating expenses of EHSC.

The Corporation

The Corporation operates the Hospital, located in the City of Naperville, Illinois, which is in northeastern Illinois, approximately 25 miles west of Chicago. The Hospital is licensed for 317 beds and operates 288 acute care beds as of February 29, 2008. The licensed bed complement consists of 199 medical-surgical beds, 7 pediatric beds, 60 intensive care beds, 39 obstetric/gynecology beds, and 12 neonatal intensive care Level III beds. All of the beds are located in private rooms, except for the neonatal intensive care beds. The Hospital's operating bed capacity was increased by 42 inpatient beds to a total of 288 beds in October of 2007 when the addition to the Heart Hospital became operational. This

expansion consisted of 28 medical surgical and 14 intensive care unit ("ICU") beds. A multi-phased renovation and expansion project is currently underway to allow utilization of all 317 licensed beds by summer 2011.

Cardiovascular Services

The Hospital's cardiovascular services are located within the 113-bed Heart Hospital. These services include education and prevention, cardiac diagnostic testing, cardiac catheterization, cardiac surgery, inpatient critical care and telemetry, cardiac rehabilitation and the Community Training Center. In 2005, Health Grades ranked overall Cardiac Services at the Heart Hospital among the top 5% in the nation. In 2006, the Hospital was designated a Top 100 Hospital for Cardiovascular Care by Solucient. The Hospital has also been designated a Blue Distinction Center for Cardiac Care by Blue Cross/Blue Shield and a Premium Cardiac Hospital by United Healthcare.

Emergency Services

The Hospital operates a comprehensive Emergency Department and a Level II trauma center. The Hospital also offers a separate Pediatric Emergency Department that is fully staffed by board certified pediatric emergency medicine physicians. The Emergency Department recently completed a major expansion and renovation providing capacity for 70,000 visits per year. In addition to emergency services at the Hospital, Immediate Care Centers are operated in Bolingbrook, Illinois (approximately five miles from the Hospital) and in Plainfield, Illinois (approximately 13 miles from the Hospital); a third Immediate Care Center is scheduled to open in Oswego, Illinois in June, 2008 (approximately 15 miles from the Hospital).

Oncology Services

The overwhelming majority of outpatient cancer services are provided through a comprehensive cancer center on the Naperville campus which opened in 2005. The Cancer Center uses the latest technology to provide individually tailored treatment plans to its patients, including chemotherapy and advanced radiation therapy. The Cancer Center also has an active research program, partnering with national organizations such as the American Cancer Society and the National Cancer Institute to involve patients in clinical studies. In addition to medical services, the Cancer Center offers various ancillary programs such as genetic counseling, yoga classes and Reiki clinics, and multiple support groups for patients, families and caregivers. There are satellite Cancer Center locations in Yorkville and Plainfield (approximately 22 and 13 miles, respectively, from the Hospital), where physician and infusion services are provided.

Women and Children's Services

A wide range of services focused specifically on women's health care are available at the Hospital, such as general and high risk obstetrical and perinatal services, gynecologic oncology treatments, and pelvic floor rehabilitation. The Hospital also offers state-of-the-art imaging for women, including mammography and bone density scanning. Additionally, the Hospital provides many health care services for children. The children's product line includes Level III NICU services, general pediatrics, pediatric intensive care ("PICU"), a Pediatric Emergency Department, pediatric hospitalists, pediatric intensivists and outpatient pediatric services. The Hospital received approval from the Illinois Health Facilities Planning Board ("IHFPB") in October of 2007 to increase obstetric bed capacity from 25 to 39, and these beds are expected to be operational by January of 2009. The approximate cost of this project is $17,000,000, and the Hospital plans to finance this project using cash flow from operations.

History of the Corporation

Prior to 1955, the health care facility located at the site of the Hospital and serving the medical needs of the residents of Naperville was the Edward TB Sanitarium. Because the sanitarium was unable to support itself financially, the Edward Hospital District (the "District") was created in 1959 pursuant to the Illinois Hospital District Act (the "District Act") as a municipal, tax-supported corporation through a public referendum. Pursuant to the District Act, a separately owned and operated corporation known as the Edward Hospital Association, later renamed Edward Hospital was created as an Illinois not-for-profit corporation in 1984. The District then entered into a 99-year lease dated July 1, 1984 with the Corporation, whereby the Corporation took over the financial responsibility for the operations of the hospital. Over time, with revenue generated through private tax-exempt and taxable financings as well as ongoing operations, the Corporation replaced or renovated all of the District's hospital facilities and in its place developed the successor facilities that comprise the state-of-the-art facilities that today are known as the Hospital.

On July 12, 1999, the Board of Directors of the District adopted an Ordinance authorizing the dissolution of the District. As a part of the dissolution process, the District entered into a binding contract with the Corporation dated September 21, 1999 and amended January 7, 2000 (the "Transfer Agreement") that requires: (i) the Corporation to provide hospital services on a permanent basis to the inhabitants of the District; (ii) the Corporation to discharge or assume all remaining debts, liabilities and obligations of the District in return for the transfer to the Corporation of all assets of the District; and (iii) the Illinois Department of Public Health ("IDPH") to be a party to the contract as the trustee for the inhabitant's interests following the District's dissolution. As further required for dissolution pursuant to the District Act, the Circuit Court of DuPage County found that the District had fulfilled its obligations under the District Act, and ordered the District dissolved effective November 1, 2000. Upon dissolution, all remaining assets of the District, including the leased assets and the real property, were transferred to the Corporation.

The Transfer Agreement imposes certain ongoing requirements on the Corporation including obtaining a two-thirds (2/3) affirmative vote of the Corporation's Board of Trustees prior to: (i) the adoption of a plan of dissolution, merger or consolidation of the Corporation; or (ii) the authorization of any transaction providing for the sale or other disposition of all or substantially all of the assets of the Corporation. The Corporation also must maintain its existing license to operate the Hospital from IDPH and use its best efforts to maintain accreditation by The Joint Commission or other accreditation applicable to hospitals of the Corporation. Further, the Corporation must take all actions necessary and consistent with market conditions to provide health care and related services at a level at least comparable to the quality of care provided on the date of dissolution and must at all times maintain certification by the federal Medicare and state Medicaid programs and their successors, if any.

Upon default by the Corporation of any of its material obligations under the Transfer Agreement, IDPH must give the Corporation written notice of such default. If the default is not cured by the Corporation within ninety (90) days of its receipt of such notice, IDPH has the right to enforce the terms of the Transfer Agreement by invoking any other right or remedy allowed at law or in equity, including, without limitation, an action for specific performance.

In addition to the Hospital, the facilities of several other members of the EHSC System are currently located on land owned by the Corporation. These facilities include one of Fitness's fitness centers (described below), Linden Oaks, Edward Medical Office Building I, a 61,000 square foot medical office building constructed in 1988, and Edward Medical Office Building II, a 75,000 square foot medical office building constructed in 1993. Physician offices are located in Edward Medical Office Building I and II. There are currently 15 tenants in Edward Medical Office Building I, which is completely occupied, and 21 tenants in Edward Medical Office Building II, which is at 95% occupancy.

Edward Health Ventures

Ventures operates non-acute health care services and participates in joint ventures intended to benefit the EHSC System. Ventures' activities fall within the following four areas: (1) provision of non-acute health care services through operation of the Edward Medical Group and the Linden Oaks Medical Group, which are groups of employed physicians providing primary care and psychiatric care respectively in medical offices located in Naperville and the surrounding communities; (2) real estate management through the ownership of medical office buildings (located on the Hospital campus in Naperville and on property owned by Ventures in south Naperville and in Bolingbrook), participation in partnerships that are the owners of medical office buildings, or leasing of medical office space, with the purpose of making office space available to various programs of the Corporation as well as to physicians who are on the Hospital or Linden Oaks Hospital medical staffs; (3) real estate ownership, including a 60 acre parcel located in Plainfield, Illinois (the "Plainfield site"), an 87 acre parcel in Yorkville, Illinois, a 2.4 acre parcel in Oswego, Illinois, two private residences located in Naperville, Illinois, just east of the Hospital campus, and the purchase of additional real estate for the purpose of developing locations for the provision of health care services by Ventures, the Hospital and NPV; and (4) provision of business services such as billing, collection and office management to physicians through Edward Management Corporation ("EMC"), an Illinois for-profit corporation that is wholly owned by Ventures. EMC is not a Member of the Obligated Group.

Ventures is also a partner in a number of health care joint ventures which are described under the caption heading **"NON-OBLIGATED AFFILIATES"** below.

Naperville Psychiatric Ventures

NPV owns and operates Linden Oaks, an acute psychiatric hospital with 110 licensed beds located in a separate facility but on the Hospital campus in Naperville, Illinois. NPV is an Illinois general partnership; Ventures owns a 99% partnership interest and EHSC owns a 1% partnership interest in NPV.

Linden Oaks provides inpatient services to children, adolescents and adults who are coping with eating disorders, alcoholism, depression, anxiety, self-injury, and other behavioral health issues. Services are provided by psychiatrists, Registered Nurses, Licensed Clinical Social Workers, Clinical Psychologists, Mental Health Counselors, and Occupational, Art and Music Therapists. Additionally, each patient receives family counseling and referrals to appropriate community and follow-up service providers. In addition to inpatient services, Linden Oaks provides assessment, partial hospitalization, intensive outpatient, traditional outpatient and ongoing support services for most behavioral disorders. Linden Oaks' intake department offers free consultations and assessments twenty-four hours a day, seven days a week for patients and families in crisis, and provides all psychiatric evaluations for the Hospital's emergency and inpatient services. Linden Oaks also provides child/adolescent outpatient services at a separate facility located on Mill Street in Naperville. Linden Oaks also provides partial hospitalization and traditional outpatient services in a satellite facility located in Plainfield, Illinois. Arabella House, a residential care home for clients with eating disorders, is located in the community.

Linden Oaks operates a Therapeutic Day School, which provides alternative elementary and middle school education for children with mental, emotional and behavioral disorders. School services are provided 200 days per year by special education teachers, mental health counselors, teachers' aides, and a school principal.

Community outreach services are a significant part of Linden Oaks's mission. These activities include educational programs and consultations with schools, churches, community groups, special interest groups, professional organizations, and individuals. Services are provided by physicians, nurses, social workers, substance abuse professionals and support staff. These services increase community

awareness of mental health issues and provide opportunities for prevention, detection and early intervention of mental health disorders, and are provided at no cost to the community.

Edward Health & Fitness Center

Ventures is the sole corporate member of Fitness. Fitness owns and operates two fitness centers that are open to the public, one of which is located on the Hospital campus (the "Naperville Fitness Center"), and the other of which is located at Seven Bridges in Woodridge, Illinois, approximately five miles from the Hospital (the "Seven Bridges Fitness Center").

The Naperville Fitness Center is a 64,000 square-foot adults-only facility constructed in 1988. The facility had approximately 7,237 members as of January 31, 2008. It features a six-lane fitness pool, a warm water rehabilitation pool, an indoor running track, and racquetball, basketball and volleyball courts. It also features a full array of weight equipment, fitness and aerobics classes, and comprehensive health and wellness programs.

The Seven Bridges Fitness Center, constructed in 1997, is a 105,000 square-foot facility offering fitness programs for adults and children. As of January 31, 2008, approximately 7,217 members were enrolled. Adult services are comparable to those offered at the Naperville Fitness Center, which are described above. Children's programming, which is offered in separate areas, includes a four-lane lap pool, exercise and recreation rooms, basketball/volleyball courts and age-appropriate child care services. Fitness leases space in the Seven Bridges Fitness Center to the Hospital's Physical Therapy program and an independent physician office.

Clinical Services

As illustrated in the following table, the Members of the Obligated Group offer a wide range of comprehensive clinical services.

OBLIGATED GROUP SERVICES

Service	Inpatient	Outpatient	Service	Inpatient	Outpatient
General medical surgical care	X	X	Nutrition programs	X	X
Pediatric medical surgical care	X	X	Occupational health services	X	X
Obstetrics	X	X	Oncology services	X	X
Medical surgical intensive care	X		Orthopedic services	X	X
Cardiac intensive care	X		Outpatient surgery		X
Neonatal intensive care	X		Patient controlled analgesia (PCA)	X	X
Pediatric intensive care	X		Patient education center	X	X
Psychiatric*	X	X	Patient representative services	X	X
Airborne infection isolation room	X		Physical rehabilitation outpatient services		X
Alcoholism-drug abuse or dependency outpatient services*		X	Primary care department	X	X
Birthing room	X		Psychiatric services/psychiatric child-adolescent services*	X	X
Breast cancer screenings/mammograms	X	X	Psychiatric consultation/Liaison Services	X	X
Cardiology and cardiac surgery services/adult diagnostic/intensive catheterization	X	X	Psychiatric education services*	X	X
Adult interventional cardiac catheterization	X	X	Psychiatric emergency services	X	X
Adult cardiac surgery	X	X	Psychiatric geriatric services*	X	X
Cardiac rehabilitation	X	X	Psychiatric outpatient services*		X
Case management	X	X	Psychiatric partial hospitalization program*	X	X
Chaplaincy/pastoral care	X	X	Intensity-modulated radiation therapy (IMRT)	X	X
Chemotherapy	X	X	Shaped beam radiation system	X	X
Children wellness program		X	Radiology/diagnostic/CT scanner	X	X
Community outreach		X	Electron beam computed tomography	X	X
Computer assisted orthopedic surgery (CAOS)	X	X	Magnetic resonance imaging	X	X
Crisis prevention	X	X	Multi-slice spiral computed tomography	X	X
Dental services	X	X	Positron emission tomography (PET)	X	X
Emergency services/Emergency department	X	X	Positron emission tomography/CT (PET/CT)	X	X
Trauma center Level II	X	X	Ultrasound	X	X
Pain management program		X	Reproductive health/fertility clinic		X
Palliative care program	X	X	Genetic testing/counseling		X
Fitness center		X	Sleep center		X
Freestanding outpatient care center		X	Social work services	X	X
Geriatric services	X	X	Sports medicine	X	X
Health Fair		X	Stereotactic radiosurgery	X	X
Health information center		X	Support groups		X
Health screenings		X	Tobacco treatment/cessation program		X
HIV-Aids services	X	X	Teen outreach services		X
Home health services		X	Urgent care center		X
Hospital-based outpatient care center		X	Volunteer services department		X
Linguistic/translation services	X	X	Women's health center/services	X	X
Neurological services	X	X	Wound management services	X	
Endoscopic services	X	X			

* Provided by Linden Oaks Hospital

Source: Hospital Records
Categories defined by AHA Annual Questionnaire

NON-OBLIGATED AFFILIATES

Certain Corporate Relationships

EHSC is the sole shareholder of EHSC Cayman Segregated Portfolio Company ("EHSC Cayman"). EHSC Cayman is a for-profit offshore captive insurance company organized in the Cayman Islands that provides professional and general liability insurance to organizations within the EHSC System, including the Corporation. See "Insurance" below for a description of the insurance program provided by EHSC Cayman.

EHSC is the parent and sole corporate member of the Edward Foundation (the "Foundation"), an Illinois not-for-profit corporation. The Foundation performs the fund raising and development functions of the EHSC System's not-for-profit entities. In the fiscal years ended June 30, 2006 and 2007, restricted and unrestricted contributions from the general public to the Foundation totaled approximately $1.0 million and $1.2 million, respectively.

The Corporation owns 100% of the shares of Naperville Health Care Associates, Ltd. ("NHCA"), an Illinois for-profit corporation. NHCA operates as a physician/hospital organization and executes capitated contracts with health maintenance organizations ("HMOs") on behalf of member physicians, and also facilitates member physicians in contracting with preferred provider organizations ("PPOs").

Ventures owns 100% of the general partnership interests in the Edward Physician Office Center Limited Partnership, an Illinois limited partnership ("EPOC"). Physician investors own 4% of the limited partnership interest and the remainder is owned by Ventures and the Corporation. EPOC owns and operates Edward Medical Office Building I, a 61,000 square foot medical office building on the Hospital campus in Naperville. Space in EPOC is leased to various programs of the Hospital, as well as independent physicians who are on the Hospital medical staff.

Ventures also holds investment interests in other providers of non-acute health care services. These entities, which are co-owned with a variety of physicians and physicians groups, are designed to promote the development and offering of health services in newer, less costly and more efficient settings. These entities are described below:

Edward Cardiovascular Institute ("ECI") is an Illinois general partnership in which Ventures and another corporation, the shareholders of which are physicians and physician groups, each own 50% of the general partner interests. Changes in the physician self-referral provisions in Section 1877 of the Social Security Act (referred to as the "Stark law") that became effective on January 1, 2007 identified cardiac nuclear medicine diagnostic procedures as a Designated Health Service ("DHS"). Since ECI was a provider of cardiac nuclear medicine diagnostics procedures, this change in the law caused an extensive review of the viability of the ongoing operation of ECI. Following legal and financial review, Ventures and the physician owners determined that ECI should cease being a provider of cardiac nuclear medicine diagnostic procedures, but continue the remainder of its operations. Following an independent fair market valuation, the Hospital purchased the ECI physician owners' interest in the nuclear medicine diagnostics business, and that business is now owned and operated by a new company, Edward Cardiac Diagnostics, L.L.C., which is jointly owned by Ventures and the Hospital. This sale was completed on November 30, 2007. ECI continues to provide significant non-DHS cardiac diagnostic services, including cardiac catheterization.

Northern Illinois Surgery Center, L.P. is an Illinois limited partnership formed by Ventures, DuPage Health Services, Inc. (an affiliate of Central DuPage Hospital), and DuPage Doctors, L.P. (a limited partnership comprised of physicians who are members of the medical staffs of both the

Hospital and Central DuPage Hospital), in order to own and operate the Center for Surgery. The Center for Surgery is an ambulatory surgical center located in Naperville. Ventures owns a one-third general partnership interest and a one-third limited partnership interest.

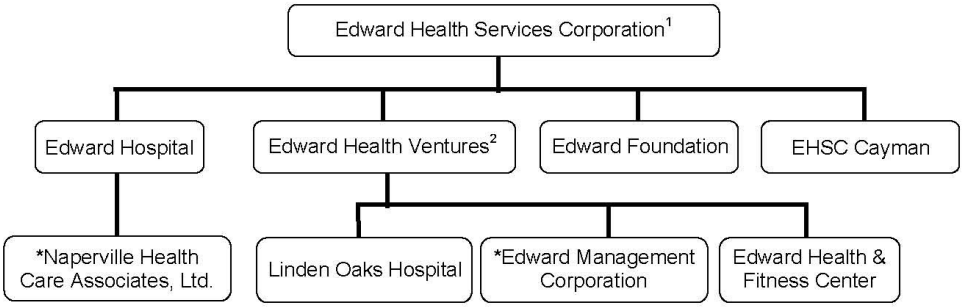
DMG Surgical Center, L.L.C. ("DMGSC") is an Illinois limited liability company formed by Ventures and DuPage Medical Group, Ltd. DMGSC owns and operates a licensed freestanding, multi-specialty ambulatory surgical treatment center located in Lombard, Illinois, which began operation on December 1, 2005. Ventures owns 12.5% of the shares in DMGSC.

Plainfield Surgery Center, L.L.C. ("PSC") is an Illinois limited liability company formed by Ventures in 2005. On September 12, 2006, PSC received approval from the IHFPB to own and operate the Plainfield Surgery Center, an ambulatory surgical treatment center located on the Plainfield site. Membership units in PSC were offered to qualified physicians, and the subscription to investor physicians was successfully completed with 22 physicians owning approximately 55% of PSC. Construction on the Plainfield Surgery Center is nearing completion and the first patient is expected in May of 2008.

THE FOUNDATION, EHSC CAPTIVE, EMC, NHCA, EPOC AND THE JOINT VENTURES DESCRIBED ABOVE ARE NOT MEMBERS OF THE OBLIGATED GROUP AND HAVE NEITHER ANY OBLIGATION NOR ANY LIABILITY FOR THE PAYMENT OF PRINCIPAL OF OR INTEREST OR PREMIUM, IF ANY, ON THE SERIES 2008 OBLIGATIONS OR FOR THE PERFORMANCE OF ANY OBLIGATION UNDER THE MASTER INDENTURE.

An organizational chart describing the relationship between EHSC and its affiliates is set forth on the following page.

EDWARD
HOSPITAL & HEALTH SERVICES



* = For-profit entities

[1] Sole Corporate Member of Edward Hospital, Edward Health Ventures, Edward Foundation and EHSC Cayman

[2] Ventures participates in the following joint ventures and owns 50% or less of each entity:
The Fertility Institute at Edward: Charles E. Miller, MD & Associates, LLC
DMG Surgical Center, LLC
Edward Cardiovascular Institute
Edward Physician Office Center, L.P.
Plainfield Surgery Center, LLC (expected to be operational Summer, 2008)
Northern Illinois Surgery Center, L.P. (The Center for Surgery)

GOVERNANCE AND ADMINISTRATION

Boards of Trustees

EHSC and the Corporation

The business and affairs of EHSC and the Corporation are managed by their Boards of Trustees, which currently consist of 13 voting Trustees, 11 of whom have been elected by the EHSC Board of Trustees. The remaining Trustees, the President and Chief Executive Officer of the Corporation and the President of the Hospital Medical Staff, serve as *ex officio* Trustees, with vote. Pursuant to the Bylaws of both EHSC and the Corporation, the number of Trustees consists of a minimum of 11 Trustees and a maximum of 15 Trustees and ten to 13 of the Trustees are to be elected (as opposed to *ex officio*) Trustees. Further, of the elected trustees, at least one must be a member of the Hospital Medical Staff.

Pursuant to the Bylaws of EHSC and the Corporation, the Boards of Trustees of both EHSC and the Corporation must be composed of the same individuals who serve concurrent, staggered, three-year terms on both Boards, except that, for individuals serving three consecutive terms, their final term is a four-year term. The Bylaws provide that Trustees shall consist of interested persons distinguished by their achievement and good judgment who reside or work in the area served by EHSC and the Corporation and who have expertise in areas that will aid EHSC or the Corporation in the development of their programs and policies. No Trustee (other than Trustees serving *ex officio,* and the Immediate Past Chairman for a term of one year) may serve for more than ten consecutive years.

The Boards of Trustees of the Corporation and EHSC have various standing committees whose members include Trustees, members of administrative staff of the EHSC System, members of the Hospital and Linden Oaks Medical Staffs, and members of the community. The standing committees of the EHSC and the Corporation Board of Trustees consist of an Executive Committee, a Committee on Trustees, a Finance Committee, an Audit Committee, a Quality Committee and a Medical Staff Affairs Committee. There is also an Investment Committee, which is a standing sub-committee of the Finance Committee, which has established guidelines for the EHSC System's investment activities.

The EHSC Executive Committee, which consists of five Trustees, is authorized to exercise all the powers of the Board of Trustees of EHSC between its meetings. So long as the Corporation's Board of Trustees and Board Officers consist of the individuals who concurrently serve on the EHSC Board of Trustees, the EHSC Executive Committee is also authorized to exercise all the powers of the Board of Trustees of the Corporation between its meetings, to the extent permitted by law and not in conflict with the policies of the Board of Trustees of the Corporation.

The members of the Boards of Trustees of EHSC and the Corporation are listed in the following table, together with certain related information, including any office held with members of the EHSC System. The members of the Boards of Trustees of EHSC and the Corporation, as well as various members of the administrative staff of the EHSC System, are also members of the governing bodies of other members of the EHSC System.

BOARDS OF TRUSTEES OF THE CORPORATION AND EHSC

Name/Position	Occupation	Year First Elected	Term Expires (June)
Richard Pehlke Chairman of Board (1)(6)(7)	Executive Vice President/Chief Financial Officer Grubb & Ellis	1998	2008
Rocco Martino Vice Chair of the Board (7)	Partner LaSalle Capital Group, Inc.	2003	2009
Kathryn Birkett (2)	Assistant Superintendent Indian Prairie School District 204	1998	2008
Joseph Beatty (3)(5)(7)	President and Chief Executive Officer Telular Corporation	2004	2010
Gary Cianci, MD (6)	Edward Hospital Medical Staff Member President, Edward Hospital Medical Staff	2008	2009
Pamela Meyer Davis (6)(7)	President and CEO, Edward Health Services Corporation and Edward Hospital	1993	2009
Joseph DePaulo	President DePaulo Incorporated	2006	2009
Francine Long, MD	Edward Hospital Medical Staff Member Chair, Department of Medicine	2005	2008
Timothy Rivelli	Partner Winston & Strawn	2008	2010
Thom Rooke, MD	Cardiologist Mayo Clinic	2001	2011
Alison Ballew Smith (4)(7)	Vice President, Operations Gift of Hope Organ & Tissue Donor Network	2003	2009
William Wheeler	CFO and Vice President of Administrative Services Physicians' Service Center, Inc.	2006	2008
Herman White, Ph.D.	Staff Physicist Fermi National Accelerator Laboratory	1998	2008

(1) Chair, EHSC Executive Committee
(2) Chair, EHSC Committee on Trustees
(3) Chair, EHSC Finance Committee
(4) Chair, EHSC Quality Committee
(5) Chair, EHSC Audit Committee
(6) Co-Chair, Medical Staff Affairs Committee
(7) Executive Committee Member

The business and affairs of Ventures, Fitness and NPV are managed by their respective Boards of Trustees or Directors that consist of eight, five and ten individuals, respectively. The Trustees of Ventures are elected by the EHSC Board to one-year terms. Three of the Trustees must be members of the administrative staff of Ventures, EHSC or the Corporation, and one Trustee must be a member of the Board of Trustees of EHSC, the Corporation or another tax-exempt organization affiliated with EHSC. The members of the Ventures Board concurrently serve as and constitute the Directors of the NPV Board. Additionally, the President of the Linden Oaks Medical Staff and the President of Linden Oaks serve as *ex-officio* members of the Board of Directors, with vote. Furthermore, two additional members from the community serve on the NPV Board of Directors, who are also elected by the EHSC Board. The

Directors of Fitness are elected annually by the Ventures Board of Trustees. All of the Fitness Directors must be members of the administrative staff of Ventures, the Corporation or EHSC, and at least one of the Directors must be a member of the Ventures Board of Trustees.

Policy Regarding Conflicts of Interest

The Members of the Obligated Group occasionally transact business with firms and companies with which members of their governing bodies are affiliated. It is the policy of such governing bodies that such transactions are permitted only after full disclosure is made to such governing bodies of the nature and extent of such affiliations. Members of the governing bodies of the Members of the Obligated Group having such affiliations are not counted in the quorum for a meeting at which any action is to be taken regarding any such transaction and must refrain from voting on the proposed transaction. Management of EHSC believes that compliance with this policy assures that any such transactions undertaken will be fair to the Members of the Obligated Group and that such affiliations will not result in a material conflict of interest on the part of a member of any such governing body.

The Audit Committee

The EHSC Audit Committee oversees the independent internal and external audit functions. The EHSC Audit Committee charter requires its membership to include a financial expert who has an understanding of financial statements and generally accepted accounting principles; an ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves; experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by EHSC's financial statements; and an understanding of internal controls and procedures. In addition to overseeing the internal and external audit functions, the Audit Committee is also responsible for analyzing significant financial information in order to determine the adequacy of internal controls and financial operating procedures. The EHSC Audit Committee reports directly to the EHSC Board of Trustees.

Policy Regarding Corporate Compliance

EHSC's Corporate Compliance Program is designed to (1) support and maintain EHSC's responsibility with regard to participation in government health care programs; (2) further EHSC's goal of establishing an organization that (a) fosters and maintains the highest ethical standards among all of its Board of Trustees, senior mangement, management, employees, and contractors that furnish health care items or services; and (b) values its compliance with all state and federal laws and regulations as a foundation of its corporate philosophy. The EHSC Corporate Compliance Program has been a part of EHSC's culture since 1999. The Corporate Compliance Guidebook provides all EHSC employees with guiding values of conduct and is supplemented with specific policies and procedures detailing how requirements of standards of conduct are to be met. EHSC has an established telephone helpline which allows employees, physicians, contractors, vendors and patients to report any concerns regarding federal healthcare programs or other compliance/ethics issues in a confidential and anonymous manner.

Certain Corporate Restrictions

The Bylaws of the Corporation, Ventures, Fitness and NPV provide that the entities may not take certain significant actions without the prior approval of EHSC, including, among others, the following: (i) the adoption or undertaking of any material deviation from any annual or long-term capital or operational budget; (ii) the creation of any subsidiary; (iii) the incurrence of any long-term borrowing obligation; or (iv) the amendment of their respective Articles of Incorporation or Bylaws. In addition, the Bylaws of the

Corporation provide that EHSC may adopt policies which impose obligations on the Board of Trustees of the Corporation or limitations on the powers of the Board of Trustees of the Corporation which shall be consistent with the Articles of Incorporation and Bylaws of the Corporation. As of the date of this Reoffering Circular, the Board of Trustees of EHSC has not adopted any such policies.

Administrative Staff

The principal members of the administrative staff of EHSC, who are primarily responsible for the daily management of the operations of the Members of the Obligated Group, are listed below, together with brief biographical information. Certain members of the administrative staff are also members of the governing bodies of, and hold offices and management positions with, other members of the EHSC System.

Pamela Meyer Davis, EHSC President and Chief Executive Officer. Ms. Davis joined the staff of EHSC and the Corporation in 1988 as President and Chief Executive Officer. Previously, she served for 11 years in senior administrative positions with Christ Hospital and Medical Center in Oak Lawn, Illinois, including Chief Operating Officer. Prior to that time, she served for two years as Assistant Administrator of Lutheran General Hospital in Park Ridge, Illinois. She holds a BA in Economics/Social Studies and an MA in Hospital and Health Services Administration from the University of Iowa, Iowa City, Iowa. She is a Fellow of the American College of Healthcare Executives, has served on the DuPage Community Clinic Board of Directors, and was a 1990 Fellow in the Leadership Greater Chicago Program. She has also served on the Editorial Board of Frontiers of Health Service Management. Ms. Davis is currently the Board Chairman for the Gift of Hope organ and tissue donor network representing hospitals for the State of Illinois. In addition, she serves as a board member for the following: Workforce Chicago 2.0, the Quad County Urban League, and the Plainfield Economic Partnership. Ms. Davis received the Anti-Defamation League's 2003 Maimonides Health Care Leadership Award honoring individuals in the medical community whose leadership and character are demonstrated in both word and deed. She was also named the *Daily Herald* 2005 Naperville Person of the Year. Ms. Davis serves as President and Chief Executive Officer of EHSC, the Corporation and Fitness, and is a member of the governing body of each wholly-owned entity in the EHSC System.

John Mordach, EHSC Senior Vice President – Finance and Chief Financial Officer. Mr. Mordach joined the staff of EHSC in September 2006 as the Senior Vice President of Finance and Chief Financial Officer. He comes to EHSC with more than 27 years of financial experience in the healthcare industry. Prior to joining EHSC, he served for nine years as the Vice President for Finance at the University of Chicago Hospitals and Health System. Prior to that time, he spent three years at New England Medical Center Hospitals, Inc. in Boston, Massachusetts as Controller and then Vice President of Finance. His previous experience also includes positions at several hospitals in Massachusetts, including Controller of Holy Family Hospital and Medical Center in Methuen, Assistant Vice President for Finance at Anna Jacques Hospital in Newburyport, and Comptroller at The Cambridge Hospital in Cambridge. He also spent four years as an auditor for Peat, Marwick, Mitchell and Company (now KPMG). Mr. Mordach graduated *summa cum laude* with a BS in Business Administration from Merrimack College, North Andover, Massachusetts, and holds an MBA from the University of Chicago, Chicago, Illinois. He is a Certified Public Accountant.

Patricia Anen, EHSC Vice President – Operations. Ms. Anen joined the staff of EHSC in 1998 as the Vice President of Operations and Chief Nursing Officer. She is responsible for many hospital operations that directly service patients, including: Nursing, Emergency Services, Women's and Children's, Pulmonary Services, Home Care, Quality, Pharmacy, Housekeeping, Food Service, and Rehabilitation. Previously, she served at Rush Copley Hospital as Vice President of Quality and Human Resources and then as Vice President of Clinical Operations. Her prior experience includes six years as senior consultant with Hewitt Associates, an international human resources consulting firm, and several

management positions at the University of Illinois Hospital and Clinics in Nursing and Human Resources. Ms. Anen holds a BSN from the University of Illinois, Chicago, Illinois, an MBA from the Kellogg Graduate School of Management at Northwestern University, Evanston, Illinois and has completed the Johnson & Johnson Wharton Fellows Program in Management for Nurse Executives, Philadelphia, Pennsylvania. Ms. Anen currently chairs the MCHC Nursing Expansion Committee and the DuPage Area Healthcare Leadership Council. She sits on the Nursing Spectrum Advisory Board and the Naperville United Way Board of Directors.

Hoda Asmar, M.D., Vice President, Medical Affairs. Dr. Asmar jointed the staff of EHSC in 2006 and has had the responsibilities of medical affairs, medical records, utilization and case management, adult hospitalists, pediatric hospitalists, diabetes center and neurosciences. Dr. Asmar holds a medical degree from St. Joseph's University, completed a fellowship in infectious diseases at Hahnemann University in Philadelphia, and is board certified in Internal Medicine. She holds an MBA from Michigan State University and is a member of the American College of Physicians Executives and the American College of Healthcare Executives. Dr. Asmar serves on the credentialing committee of the American College of Physicians Executives.

Nanette Bufalino, EHSC Vice President and General Counsel. Ms. Bufalino joined the staff of EHSC as General Counsel in November of 1992, and was named an EHSC Vice President in 1994. In addition to legal services, Ms. Bufalino oversees the following EHSC functions: corporate compliance, risk management, insurance procurement including the operation of a captive insurance company, and medical staff services. Previously, she served for three and one-half years at the Illinois Hospital Association in Naperville, Illinois, as Assistant General Counsel and Associate General Counsel, and for three years as an associate with the law firm of Gardner, Carton & Douglas in Chicago, Illinois. She holds a BS degree from the University of Notre Dame, South Bend, Indiana, an MBA with a concentration in hospital and health services administration from Cornell University, Ithaca, New York, and a JD degree from Loyola University, Chicago, Illinois. She has been a member of the Illinois bar since 1986. Ms. Bufalino is a member of the American Health Lawyers Association and the Illinois Association of Healthcare Attorneys, and serves on the Board of Directors of the Illinois Association of Healthcare Attorneys.

Todd A. Conklin, EHSC Vice President – Finance. Mr. Conklin joined the staff of EHSC in 2005 and serves as Vice President of Finance. Mr. Conklin has 20 years of health care experience. Before joining EHSC, Mr. Conklin served as the Vice President and Chief Financial Officer of Saint Anthony Hospital, Chicago, Illinois. His prior experience includes eight years at Loyola University Health System, Maywood, Illinois, as both the Vice President of Finance of the Loyola University Medical Center and the Chief Financial Officer and Treasurer of the Loyola University Physician Foundation, and nine years as a Senior Manager in Audit and Consulting for Deloitte & Touche, LLP in Chicago, Illinois. Mr. Conklin holds a BS in Accounting from Illinois State University, Normal, Illinois and an MBA from the Kellogg School of Management at Northwestern University, Evanston, Illinois. He is also a Certified Public Accountant and is a member of the Illinois CPA Society and the Healthcare Financial Management Association.

Brian P. Davis, EHSC Vice President – Marketing and Government Relations. Mr. Davis joined EHSC in 1998 and oversees governmental relations and marketing – including advertising, customer relationship management, media relations, health promotions and wellness initiatives, e-health strategy, corporate branding, internal communications, publications and crisis communications -- for the EHSC System. He also oversees the Corporation's 700-person volunteer program. He is a former board member of the Naperville Area Chamber of Commerce, and is an adjunct instructor at Lewis University in Romeoville, Illinois. Previously, he served for seven years as Vice President at Golin/Harris Communications, an international public relations firm based in Chicago, and for five years served at Hill

& Knowlton Public Relations. Mr. Davis graduated *cum laude* from the School of Journalism at The Ohio State University, Columbus, Ohio.

Alan S. Kaplan, MD, MMM, FACEP, EHSC Vice President – Chief Medical Officer. Dr. Kaplan joined the staff of EHSC as the Medical Director and Chairman of the Department of Emergency Services in 1994. Shortly thereafter, he became the Vice President – Medical Affairs with responsibility for such Hospital programs as the Emergency Department, Emergency Medical Services Systems, Occupational Health, Urgent Care and Hospital-based Specialists. Today Dr. Kaplan's areas of responsibility have expanded to include information systems services, telecommunications and laboratory. Prior to joining EHSC, he served three years as an attending emergency physician at Hinsdale Hospital, Hinsdale, Illinois. Dr. Kaplan holds an MD degree from Rush Medical College, Chicago, Illinois. He trained as a resident in Otorhinolaryngology at the Mayo Clinic in Rochester, Minnesota for two years. He then completed a residency in Emergency Medicine at Christ Hospital/Rush Medical College, Chicago, Illinois, in 1991 where he served as Chief Resident in his final year of residency. Dr. Kaplan received a Master of Medical Management degree from Carnegie Mellon University in Pittsburgh, Pennsylvania in November 2000. He also serves on the board of the directors for the American College of Physician Executives.

William G. Kottmann, President - Edward Health Ventures, Vice President - EHSC. Mr. Kottmann joined the staff of EHSC as Vice President – Human Resources in 1991 and assumed the position of Vice President of Operations in 1993. In 1996 he became the EHSC Vice President – Physician Integration, and in 2005 he was named President of Ventures. In this role he is responsible for all Ventures, non-hospital entities, physician joint venture development and affiliation strategies, and all real estate development and management for EHSC. Mr. Kottmann also serves as the Chief Executive for Edward Medical Group, a hospital-owned primary care physician group. In addition to his healthcare experience, Mr. Kottmann has more than ten years of experience in the banking and consulting industries. He served as a Vice President for the parent corporations of both Harris Bank (Chicago) and Old Kent Bank (Grand Rapids), with responsibilities for managing the corporate human resources functions for these organizations. He has also served as the Managing Director for a Chicago-based management development consulting firm. Mr. Kottmann holds a BA in Environmental Science from State University of New York at Plattsburgh, an MA in Psychology from Roosevelt University, Chicago, and an MBA from Benedictine University, Lisle, Illinois. He is a Fellow in the American College of Healthcare Executives and a member of the Healthcare Financial Management Association. He has taught at the college level and serves on the board of directors of several community and university organizations.

Mary Lou Mastro, EHSC Vice President – Chief Executive Officer – Linden Oaks Hospital. Ms. Mastro joined the Corporation in 1988 as the Director of Cardiovascular Services charged with starting up programs in cardiac catheterization and cardiovascular surgery. She also served as Executive Director of the Edward Cardiovascular Institute and Vice President Operations for EHSC. She assumed the President position at Linden Oaks Hospital in November of 2002. Since 2006, she has served as Vice President of Construction and Facilities for EHSC. As a senior executive with more than 25 years of hospital experience, she has extensive experience with hospital planning, licensure and regulatory compliance, operations and new business development. Ms. Mastro graduated from the DePauw University BSN program in Greencastle, Indiana, and she holds an MS from Rush University, Chicago, Illinois. She is a Fellow in the American College of Healthcare Executives, a Board Member of the National Association of Psychiatric Healthcare Systems, and a member of the Illinois Hospital Association Behavioral Health Constituency.

Margaret Shontz, EHSC Vice President – Human Resources. Ms. Shontz joined EHSC in 1998 as the Director of Human Resources and was promoted to Vice President in December of 2000. Previously, she served for nine years as Director and Vice President of Human Resources for The Prime Group, Inc. and an affiliate corporation, Brookdale Living Communities, Inc. Ms. Shontz graduated with

a degree in English from the University of Illinois, Champaign, Illinois. She is currently responsible for human resources services for all EHSC entities.

Marianne Spencer, EHSC Vice President – Cardiovascular, Surgical and Radiology Services. Ms. Spencer joined the Corporation in 1988 from Michael Reese Hospital, Chicago, Illinois, where she led the design, development, and operations of the Nathan Cummings Same Day Surgery Center. From 1990 to 2001, Ms. Spencer was the Director of Surgical Services for the Hospital. Ms. Spencer is currently an EHSC Vice President and the Administrator of Cardiovascular Services at the Hospital, which includes responsibility for the Heart Hospital, a state-of-the-art 113-bed cardiac diagnostic and inpatient facility that is a part of the Corporation. Also, she is responsible for Surgical and Radiology Services at the Hospital. She is a graduate of Marquette University, Milwaukee, Wisconsin. Ms. Spencer has more than 25 years of healthcare experience, including the areas of in-house and offsite planning and development, Certificate of Need and regulatory compliance, operations and new business development.

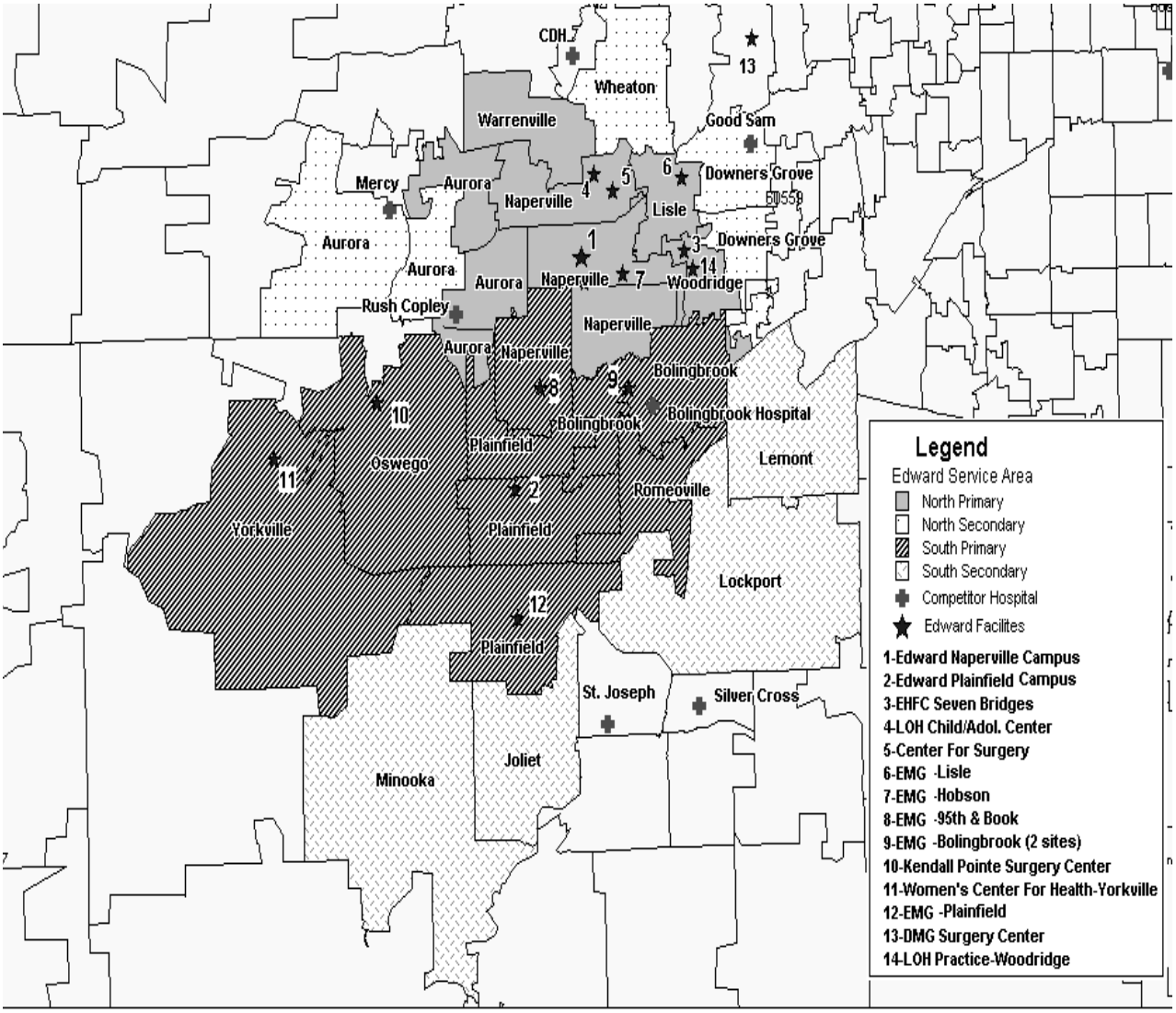
Dennise Vaughn, EHSC Vice President – Corporate Strategy and Business Development. Ms. Vaughn joined the staff of EHSC in 1991. Ms. Vaughn holds a BS in Health Planning and Administration from the University of Illinois, Champaign-Urbana, Illinois and an MBA from DePaul University, Chicago, Illinois. Ms. Vaughn is a Diplomat in the American College of Healthcare Executives. In 1999, she was the Young Executive of the year. She has served as President of the Chicago Area Healthcare Planning and Marketing Association and is a member of the Society for Healthcare Strategy and Market Development. Ms. Vaughn has served on various committees and as a board member for a number of non-for-profit community organizations including: the DuPage Community Clinic, KidsMatter, Naperville Area Chamber of Commerce, Access DuPage and Naperville United Way.

SERVICE AREA

The Corporation and Linden Oaks are located in the City of Naperville, Illinois, which is a southwestern suburb approximately 25 miles outside of Chicago. The EHSC System has identified its service area by examining primarily the zip code residence of patients using the Corporation's and Linden Oaks's services, but also by considering areas with heavy competition and high potential for future growth. Based on a patient origin analysis for inpatient, outpatient and emergency patients, EHSC has identified a Total Service Area definition. The Total Service Area is divided into two geographic zones, the North and South Service Area. The North Service Area represents those zip codes primarily served by the EHSC Naperville Campus. The South Service Area was developed as part of the future planning process for the Plainfield site and represents those areas that the Plainfield campus will likely draw patients from in the future. The North and South Service Areas are divided further into primary and secondary service areas. The primary service area includes those zip codes closer to the facility where the Corporation and Linden Oaks have a stronger market draw or penetration.

The communities of Naperville (excluding south Naperville), Fox Valley, Lisle, Warrenville, and Woodridge represent the Corporation's North Primary Service Area and account for 43.32% of the total inpatient discharges for fiscal year 2008, through January 31, 2008. The communities of south Naperville, Bolingbrook, Romeoville, Plainfield, Oswego and Yorkville represent 33.86% of the Corporation's total inpatient discharges for fiscal year 2008, through January 31, 2008 and constitutes its South Primary Service Area. The Primary Service Area in total represents approximately 77.19% of the total inpatient discharges, while the Secondary Service Area accounts for another 6.73% of patients. The remaining 16.08% of the total inpatient discharges resides outside of the Primary and Secondary Services Areas.

Service Area and Competition Map



The Edward Naperville Campus includes the following facilities and programs of the Obligated Group Members: Edward Hospital, Linden Oaks Hospital, the Naperville Fitness Center, two Edward Medical Group offices and the main offices for EHSC. In addition, the following other facilities and programs are located on this site: the main facilities for the ECI and the IVF Center, the EPOC medical office building Edward Medical Office Building I and Edward Medical Office Building II.

The determinations of the Hospital's primary service area (the "Primary Service Area") and the secondary service area (the "Secondary Service Area") (collectively the "Total Service Area"), as set forth in the table below, have been made by the management of the Corporation based on (a) the zip codes of the residences of patients treated at the Hospital and (b) the proximity to the Hospital of the areas represented by such zip codes. The table indicates the percentages of the Hospital's total inpatient, outpatient and emergency patients that reside in the Primary and Secondary Service Areas. The table indicates the percentages of the Hospital's total inpatient, outpatient and emergency patients that reside in the Primary and Secondary Service Areas. Note that approximately 15.05% of discharged patients reside outside of the defined service area.

EDWARD HOSPITAL IP, OP & ED DISCHARGES BY SERVICE AREA

North Primary Service Area Location	PERCENT OF DISCHARGES	SOUTH PRIMARY SERVICE AREA LOCATION	PERCENT OF DISCHARGES
Naperville (North)	26.85%	Bolingbrook	10.50%
Fox Valley	5.94	Naperville (South)	7.70
Lisle	3.94	Plainfield	12.85
Woodridge	3.16	Romeoville	4.49
Warrenville	0.68	Oswego	1.91
		Yorkville	0.69
North Primary	40.57	South Primary	38.14
North Secondary	3.69	South Secondary	2.55
		Total Service Area	84.95

Source: Corporation Records, FY 2008, July 1, 2007 – January 31, 2008

The Corporation undertakes a semi-annual evaluation of the Hospital's marketshare and opportunities for marketshare growth through population increases, networking, and competitive strategies, thus ensuring that the Corporation's development strategies are aligned with the Corporation's service area.

Characteristics of the Service Area

The Hospital's Service Area is generally comprised of affluent areas that have experienced a significant increase in population over the past decade. From 1990 to 1999, the population of Naperville, which makes up the bulk of the Hospital's Primary Service Area, increased by 34%, resulting in Naperville having the twelfth fastest growing population in the country among cities with a population less than 100,000. (Population Division, U.S. Census Bureau, 2000.) The populations of other communities in the Hospital's primary service area have also increased by 26% from 1990 to 1999. The rate of population growth in the secondary service area also surpassed that of the State of Illinois and the country as a whole during the same period.

Listed below is certain demographic data for the Hospital's service areas as compared to the State of Illinois and the country as a whole.

POPULATION, HOUSEHOLDS, AND AGE					
	1990 Census	**2000 Census**	**2007 Estimate**	**2012 Projected**	**% Change 2000-2007**
NORTH PRIMARY SERVICE AREA					
Population	173,276	229,753	256,663	273,236	11.71%
Households	61,811	83,909	94,222	100,417	12.29%
Median Age	-	33.27	35.14	36.50	5.62%
NORTH SECONDARY SERVICE AREA					
Population	209,430	230,385	252,298	266,112	9.51%
Households	101,532	78,605	85,203	89,233	8.39%
Median Age	-	33.34	34.05	35.22	2.13%
SOUTH PRIMARY SERVICE AREA					
Population	93,724	182,412	274,530	337,658	50.50%
Households	29,123	58,602	89,332	110,269	52.44%
Median Age	-	31.74	32.47	34.08	2.30%
SOUTH SECONDARY SERVICE AREA					
Population	56,563	99,757	137,263	162,418	37.60%
Households	17,908	32,417	45,984	55,202	41.85%
Median Age	-	35.31	35.07	36.54	-0.68%
TOTAL SERVICE AREA					
Population	532,993	742,307	920,754	1,039,424	24.04%
Households	210,374	253,533	314,741	355,121	24.14%
Median Age	-	33.09	33.94	35.35	2.57%
STATE OF ILLINOIS					
Population	11,430,602	12,419,293	12,852,521	13,109,783	3.49%
Households	4,202,240	4,591,779	4,760,856	4,855,574	3.68%
Median Age	32.7	34.68	35.92	37.05	3.58%
UNITED STATES					
Population	248,709,873	281,421,906	301,045,522	314,920,978	6.97%
Households	91,947,410	105,480,101	113,668,003	119,226,741	7.76%
Median Age	32.8	35.3	36.59	37.69	3.65%
Source: Claritas, 2007					

INCOME LEVELS			
AREA	**2000 Census**	**2007 Estimate**	**% Change 2000-2007**
NORTH PRIMARY SERVICE AREA			
Per Capita Income	$33,726	$37,854	12.24%
Median Household Income	$75,852	$83,611	10.23%
NORTH SECONDARY SERVICE AREA			
Per Capita Income	$25,639	$28,195	9.97%
Median Household Income	$58,526	$63,156	7.91%
SOUTH PRIMARY SERVICE AREA			
Per Capita Income	$26,717	$31,065	16.27%
Median Household Income	$71,567	$81,209	13.48%
SOUTH SECONDARY SERVICE AREA			
Per Capita Income	$26,890	$31,301	16.40%
Median Household Income	$67,579	$76,986	13.92%
TOTAL SERVICE AREA			
Per Capita Income	$28,575	$32,206	12.71%
Median Household Income	$68,528	$76,064	11.00%
STATE OF ILLINOIS			
Per Capita Income	$23,104	$26,793	15.97%
Median Household Income	$47,013	$54,421	15.76%
UNITED STATES			
Per Capita Income	$21,587	$25,495	18.10%
Median Household Income	$42,729	$49,314	15.41%

Source: Claritas, 2007

UNEMPLOYMENT RATES					
AREA	**2001**	**2002**	**2003**	**2004**	**2005**
Naperville	3.8%	5.4%	5.3%	4.7%	4.5%
Will County	5.1%	6.3%	6.9%	5.9%	5.5%
DuPage County	3.9%	5.2%	5.2%	4.9%	4.7%
State of Illinois	5.4%	6.5%	6.7%	6.2%	5.7%
United States	4.7%	5.8%	6.0%	5.5%	5.1%

Source: Northeastern Illinois Planning Commission, March, 2006, Naperville and county data; June, 2006, Illinois and US data

COMPETITION AND MARKETSHARE

Set forth below is information relating to the discharges of patients residing in the Corporation's service area from the Hospital and its major hospital competitors during the fiscal years 2005, 2006 and 2007. Since the competitors vary slightly between the North and South Service Areas, the following charts focuses on discharges and market share based on the North Primary and South Primary Service Areas. The Corporation's market share has grown to an all-time high of 24.8% in the Total Service Area for fiscal year 2007.

COMPETITION – NORTH PRIMARY SERVICE AREA

	FY2005 Discharges	FY2005 Market Share	FY2006 Discharges	FY2006 Market Share	FY2007 Discharges	FY2007 Market Share
Total Edward Hospital + Linden Oaks Hospital	**10,260**[1]	**47.2%**	**10,524**[2]	**47.95%**	**10,683**[3]	**48.66%**
Advocate Good Samaritan Hospital	2,181	10.0%	2,191	9.98%	2,046	9.32%
Rush-Copley Medical Center	1,879	8.8%	1,988	9.06%	2,073	9.44%
Central DuPage Hospital	1,771	8.2%	1,848	8.42%	1,959	8.92%
Adventist Hinsdale Hospital	956	4.4%	842	3.84%	784	3.57%
Loyola	631	2.9%	493	2.25%	450	2.05%
Provena Mercy Center	560	2.6%	601	2.74%	499	2.27%
Other		15.9%		15.76%		15.77%
Total		100%		100%		100%

[1] Includes 750 discharges from Linden Oaks Hospital
[2] Includes 842 discharges from Linden Oaks Hospital
[3] Includes 799 discharges from Linden Oaks Hospital
Source: Illinois Hospital Association, CompData, October, 2007

COMPETITION – SOUTH PRIMARY SERVICE AREA						
	FY2005 Discharges	FY2005 Market Share	FY2006 Discharges	FY2006 Market Share	FY2007 Discharges	FY2007 Market Share
Total Edward Hospital + Linden Oaks Hospital	**7,742**[1]	**32.8%**	**8,020**[2]	**33.79%**	**8,453**[3]	**34.37%**
Provena St. Joseph – Joliet	3,698	15.7%	3,656	15.41%	3,794	15.42%
Rush-Copley Medical Center	2,227	9.4%	2,370	9.99%	2,568	10.44%
Adventist Hinsdale Hospital	1,606	6.8%	1,513	6.38%	1,625	6.61%
Advocate Good Samaritan Hospital	1,229	5.2%	1,143	4.82%	1,094	4.45%
Silver Cross Hospital	871	3.7%	812	3.42%	875	3.56%
Provena Mercy Center	823	3.5%	868	3.66%	796	3.24%
Other		22.9%		22.53%		21.91%
Total		100%		100%		100%

[1] Includes 698 discharges from Linden Oaks Hospital
[2] Includes 585 discharges from Linden Oaks Hospital
[3] Includes 611 discharges from Linden Oaks Hospital
Source: Illinois Hospital Association, CompData, October, 2007

In addition to existing hospital competitors already in the Service Area, the IHFPB approved the construction of a new 138-bed hospital in Bolingbrook, Illinois, which opened in January 2008. This facility is affiliated with the Adventist Health Midwest System. The Adventist Bolingbrook Hospital is currently seeking approval from the IHFPB to establish cardiac catheterization services. High population growth in the Corporation's Service Area is expected to mitigate any long-term volume loss resulting from the opening of the Adventist Bolingbrook Hospital. The Hospital will remain highly accessible to the high growth western segment of Bolingbrook, as well as north Romeoville and the northern/western segments of Woodridge. The Hospital has also been actively engaged in strategies to align with physicians in this market.

Other competitors also have expansion plans underway, many of which are concentrated in the South Primary Service Area. In 2005, Provena St. Joseph- Joliet obtained approval for a renovation of its acute care hospital facilities, expected to be completed in 2011. While this will not increase bed capacity, it will substantially modernize the facility. Rush-Copley Medical Center opened a new medical surgical unit in February 2008, which increased its licensed bed capacity by 26, and will be opening an outpatient center in Yorkville by Spring of 2008. Rush-Copley Medical Center also has plans to submit CON applications to build an ambulatory surgical treatment center and a freestanding emergency center in Yorkville. Silver Cross Hospital is seeking IHFPB approval for a $400 million replacement hospital which, if approved, will be 3 miles away from its current campus, expected to be completed in 2011. In October 2007, Central DuPage Hospital obtained approval for a $257 million renovation project, including a medical/surgical bed replacement facility, additional parking and expanded diagnostic imaging. Construction on this facility has not yet begun, but the facility is expected to be completed in 2011. Lastly, Adventist Hinsdale Hospital intends to seek approval from the IHFPB to discontinue 22 acute mental illness beds.

MEDICAL STAFF

The Board of Trustees of the Corporation makes appointments to the Medical Staff of the Hospital and determines clinical privileges based upon recommendations of the Medical Executive Committee. The number of physicians on the Hospital Medical Staff has grown from 881 in 2006 to 929 in 2007 (excluding Honorary staff), representing a 5.2% increase. As of January 31, 2008, there are 942 appointed physicians.

The Medical Staffs for both the Corporation and Linden Oaks are divided into the four classifications described below. A physician's classification is determined by the Board of Trustees based on, among other things, the physician's activity level (that is, the number of patients attended at the Hospital or Linden Oaks respectively), length of service on the Medical Staff, and recommendations of the Medical Executive Committee.

Active - A physician in this classification must meet the specific activity level established by the Board for the physician's specialty.

Courtesy - A physician in this classification attends up to ten patients per year at the Hospital.

Provisional – A physician in this classification has been newly appointed to the Medical Staff, may not hold office or vote, but may serve on Medical Staff committees. Once a physician satisfactorily demonstrates his or her ability to exercise clinical privileges at the Hospital, he or she may be eligible for Active or Courtesy Medical Staff membership.

Honorary - A physician in this classification is not clinically active, is not required to pay Medical Staff dues and may not, with respect to the Medical Staff, vote, hold office or serve on Medical Staff committees.

Allied Health Professionals - Licensed limited practitioners who are permitted by law and the Corporation to provide patient care services independently or dependently at the Hospital are included in this category. Clinical privileges for these practitioners are determined by the Board of Trustees. Psychologists are the only Allied Health Professionals authorized to provide health care services independently. Allied Health Practitioners do not have the rights or responsibilities of the other members of the Medical Staff.

As of January 31, 2008, the 942 members of the Hospital Medical Staff included 507 Active members, 265 Courtesy members, and 170 Provisional members; there are an additional 30 Honorary members. Additionally, there are 87 Allied Health Professionals practicing at the Hospital. Physician satisfaction at the Hospital was at 98% as measured by the Corporation's 2006 Medical Staff Opinion Survey. The average age of the Hospital Medical Staff as of January 31, 2008, was 46 years.

Edward Hospital
Medical Staff Growth

Year	Total Medical Staff	Average Age
July 1, 2003 – June 30, 2004	688	46
July 1, 2004 – June 30, 2005	769	45
July 1, 2005 – June 30, 2006	853	45
July 1, 2006 – June 30, 2007	929	46
July 1, 2007 – January 31, 2008	942	46

The following table presents information relating to the composition of the Hospital Medical Staff by primary care and key specialties as of January 31, 2008, not including Honorary members or Allied Health Professionals.

Edward Hospital Medical Staff
January 31, 2008

Primary Care Physicians	**# of Physicians**	**% of Total**	**Average Age**
Family Practice	75	7%	44
Internal Medicine	98	10%	44
Obstetrics/Gyn	34	3%	47
Pediatrics	86	9%	44
Total Primary Care	**293**	**31%**	**45**
Specialists	649	69%	46
Total	**942**	**100%**	**46**
Key Subspecialties:	**# of Physicians**	**% of Total**	**Average Age**
Cardiology	63	7%	50
Orthopedic Surgery	50	5%	46
General Surgery	29	3%	45

The Linden Oaks Medical Staff consists of 43 psychiatrists, 3 primary care physicians, 7 cardiologists and 92 Allied Health Professionals. As of January 31, 2008, all of the primary care and specialists and 43 of the psychiatrists were also appointed to the Hospital Medical Staff.

Linden Oaks Hospital
Medical Staff Growth

Year	**Total Medical Staff**	**Average Age**
July 1, 2003 - June 30, 2004	52	47
July 1, 2004 – June 30, 2005	50	47
July 1, 2005 – June 30, 2006	47	47
July 1, 2006 – June 30, 2007	50	47
July 1, 2007 – January 31, 2008	53	48

Of the total members of the Medical Staffs at both Linden Oaks and the Hospital, 98% are "board certified"; that is, certified by a medical specialty board. Such certification is evidence that a physician has participated in programs of graduate medical education, acquired competence in a medical specialty and demonstrated proficiency by passing national examinations in that specialty. Since November 1991, the Corporation has required that all initial applicants to the Medical Staff and all physicians granted appointment to the Medical Staff be board certified or board eligible (in general, eligible to take the board examination upon completion of the applicable preparation period) in their relevant specialty.

As of January 31, 2008, the EHSC System employs a small number of physicians who staff the Corporation's emergency department (33 physicians) and immediate care centers (13 physicians), and who staff the corporate health and occupational health services (3 physicians), which are departments of the Hospital. In addition, Ventures employs 61 physicians, including 9 family practitioners, 17 general internists, 5 hematologists/oncologists, 10 adult psychiatrists and 5 child psychiatrists in its ambulatory care centers and 10 pediatric hospitalists and 5 adult hospitalists who provide service at the Hospital. These physicians maintain offices located throughout the Hospital's and Linden Oaks's service area, with

the primary care providers operating under the name "The Edward Medical Group", the hematologists/oncologists under the name "The Edward Hematology Oncology Group" and psychiatrists under the name "Linden Oaks Medical Group." All physicians are employed pursuant to an employment contract which allows either party to terminate with or without cause upon appropriate notice. In the event these contracts are deemed unenforceable, the Corporation could terminate these relationships without material adverse impact on the finances or operations of the Corporation or Ventures. The EHSC System's Physician Network Development Plan includes the recruitment of additional providers to both the Edward and Linden Oaks Medical Groups from 2006 to 2010, with particular focus on the South Service Area.

The following table presents information relating to the ten top admitting physicians at the Hospital as of January 31, 2008.

TEN TOP ADMITTING PHYSICIANS

	Fiscal Year 2008 YTD January 31, 2008	
Specialty	**Discharges[(1)]**	**% of Total**
Internal Medicine	207	1.60%
Internal Medicine	167	1.29%
Internal Medicine	163	1.26%
Obstetrics/Gynecology	160	1.24%
Internal Medicine	160	1.24%
Internal Medicine	156	1.21%
Cardiology	151	1.17%
Obstetrics/Gynecology	150	1.16%
Obstetrics/Gynecology	149	1.15%
Obstetrics/Gynecology	147	1.14%
Total Top Ten	**1,610**	**12.47%**
Admissions by other MDs	11,303	87.53%
TOTAL	**12,913**	**100.00%**

(1) Excludes Newborns, Neonatology and Outpatient services

For Linden Oaks, all of the top ten admitting physicians are psychiatrists. These physicians account for 67.75% of the discharges for the fiscal year 2008 as of January 31, 2008, which is 1,353 of the total of 1,997 discharges for that period. Of these 10 psychiatrists, five are employed by Linden Oaks Medical Group.

EMPLOYEES

General. As of January 31, 2008, the EHSC System employed 4,699 individuals with a total of approximately 3,298 full-time equivalent employees, including registered nurses. EHSC offers its eligible employees a full range of benefit programs which management believes is comparable to benefits offered by other area employers. These benefits include life and disability insurance, medical/dental insurance, retirement savings, education assistance and extensive wellness programming.

None of the Obligated Group's employees is represented by unions. EHSC Management believes that its relationship with its employees is good as evidenced by a 2007 employee opinion survey which resulted in an aggregate 85th percentile overall satisfaction rate.

Nurses. As of January 31, 2008, the EHSC System employed 1,332 full and part-time registered nurses to provide patient care. While the Corporation does not track vacancy rates at this time, the Corporation has experienced a steady decline of voluntary and involuntary nurse turnover from a high of 20% in 1999 to 12.6% for the four quarters ending December 31, 2008.

The American Nurses Credentialing Center ("ANCC") Magnet Recognition Program® ("Magnet") was developed by the American Nurses Credentialing Center to recognize health care organizations that provide the very best in nursing care and have the ability to successfully recruit and retain nurses, even during a time of shortage. The program also provides a vehicle for disseminating successful practices and strategies among nursing systems. Recognizing quality patient care and nursing excellence, the Magnet program provides consumers with a national benchmark to measure the quality of care that they can expect to receive. As a natural outcome of this, the program elevates the reputation and standards of the nursing profession.

In 2001, a committed team of Hospital nurses lead by the Hospital's Chief Nursing Officer began the Magnet process. The Hospital was awarded Magnet status in July, 2005. At that time the Hospital was one of only 3% of the hospitals in the United States to have accomplished this goal. The Hospital plans to apply to retain its Magnet status in 2009.

FUTURE CAPITAL PLANS

Edward Plainfield Hospital. As discussed above, the Corporation's South Service Area is experiencing remarkable population growth, which in turn is creating a substantial demand for health care services. Many residents of this area currently utilize the Hospital's Naperville campus for their healthcare needs; however, this facility is experiencing a high rate of occupancy, which is expected to increase along with the population in the surrounding areas. Therefore, to improve access to healthcare in the South Service Area, the Corporation is seeking approval from the IHFPB to build a 339,365 square foot acute care hospital on land owned by Ventures located at 127th Street and Van Dyke Road in Plainfield, Illinois. The proposed facility would contain 142 beds, a full service emergency department and 6 surgical suites, as well as all related diagnostic and support services. The approximate cost for this project is estimated at $250,000,000.

The Corporation submitted a CON Application for this facility on July 3, 2007. Under the procedural rules of the IHFPB, public hearings have been held and the Corporation will be given the opportunity to appear before the Board and present information relevant to the project. The Corporation is tentatively scheduled to appear before the IHFPB at its meeting in April of 2008.

Naperville Campus Expansion and Renovation. In addition to Edward Plainfield Hospital, a multi-phased renovation and expansion project is currently underway, and it is anticipated that the Hospital will operate all 317 licensed beds by summer 2011. The Hospital has submitted two Certificate of Need ("CON") applications to the IHFPB within the past year to increase the bed capacity to 317, and received approval of these CONs on October 23, 2007 and February 26, 2008. The projects included in these CONs will increase obstetric and ICU capacity at an approximate cost of $17,000,000, and convert the Neonatal ICU to all private rooms at an approximate cost of $16,000,000. The Corporation plans to finance these projects using cash flow from operations.

Plainfield Cancer Center. A second comprehensive outpatient cancer center is also scheduled to be built on the existing Plainfield satellite office site. The new Cancer Center will be approximately 29,000 square feet and offer many of the same services as the Naperville Cancer Center does. This expansion project received approval from the IHFPB in October of 2007, and will cost approximately $18,000,000. The Corporation plans to finance this project using cash flow from operations.

Construction will begin on the project in the Spring of 2008, with completion anticipated for Spring of 2009.

The Corporation is also considering a number of other future capital projects. While there are no current plans to issue additional debt to finance any such projects that may be undertaken, management of the Corporation periodically evaluates its capital financing alternatives. In the future, management may issue debt to finance capital needs, refinance existing debt and/or enter into interest rate exchange agreements to manage its overall capital costs.

INDEBTEDNESS OF THE OBLIGATED GROUP

Pursuant to the Master Indenture, the Obligated Group has previously issued Obligations to secure certain of its indebtedness. The following Obligations, in addition to the 2007 Obligations, are currently outstanding: i) the Series 2001A Obligation, issued in connection with the loan to the Obligated Group by the IHFA of its $45,225,000 Revenue Bonds, Series 2001A (Edward Hospital Obligated Group) which are currently outstanding in the amount of $35,490,000; and ii) the Series 2001C Obligation, issued in connection with the loan to the Obligated Group by the IHFA of its $48,100,000 Variable Rate Demand Revenue Bonds, Series 2001C (Edward Hospital Obligated Group) which are currently outstanding in the amount of $48,100,000. Upon the issuance of the Series 2008 Bonds and the conversion and/or refunding of the Series 2007 Bonds, the Obligated Group would have approximately $295,250,000 in principal amount of Obligations outstanding under the Master Indenture.

CERTAIN FINANCIAL AND UTILIZATION INFORMATION

Selected Utilization Statistics

The following table sets forth certain utilization statistics for the Hospital during the three fiscal years ended June 30, 2007 and the seven month periods ended January 31, 2007 and 2008.

	Fiscal Year Ended June 30			Seven Months Ended January 31	
HOSPITAL (Excludes Nursery)	2005	2006	2007	2007	2008
Licensed Beds	236	236	236	236	288
Staffed Beds	236	236	236	236	288
Percentage Occupancy	95.6%	96.5%	100.5%	97.7%	80.0%
Discharges					
Pediatrics	1,238	1,339	1,235	672	720
Obstetrics	4,049	3,977	4,142	2,372	2,371
Medical-Surgical (including intensive care)	15,561	16,520	17,294	9,941	9,862
Total	20,848	21,865	22,698	13,002	12,963
Patient Days					
Pediatrics	2,516	3,011	3,038	1,594	1,821
Obstetrics	10,995	11,098	11,575	6,569	6,620
Intensive Care	11,910	11,332	12,395	7,049	6,910
Medical-Surgical	56,941	57,668	59,598	34,381	33,968
Total	82,362	83,109	86,609	49,595	49,319
Average Length of Stay (days)					
Pediatrics	2.0	2.2	2.5	2.4	2.5
Obstetrics	2.7	2.8	2.8	2.8	2.8
Medical-Surgical (including intensive care)	4.4	4.2	4.2	4.4	4.1
Total Hospital	4.0	3.8	3.8	3.8	3.8
NURSERY (Includes Special Care Nursery)					
Births	3,983	3,926	4,121	2,341	2,349
Discharges	3,983	3,926	4,121	2,341	2,349
Patient Days	11,306	12,531	13,858	7,965	7,597
Average Length of Stay (days)	2.8	3.2	3.4	3.4	3.2
SELECTED ANCILLARY SERVICES					
Emergency Room Visits	63,670	69,325	72,266	41,862	42,596
Outpatient Registrations	370,386	384,106	420,260	241,142	266,143
Surgeries					
Inpatient	5,507	5,105	5,317	3,029	3,140
Outpatient	9,400	10,094	10,915	5,756	6,640
Medicare Case Mix Index	1.486	1.418	1.470	1.448	1.489

The following table sets forth certain utilization statistics for Linden Oaks during the three fiscal years ended June 30, 2007 and the seven month periods ended January 31, 2007 and 2008.

	Fiscal Year Ended June 30			Seven Months Ended January 31	
LINDEN OAKS HOSPITAL	2005	2006	2007	2007	2008
Licensed Beds	110	110	110	110	110
Staffed Beds	110	110	110	110	110
Percentage Occupancy	49.9%	55.4%	59.1%	52.8%	65.5%
Discharges					
Adult	1,347	1,299	1,419	888	717
Adolescent/Child	1,036	1,073	1,076	589	587
Geropsych	181	180	258	136	173
Special Intensity Unit	79	175	204	102	135
Eating Disorder (PHP)	175	198	240	150	145
SAFE Program	167	181	9	9	-
Addiction Services	-	-	155	-	277
Total	2,985	3,106	3,361	1,874	2,034
Patient Days (Acute)					
Adult	7,429	7,079	7,824	4,599	4,252
Adolescent/Child	5,404	6,482	6,858	3,589	3,962
Geropsych	2,118	2,449	3,158	1,588	2,456
Special Intensity Unit	867	1,754	2,393	1,244	1,422
Eating Disorder (PHP)	1,842	2,216	2,375	1,407	1,322
SAFE Program	2,353	2,250	59	59	-
Addiction Services	-	-	592	-	1,058
Total	20,013	22,230	23,259	12,486	14,472
Average Length of Stay (days)					
Adult	5.52	5.45	5.51	5.18	5.93
Adolescent/Child	5.22	6.04	6.42	6.09	6.95
Geropsych	11.70	13.6	12.2	11.7	14.2
Special Intensity Unit	10.97	10.0	11.7	12.2	10.5
Eating Disorder (PHP)	10.53	11.2	9.9	9.4	9.1
SAFE Program	14.09	12.4	6.6	6.6	-
Addiction Services	-	-	3.8	-	3.8
Total	6.70	7.2	7.1	6.7	7.6
SELECTED ANCILLARY SERVICES					
Outpatient Visits	23,832	26,728	29,250	15,252	17,293

Reimbursement and Third Party Payors

The tables set forth below show the sources of the Hospital's and Linden Oaks' gross patient revenue for the three fiscal years ended June 30, 2007 and the seven-month periods ended January 31, 2007 and 2008.

EDWARD HOSPITAL – SOURCES OF GROSS PATIENT REVENUE

	Fiscal Year Ended June 30			Seven Months Ended January 31	
	2005	**2006**	**2007**	**2007**	**2008**
Medicare	34.6%	33.2%	33.7%	33.9%	33.4%
Managed Care (HMO/PPO)	57.1	58.1	57.7	57.5	57.5
Commercial	1.3	1.4	1.7	1.8	1.7
Blue Cross Indemnity	0.4	0.3	0.1	0.1	0.1
Medicaid	3.7	4.3	4.2	3.9	4.2
Self Pay and Other	2.9	2.7	2.6	2.8	3.1
Total	100.0%	100.0%	100.0%	100.0%	100.0%

LINDEN OAKS HOSPITAL – SOURCES OF GROSS PATIENT REVENUE

	Fiscal Year Ended June 30			Seven Months Ended January 31	
	2005	**2006**	**2007**	**2007**	**2008**
Medicare	15.8%	15.5%	15.0%	15.7%	19.0%
Managed Care (HMO/PPO)	69.5	70.4	67.5	70.7	65.0
Commercial	3.6	2.8	1.9	2.3	0.8
Medicaid	9.2	9.2	8.8	8.2	8.4
Self Pay and Other	1.9	2.1	6.8	3.1	6.8
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Medicare and Medicaid. For the Hospital, both inpatient and outpatient services under the Medicare and Medicaid programs are reimbursed based on a system called the Prospective Payment System ("PPS"). Under PPS, the Hospital is reimbursed for inpatient services based upon prospectively determined rates paid for specific diagnosis related groups (DRGs). Outpatient services under the Medicare program are reimbursed based upon Ambulatory Payment Classifications (APCs). APC reimbursement methodology closely mirrors the DRG payment method in that services provided are bundled on an aggregated basis for a treatment and reimbursed based upon a relative weight with blending formulas. Prior to fiscal year 2006, Linden Oaks was reimbursed based on allowable costs, which are subject to retroactive audit adjustment. In fiscal year 2006, reimbursement was changed to the PPS System described above. Medicare is phasing in the new payment system over four years, therefore, in fiscal year 2008, reimbursement will be based on 75% PPS and 25% cost reimbursed. See "**BONDHOLDERS RISKS**" of this Reoffering Circular for additional information on Medicare and Medicaid programs.

Managed Care. Managed care health insurance plans cover subscribers enrolled in Health Maintenance Organizations ("HMOs"), Preferred Provider Organizations ("PPOs") and other alternative delivery systems. Generally, the healthcare services provided to subscribers to managed care plans are

subjected to higher utilization review standards than traditional indemnity coverage. The Corporation and Linden Oaks have negotiated contracts with all of the major managed care plans in the Chicago area. Reimbursements to the Corporation and Linden Oaks under these contracts are made in the form of per diem and selective case rates for inpatient services and predominantly percentage of charges and case rates for outpatient services. The Corporation derives approximately 57.5% and Linden Oaks approximately 65.0% of its gross patient service revenue from managed care sources including HMOs and PPOs. The Blue Cross Blue Shield of Illinois managed care plans are the Corporation's largest single managed care revenue source. The Corporation participates in a capitation arrangement to provide ancillary healthcare services to patient members of NHCA, which is EHSC's affiliated Physician Hospital Organization. This arrangement is insignificant to EHSC and represents less than 1% of EHSC's total annual revenue.

Commercial Insurance. Approximately 2% of the Corporation's and 1% of Linden Oaks' net patient service revenues are derived from traditional commercial indemnity insurance. Most commercial insurance plans reimburse beneficiaries or providers at established rates. Patients covered under such plans are responsible for any difference between the insurance proceeds and the charges established by the Corporation or Linden Oaks.

Summary of the Consolidated Statements of Operations

The following condensed consolidated statements of operations for the fiscal years ended June 30, 2007, 2006, and 2005 are derived from the audited consolidated financial statements of the EHSC System. The selected data for the seven months ended January 31, 2008 and 2007 are derived from the unaudited interim consolidated financial statements of the EHSC System for such periods and include all adjustments (including normal recurring accruals) management considers necessary to present fairly such information in conformity with accounting principles generally accepted in the United States applied on a basis substantially consistent with that of the audited consolidated financial statements. The consolidated statements of operations do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. The consolidated statements of operations for the seven months ended January 31, 2008 are not necessarily indicative of the operating results to be expected for the year ending June 30, 2008. The information set forth in the following table related to the years ended June 30, 2007, 2006, and 2005, which represents only excerpts from the complete consolidated statements of operations and changes in net assets, should be read in conjunction with the audited consolidated financial statements of the EHSC System set forth in **Appendix B** to this Reoffering Circular and the January 31, 2008 unaudited consolidated financial statements of the EHSC System set forth in **Appendix C** to this Reoffering Circular. The information set forth in the following table related to the seven months ended January 31, 2008 and 2007, which represents only excerpts from the statements of operations and changes in net assets, should be read in conjunction with the January 31, 2008 unaudited interim period consolidated financial statements of the EHSC System set forth in **Appendix C** to this Reoffering Circular.

SUMMARY OF CONSOLIDATED STATEMENTS OF OPERATIONS [1]

	Fiscal Year Ended June 30			Seven Months Ended January 31	
	2005	**2006**	**2007**	**2007**	**2008**
Total Revenue	$425,029,091	$450,210,590	$518,804,410	$294,040,607	$319,472,692
Expenses					
Salaries and Wages	$158,283,922	$171,668,232	$196,032,433	$111,715,679	$120,974,563
Employee Benefits	$33,914,262	$36,847,829	$39,914,628	$22,014,253	$26,586,101
Medical Fees	$7,437,997	$7,632,068	$8,163,009	$4,165,135	$5,030,875
Purchased Services	$34,943,553	$38,019,897	$43,012,587	$23,682,077	$26,940,709
Supplies and other expenses	$102,104,144	$111,301,695	$126,250,189	$71,184,490	$74,793,507
Depreciation and amortization	$33,809,872	$32,780,120	$34,111,817	$21,179,451	$22,324,979
Provision for bad debts	$21,049,088	$21,392,903	$22,571,625	$11,965,663	$13,856,145
Medicaid Provider Tax	$6,299,295	--	$21,940,608	$12,798,688	$6,399,349
Interest expense	$11,639,683	$11,105,895	$10,923,841	$6,567,874	$ 6,567,686
Total expenses	$409,481,816	$430,748,639	$502,920,737	$285,273,310	$303,473,914
Income from Operations	$15,547,275	$19,461,951	$15,883,673	$8,767,297	$15,998,778
Total Non-operating Income – Net	$24,046,495	$17,542,437	$27,209,282	$21,330,311	$(8,042,966)
Revenue and Gains in Excess of Expenses[2]	$39,593,770	$37,004,388	$43,092,955	$30,097,608	$ 7,955,812

(1) The Summary of Consolidated Statements of Operations presented above includes affiliates of the EHSC System that are not Members of the Obligated Group. The Obligated Group represents 99% of the EHSC consolidated total operating revenues and 95% of the consolidated revenue and gains in excess of expenses for the year ended June 30, 2007.

(2) The Obligated Group also represents 99% of the EHSC consolidated total assets as of June 30, 2007.

Historical and Pro Forma Debt Service Coverage

The following table sets forth for the fiscal years ended June 30, 2005, 2006, and 2007 the income of the EHSC System available to cover historical debt service requirements, together with a calculation of the pro forma maximum annual debt service coverage ratio to reflect the conversion and issuance of the Series 2008 Bonds. The pro forma maximum annual debt service ($20,805,196) assumes a variable interest rate of 5.18% (Revenue Bond Index as of April 2, 2008), and applicable letter of credit and remarketing fees on the Series 2001C Bonds and Series 2008BC Bonds.

HISTORIC AND PRO FORMA DEBT SERVICE COVERAGE

	Fiscal Year Ended June 30,			
	2005	2006	2007	Proforma 2007
Revenue and Gains in Excess of Expenses	$39,593,770	$37,004,388	$43,092,955	$40,582,370
Depreciation, Amortization and Interest	$45,449,555	$43,886,015	$45,035,658	$47,546,243
Income Available For Debt Service	$85,043,325	$80,890,403	$88,128,613	$88,128,613
Annual Debt Service	$16,411,013	$16,230,881	$16,343,284	$18,853,869
Historical Debt Service Coverage	5.18x	4.98x	5.39x	4.67x
Maximum Annual Debt Service	$16,578,725	$16,578,725	$18,294,611	$20,805,196
Maximum Annual Debt Service Coverage	5.13x	4.88x	4.82x	4.24x

Trends in Liquidity

The following table sets forth the cash position and liquidity of the EHSC System for the fiscal years ended June 30, 2005, 2006 and 2007. The table also provides a pro forma adjustment to the fiscal year 2007 results to give effect to the conversion and issuance of the Series 2008 Bonds. The pro forma maximum annual debt service ($20,805,196) assumes a variable interest rate of 5.18% (Revenue Bond Index as of April 2, 2008), and applicable letter of credit and remarketing fees on the Series 2001C Bonds and Series 2008BC Bonds.

TRENDS IN LIQUIDITY

	Fiscal Year Ended June 30			Proforma
	2005	2006	2007	2007
Cash and Cash Equivalents	$15,178,338	$10,713,481	$22,007,258	$19,496,673
Board Designated Investments	$231,379,728	$244,889,176	$270,140,109	$270,140,109
Total Cash and Cash Equivalents and Board Designated Investments	$246,558,066	$255,602,657	$292,147,367	$289,636,782
Average Daily Operating Expenses	$971,569	$1,031,714	$1,222,568	$1,229,446
Days Cash on Hand	253.8	247.8	239.0	235.6
Historical Maximum Annual Debt Service	$16,578,725	$16,578,725	$18,294,611	$20,805,196
Cushion Ratio	14.9x	15.4x	16.0x	13.9x

Historical and Pro Forma Capitalization

The following table sets forth the capitalization of the EHSC System for the fiscal years ended June 30, 2005, 2006 and 2007. The table provides a pro forma adjustment to the 2007 results to give effect to the conversion and issuance of the Series 2008 Bonds (as previously described).

HISTORIC AND PRO FORMA CAPITALIZATION*

	Fiscal Year Ended June 30,			Proforma
	2005	2006	2007	2007
Other Revenue Bonds Payable	$240,890,000	$236,995,000	$299,030,000	$299,030,000
Capitalized Leases Payable	$524,234	0	0	0
Total Bonds and Capitalized Leases Payable	$241,414,234	$236,995,000	$299,030,000	$299,030,000
Less: Unamortized Discount or Premium	$(3,002,040)	$(2,905,947)	$215,228	$215,228
	$238,412,194	$234,089,053	$299,245,228	$299,245,228
Less: Current Portion of Long-Term Debt	$(4,146,389)	$(4,090,000)	$(3,780,000)	$(3,780,000)
Long Term Portion of Long-Term Debt	$234,265,805	$229,999,053	$295,465,228	$295,465,228
Unrestricted Net Assets	$308,089,978	$347,521,659	$390,707,750	$388,197,165
Total Capitalization	$542,355,783	$577,520,712	$686,172,978	$683,662,393
Debt To Capitalization	43.2%	39.8%	43.1%	43.21%

* Amounts exclude any loss on refunding of prior bond issues

MANAGEMENT'S DISCUSSION OF FINANCIAL AND OPERATING PERFORMANCE

General

The three years ended June 30, 2007 represented a period of substantial growth in the operations of the EHSC System. Virtually all of the major patient utilization indicators at the Hospital increased significantly. Inpatient discharges increased by 15.7% from 19,615 in fiscal year 2004 to 22,698 in fiscal year 2007. Discharges totaled 12,963 during the seven months ended January 31, 2008 and were substantially the same as discharges in the seven month period of the previous year. Market data for Illinois hospitals seems to indicate that a weak flu season during the seven months ended January 31, 2008 has contributed to modest growth in inpatient business in the Illinois hospital market. Outpatient volumes increased significantly during the three years ended June 30, 2007. Emergency room visits increased by 24.1% from 58,254 in fiscal year 2004 to 72,266 in fiscal year 2007. All other outpatient visits (excluding emergency room visits) rose by 17.9% from 356,351 in fiscal year 2004 to 420,260 in fiscal year 2007. The Hospital's growth in outpatient volumes continued during the seven months ended January 31, 2008, as emergency room visits and all other outpatient visits increased by 1.8% and 10.4% respectively, over the same seven month period of the prior year.

During the three years ended June 30, 2007, the EHSC System produced total cumulative income from operations of $50.9 million, and revenue and gains in excess of expenses of $119.7 million. Strong profitability continued during the seven months ended January 31, 2008 with income from operations totaling $16.0 million as compared to $8.8 million for the same seven month period of the prior year. The increase in income from operations during the seven months ended January 31, 2008 results from continued growth in outpatient clinical volumes and management's focus on revenue cycle improvements and expense control initiatives.

Operating Revenues

Total operating revenues increased by 40.2% during the three years ended June 30, 2007 from $369,942,400 in fiscal year 2004 to $518,804,410 in fiscal year 2007. The major contributor to the EHSC System's revenue growth was the Hospital, where total operating revenue increased by 40% from $328,451,638 in fiscal year 2004 to $459,764,237 in fiscal year 2007. The Hospital's strong revenue growth resulted from the previously discussed increases in both inpatient and outpatient clinical volumes during the three year period. The EHSC System's growth in total operating revenue continued during the seven months ended January 31, 2008 and increased by 8.6% from $294,040,607 during the seven months ended January 31, 2007 to $319,472,692 during the seven months ended January 31, 2008.

Operating Expenses

During the three year period ended June 30, 2007, total operating expenses increased by approximately 41.8% from $354,715,790 in fiscal year 2004 to $502,920,737 in fiscal year 2007. During the three year period ended June 30, 2007, salaries, wages and employee benefits expense increased by 37.1% from $172,093,864 in fiscal year 2004 to $235,947,061 in fiscal year 2007. The increase in salaries, wages and employee benefits expense during the three-year period ended June 30, 2007 primarily resulted from a 22% increase in the number of full-time equivalent employees from 1,817 in fiscal year 2004 to 2,210 in fiscal year 2007. The growth in full-time equivalent employees resulted from the need to accommodate the significant growth in patient volumes. Additionally, salaries and wages increased during the three years ended June 30, 2007 as a result of normal annual merit rate increases for employees. During the seven months ended January 31, 2008, operating expenses totaled $303,473,914 and represented a 6.4% increase over operating expenses of $285,273,310 during the same seven month

period of the prior year. The EHSC System's improved profitability during the seven month period ended January 31, 2008 results from revenue growth of 8.6% compared to expense growth of 6.4%.

Non-operating Income-Net

Non-operating income-net consists primarily of realized and unrealized gains and losses on investments, gains and losses on the valuation of interest rate swap agreements, and gains or losses on the disposal of equipment. Cumulative non-operating income-net for the three years ended June 30, 2007 totaled $68.8 million. During the seven months ended January 31, 2008, non-operating losses totaled $8.0 million. Specifically, the EHSC System's non-operating losses of $8.0 million included $30.4 million of realized investment gains, $26.1 million of unrealized investment losses, $12.5 million of losses related to the decline in the valuation of the EHSC System's interest rate swap agreements and losses on defeasance of debt. The EHSC System's investment losses during this period are consistent with the volatile investment markets activity. The decline in the valuation of the EHSC System's interest rate swap agreements results from declining interest rates during this period. Cash and investments increased by 58.1% from $238,495,456 as of June 30, 2004 to $377,099,891 as of June 30, 2007. As of January 31, 2008, the EHSC System's cash and investments totaled $363,223,955.

INSURANCE

The insurance maintained by the Members of the Obligated Group is described below. In the opinion of management of EHSC, the Members of the Obligated Group maintain insurance and self-insurance programs similar to those maintained by comparable organizations.

EHSC, on behalf of the Corporation and other Members of the Obligated Group, was a party to an agreement with the Illinois Provider Trust, an Illinois charitable risk pool ("IPT"), for primary and excess coverage of general and professional liability claims through December 31, 2004. Effective January 1, 2005, EHSC formed a segregated portfolio captive insurance company, EHSC Cayman Segregated Portfolio Company ("EHSC Cayman"). EHSC Cayman is licensed as Class B insurer and regulated by the Cayman Islands Monetary Authority; it is a taxable entity. EHSC is the sole shareholder and has appointed the following individuals to serve as EHSC Cayman Board members – Tom Gruenwald, past EHSC Board Chairman; Pam Davis, EHSC President & CEO; Nanette Bufalino, EHSC Vice President and General Counsel; Todd Conklin, EHSC Vice President – Finance; and Alan Kaplan, MD, EHSC Vice President of Medical Affairs.

EHSC Cayman began providing claims made healthcare professional liability and occurrence based general liability coverage to the Members of the Obligated Group and their affiliates on January 1, 2005. EHSC Cayman has a self-insured retention of $3,000,000 per claim without an aggregate limit and a buffer layer of $2,000,000 in the aggregate. For calendar year 2007, EHSC Cayman also purchased reinsurance in the total aggregated amount of $60 million from three United States insurance carriers. This additional layer of coverage is available to EHSC, the Corporation, Linden Oaks and Ventures. EHSC Cayman also provides professional liability coverage effective for calendar year 2007 to all physicians employed by the Corporation and Ventures. Physician coverage has a sub-limit of $1 million per claim. The reserves for the self-insured retention unaggregated primary layer and aggregated buffer are established each year based upon an independently prepared actuarial report as of December 31. In addition, an independent actuarial report is also prepared in connection with the annual external audit to validate the EHSC Cayman reserving practices.

From January 1, 2003 through December 31, 2004, the Obligated Group's primary layer of general and professional liability coverage with IPT was on a claims made basis, and from January 1, 2002 through December 31, 2004, the Obligated Group's excess general and professional liability

coverage with IPT was on a claims made basis. The professional liability coverage under EHSC Cayman is also on a claims made basis. However, EHSC Cayman includes tail coverage retroactive to the dates of the claims made primary and excess coverages through IPT (January 2003 and January 2002, respectively).

Accordingly, EHSC has recorded a tail coverage liability representing incurred but not reported claims of $8,891,000 and $6,852,000 (undiscounted) at June 30, 2007 and 2006. EHSC is also covered by an excess liability with policy limits of $45,000,000 in the aggregate. EHSC Cayman has also recorded a liability of $24,670,000 and $14,304,000 as of June 30, 2007 and 2006 for claims reported to EHSC Cayman.

As of January 31, 2008 and 2007, EHSC has recorded a tail coverage liability representing incurred but not reported claims of $8,296,000 and $7,541,000 (undiscounted). Additionally, EHSC Cayman has also recorded a liability of $26,688,000 and $26,934,000 as of January 31, 2008 and 2007 for claims reported to EHSC Cayman.

The IPT coverage requirements provide that the EHSC System may be subject to retrospective contributions based on the actual loss experience of the EHSC System and other IPT members, subject to certain maximum limitations. During fiscal 2005, the EHSC System was assessed a retrospective contribution of $4,295,000 by IPT covering the period from January 1, 1996 to December 31, 2004.

Actuarial estimates are subject to uncertainty, including changes in claim reporting patterns, claim settlement patterns, judicial decisions, legislation, and economic conditions. The actual claim payments could be materially different than the estimates. The EHSC System recorded $14,681,000 and $12,072,000 of general and professional liability expense in 2007 and 2006, respectively.

The EHSC System has purchased commercial insurance in such amounts and with such deductibles as it believes are customary in the case of other similarly situated corporations for the following risks: Property (including boiler), Automobile, Directors & Officers, Crime, Aviation, and Worker's Compensation. With the assistance of an outside insurance broker, EHSC conducts regular reviews of all insurance coverages and policies, including a review of uninsured risks, if any.

LITIGATION

The Corporation and other members of the EHSC System are subject to various lawsuits, claims, and other legal matters in the normal course of conducting their businesses, including medical malpractice claims against the Hospital, Linden Oaks and Edward Medical Group (which is owned and operated by Ventures) and general liability and employment related matters involving various Members of the Obligated Group. Although the outcome of these lawsuits cannot be predicted with certainty, management believes the ultimate disposition of such matters will not have a material effect on the Obligated Group's financial condition or operations.

MASTER INDENTURE RESTRICTIONS ON CERTAIN PROPERTY

The Master Indenture contains covenants with respect to the property of the Obligated Group on which the primary operations of the Members of the Obligated Group are conducted. Such covenants include covenants restricting the use and disposition of such property and the creation of liens thereon. (Property owned by other members of the EHSC System that are not Members of the Obligated Group is not subject to such covenants.)

With respect to the Corporation, such property includes the main Hospital buildings, employee and visitor parking facilities, including two parking decks, the Hospital's power plant, and an adjoining administrative office building. With respect to Ventures, such property includes the two medical office buildings located on the Hospital campus and related parking; and two ambulatory care centers located in south Naperville and Bolingbrook and related parking. With respect to Fitness, such property includes the Naperville Fitness Center and the Seven Bridges Fitness Center and relating parking.

LICENSES, ACCREDITATIONS AND MEMBERSHIPS

Linden Oaks received a three-year accreditation from The Joint Commission in June of 2006; the Hospital received its three-year accreditation in August of 2006. The Hospital is licensed by the State of Illinois Department of Public Health and is a member of the American Hospital Association, the Illinois Hospital Association and the Metropolitan Chicago Healthcare Council. The Hospital's Radiology Department is accredited by the American College of Radiology and its Laboratory is accredited by the American College of Pathology. The Hospital is fully approved for participation in the Medicare, Medicaid and Blue Cross Programs.

MEDICAL RESEARCH & TECHNOLOGY ADOPTION

Various members of the Obligated Group participate in medical and related research activities. Prominent areas of research include oncology, cardiology, cardiac surgery, and nursing. Edward has a formal review process to ensure that appropriate infrastructure is in place before a research project is accepted.

The Hospital has a formal process for the evaluation and approval of new medical technologies prior to implementation. The structured review involves a multidisciplinary team which evaluates clinical efficacy and safety, financial implications, physician credentialing issues, risk management and community benefit. The committee also communicates with purchasing, patient accounts (i.e., billing & coding), and managed care contracting to ensure responsible technology adoption.

APPENDIX B

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF EDWARD HEALTH SERVICES CORPORATION FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2006

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CONSOLIDATED FINANCIAL STATEMENTS AND DETAILS OF CONSOLIDATION

Edward Health Services Corporation and Subsidiaries
Years Ended June 30, 2007 and 2006
With Reports of Independent Auditors

Edward Health Services Corporation and Subsidiaries

Consolidated Financial Statements and
Details of Consolidation

Years Ended June 30, 2007 and 2006

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ERNST & YOUNG

Ernst & Young LLP
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Report of Independent Auditors

The Board of Trustees
Edward Health Services Corporation

We have audited the accompanying consolidated balance sheets of Edward Health Services Corporation and Subsidiaries (the Corporation) as of June 30, 2007 and 2006, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Corporation's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Edward Health Services Corporation and Subsidiaries at June 30, 2007 and 2006, and the consolidated results of their operations, changes in net assets, and cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

August 30, 2007

Edward Health Services Corporation and Subsidiaries

Consolidated Balance Sheets

	June 30 2007	2006
Assets		
Current assets:		
Cash and cash equivalents	**$ 22,007,258**	$ 10,713,481
Assets limited as to use, externally designated investments under debt agreements	**3,780,000**	4,090,000
Patient accounts receivable, less allowances for doubtful accounts (2007 – $11,050,000; 2006 – $8,757,000)	**70,771,659**	58,987,346
Estimated amounts due from third-party payors	**9,351,506**	2,165,670
Inventories	**4,512,814**	3,844,080
Prepaid expenses and other current assets	**8,505,651**	5,519,247
Total current assets	**118,928,888**	85,319,824
Assets limited as to use, less current portion:		
Externally designated investments under debt agreements	**48,695,787**	21,612,128
Externally designated for self-insurance	**32,476,737**	17,694,196
Board-designated investments	**270,140,109**	244,889,176
	351,312,633	284,195,500
Other assets:		
Deferred financing costs	**8,877,490**	7,397,403
Goodwill, net	**4,028,495**	4,456,048
Investments in affiliates and other	**15,505,289**	14,937,881
	28,411,274	26,791,332
Land, buildings, and equipment:		
Land and improvements	**40,294,952**	18,754,822
Buildings and improvements	**369,170,046**	329,433,176
Furniture and equipment	**141,622,798**	129,953,383
Construction-in-progress	**41,424,818**	49,361,925
	592,512,614	527,503,306
Less allowances for depreciation	**239,605,628**	215,717,366
	352,906,986	311,785,940
	$ 851,559,781	$ 708,092,596

	June 30	
	2007	**2006**
Liabilities and net assets		
Current liabilities:		
Accounts payable	**$ 29,904,085**	$ 18,513,906
Accrued expenses	**54,034,830**	40,097,777
Due to affiliates	**–**	7,806,406
Estimated amounts due to third-party payors	**38,877,051**	35,171,852
Current maturities of long-term debt	**3,780,000**	4,090,000
Total current liabilities	**126,595,966**	105,679,941
Long-term debt, less current maturities	**295,465,228**	229,999,053
Professional and general liability	**33,514,218**	21,115,694
Minority interest in limited partnership	**112,343**	80,412
Other liabilities	**1,968,870**	977,732
Total liabilities	**457,656,625**	357,852,832
Net assets:		
Unrestricted net assets	**390,707,750**	347,521,659
Temporarily restricted net assets	**2,812,832**	2,408,144
Permanently restricted net assets	**382,574**	309,961
Total net assets	**393,903,156**	350,239,764
	$ 851,559,781	$ 708,092,596

See accompanying notes.

Edward Health Services Corporation and Subsidiaries

Consolidated Statements of Operations and Changes in Net Assets

	Year Ended June 30	
	2007	**2006**
Revenue		
Net patient service revenue	**$ 487,075,337**	$ 424,619,147
Other operating revenue	**31,729,073**	25,591,443
	518,804,410	450,210,590
Expenses		
Salaries and wages	**196,032,433**	171,668,232
Employee benefits	**39,914,628**	36,847,829
Medical fees	**8,163,009**	7,632,068
Purchased services	**43,012,587**	38,019,897
Supplies and other	**126,250,189**	111,301,695
Depreciation and amortization	**34,111,817**	32,780,120
Provision for doubtful accounts	**22,571,625**	21,392,903
Interest	**10,923,841**	11,105,895
Medicaid tax	**21,940,608**	–
	502,920,737	430,748,639
Operating income	**15,883,673**	19,461,951
Nonoperating		
Realized gain and investment income	**20,965,171**	16,905,571
Unrealized gains and losses on investments	**18,554,846**	541,879
Loss on interest rate swap	**(290,783)**	–
Loss on defeasance of debt	**(11,988,501)**	–
Other nonoperating (losses) gains	**(31,451)**	94,987
	27,209,282	17,542,437
Revenue and gains in excess of expenses	**43,092,955**	37,004,388

Edward Health Services Corporation and Subsidiaries

Consolidated Statements of Operations and Changes in Net Assets (continued)

	Year Ended June 30	
	2007	**2006**
Unrestricted net assets		
Revenue and gains in excess of expenses	**$ 43,092,955**	$ 37,004,388
Net assets released from restriction used for purchase of fixed assets	**89,713**	663,954
Other changes in unrestricted net assets	**3,423**	–
Change in net unrealized gains on derivative financial instruments	**–**	2,344,563
Net asset reclassification	**–**	(581,224)
Increase in unrestricted net assets	**43,186,091**	39,431,681
Temporarily restricted net assets		
Contributions	**1,001,991**	1,003,669
Investment (loss) income	**(1,523)**	20,149
Net asset reclassification	**–**	597,448
Net assets released from restrictions used for operations	**(506,067)**	(289,235)
Net assets released from restrictions used for purchase of fixed assets	**(89,713)**	(663,954)
Increase in temporarily restricted net assets	**404,688**	668,077
Permanently restricted net assets		
Contributions	**72,613**	500
Net asset reclassification	**–**	(16,224)
Increase (decrease) in permanently restricted net assets	**72,613**	(15,724)
Increase in net assets	**43,663,392**	40,084,034
Net assets at beginning of year	**350,239,764**	310,155,730
Net assets at end of year	**$ 393,903,156**	$ 350,239,764

See accompanying notes.

Edward Health Services Corporation and Subsidiaries

Consolidated Statements of Cash Flows

	Year Ended June 30	
	2007	**2006**
Operating activities		
Change in net assets	**$ 43,663,392**	$ 40,084,034
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	**34,111,817**	32,780,120
Provision for doubtful accounts	**22,571,625**	21,392,903
Change in net unrealized loss (gain) on derivative financial instrument	**290,783**	(2,344,563)
Restricted contributions	**(1,074,604)**	(1,004,169)
Loss on defeasance of debt	**11,988,501**	–
Changes in operating assets and liabilities:		
Patient accounts receivable	**(34,355,938)**	(28,153,629)
Inventories, prepaid expenses, and other current assets	**(3,655,138)**	108,001
Accounts payable and accrued expenses	**25,327,232**	5,321,736
Other assets and liabilities	**5,324,404**	13,593,621
Investments	**(66,807,133)**	(24,167,908)
Estimated amounts due from/to third-party payors	**(3,480,637)**	4,222,637
Net cash provided by operating activities	**33,904,304**	61,832,783
Investing activities		
Additions to land, buildings, and equipment, net	**(76,285,397)**	(63,195,742)
Investments in affiliates and other	**(567,408)**	217,074
Net cash used in investing activities	**(76,852,805)**	(62,978,668)
Financing activities		
Principal payments under capital lease and bond obligations	**(4,090,000)**	(4,323,141)
Proceeds from 2007 bond issuance	**213,330,000**	–
Debt issuance costs	**(4,625,895)**	–
Defeasance of debt, net	**(151,446,431)**	–
Restricted contributions	**1,074,604**	1,004,169
Net cash provided by (used in) financing activities	**54,242,278**	(3,318,972)
Net increase (decrease) in cash and cash equivalents	**11,293,777**	(4,464,857)
Cash and cash equivalents at beginning of year	**10,713,481**	15,178,338
Cash and cash equivalents at end of year	**$ 22,007,258**	$ 10,713,481
Supplemental disclosure of cash flow information		
Interest paid	**$ 11,812,543**	$ 11,924,863

See accompanying notes.

Edward Health Services Corporation and Subsidiaries

Notes to Consolidated Financial Statements

Years Ended June 30, 2007 and 2006

1. Corporate Organization

The accompanying consolidated financial statements represent the accounts of Edward Health Services Corporation (the Corporation) and its affiliates. Included among the affiliates are Edward Hospital (the Hospital), an acute care hospital located in Naperville, Illinois, serving residents of Naperville and its surrounding communities; Edward Health Ventures (EHV), an organization which provides the services of physician practices, holds real estate investments, and invests in joint venture medical practices and other health care services; Edward Foundation (the Foundation), a charitable foundation organized to solicit gifts for the maintenance and benefit of the Corporation and its affiliates; and EHSC Cayman Segregated Portfolio Co. (the Captive), which provides general and professional liability insurance coverage to the Corporation and its affiliates. EHV is the sole corporate member of Edward Health & Fitness Center (EHFC), an Illinois not-for-profit corporation, and is the sole shareholder of Edward Management Corporation (EMC), an Illinois for-profit corporation, which provides physician billing services. EHV has a 99% ownership interest in Naperville Psychiatric Ventures, an Illinois not-for-profit corporation, d/b/a Linden Oaks Hospital (Linden Oaks), a psychiatric hospital located on the campus of the Hospital, and the Corporation owns the remaining 1% interest. EHV is also the general partner of the Edward Physician Office Center Limited Partnership (EPOCLP), an Illinois for-profit limited partnership, which owns a medical office building on the Hospital campus. EHV and the Hospital together own 96% of the limited and general partnership units of EPOCLP.

Significant intercompany transactions have been eliminated in consolidation.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Although estimates are considered to be fairly stated at the time the estimates are made, actual results could differ from those estimates.

2. Summary of Significant Accounting Policies (continued)

Cash Equivalents

Cash equivalents include investments in highly liquid debt instruments with a maturity of three months or less when purchased, excluding amounts whose use is limited by board designation or other arrangements under trust agreements.

Accounts Receivable

The Corporation evaluates the collectibility of its accounts receivable based on the length of time the receivable is outstanding, payor class, and the anticipated future uncollectible amounts based on historical experience. Accounts receivable are charged to the allowance for doubtful accounts when they are deemed uncollectible.

Assets Limited as to Use and Investment Income

Assets limited as to use include assets set aside by the Board of Trustees (the Board) for future capital improvements, which the Board, at its discretion, may subsequently use for other purposes. Additionally, assets limited as to use include assets held by trustees under debt agreements and assets externally designated by reinsurers for the self-insured professional and general liability.

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value based on quoted market prices for those or similar investments. Dividends, realized gains and losses, and unrealized gains and losses are reported as nonoperating gains and losses in the consolidated statements of operations and changes in net assets. Investment income from assets limited as to use under debt agreements is included as other operating revenue in the consolidated statements of operations and changes in net assets.

Interest Rate Swaps

Interest rate swaps are measured at fair value based on quoted market interest rates. During fiscal 2007, the Corporation adopted Financial Accounting Standards Board (FASB) 133, *Implementation Issue No. G26 – Cash Flow Hedges*. Gains and losses resulting from changes in market interest rates are reported as nonoperating gains and losses in the consolidated statements of operations and changes in net assets.

Inventories

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

2. Summary of Significant Accounting Policies (continued)

Deferred Financing Costs and Goodwill

Debt issuance and financing costs are capitalized and amortized over the life of the debt issue using methods that approximate the effective interest method. Goodwill is amortized over 20 years using the straight-line method.

Land, Buildings, and Equipment

Land, buildings, and equipment are carried at cost, except donated assets, which are recorded at fair market value as of the date of donation. The Hospital records depreciation expense, including amortization of assets recorded under capital leases, using the straight-line method over the estimated useful lives of the assets, which range from 3 to 40 years, for all assets acquired before 1980 and after 1998. Assets acquired in the period from 1981 to 1998 were depreciated using an accelerated method. EHV, EHFC, Linden Oaks, and EMC record depreciation expense using the straight-line method, and EPOCLP uses an accelerated method.

Contributions

Unconditional promises to give cash and other assets are reported at fair value at the date the pledge is received to the extent estimated to be collectible by the Corporation. Pledges received with donor restrictions that limit the use of the donated assets are reported as either temporarily or permanently restricted support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions.

Temporarily restricted net assets are used to differentiate resources, the use of which is restricted by donors or grantors to a specific time period or purpose, from resources on which no restrictions have been placed or that arise from the general operations of the Corporation. Temporarily restricted gifts are recorded as an addition to temporarily restricted net assets in the period received. Resources restricted by donors for specific operating purposes are reported as revenue to the extent expended within the period.

Permanently restricted net assets consist of amounts held in perpetuity, as designated by donors. Earnings on investments of endowment funds are included in revenue unless restricted by donors.

2. Summary of Significant Accounting Policies (continued)

Net Patient Service Revenue

The Corporation has agreements with various third-party payors that provide for payments to the Corporation at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts received or due from patients, third-party payors, and others for services rendered. These amounts include estimated adjustments under certain reimbursement agreements with third-party payors, which are subject to audit by the applicable administering agency. These adjustments are accrued on an estimated basis and are adjusted in future periods as final settlements are determined (see Note 4).

Charity Care

The Corporation provides care to all patients regardless of their ability to pay. Charity care provided by the Corporation is excluded from net patient service revenue (see Note 5).

Revenue and Gains in Excess of Expenses

The consolidated statements of operations and changes in net assets include revenues and gains in excess of expenses. Changes in unrestricted net assets, which are excluded from revenues and gains in excess of expenses, include transfers with affiliates and contributions of long-lived assets, including assets acquired using donor-restricted contributions.

Income Taxes

The Corporation, the Hospital, EHV, EHFC, the Foundation, and Linden Oaks are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code on income related to their exempt purposes. Accordingly, there is no material provision for income tax for these entities.

EMC is a taxable entity having a taxable income in 2007 and 2006. As of June 30, 2007 and 2006, EMC has a net operating loss carryforward of approximately $2,467,000 and $2,726,000, respectively, expiring in the years 2009 through 2023. A deferred tax asset has not been recorded in the consolidated financial statements because the realization of tax benefits of net operating loss carryforwards is not assured.

EPOCLP is a partnership and, as such, income taxes are paid directly by the partners. Accordingly, no provision for income taxes has been recorded.

2. Summary of Significant Accounting Policies (continued)

There is presently no tax imposed by the government of the Cayman Islands on the Captive. The only taxes payable by the Captive are withholding taxes of other countries applicable to certain investment income. As a result, no tax liability or expense has been recorded in the financial statements of the Captive.

Reclassifications

Certain reclassifications were made to the 2006 financial statements to conform with the classifications used in 2007. These reclassifications had no effect on previously reported unrestricted net assets or total net assets.

In previous years, the Corporation's investments were classified as other-than-trading. As such, unrealized gains and losses that were considered temporary were excluded from excess of revenue over expenses. During 2007, the Corporation determined that substantially all of its investment portfolio was more appropriately classified as trading with unrealized gains and losses included in excess of revenue over expenses. Therefore, certain amounts in the accompanying 2006 consolidated financial statements have been reclassified to reflect this change in classification. These reclassifications did not impact the increase in net assets previously reported and did not materially change individual financial statement line items.

3. General and Professional Liability Claims

The Corporation was a party to an agreement with the Illinois Provider Trust (IPT) for primary and excess coverage of general and professional liability claims through December 31, 2004. Effective January 1, 2005, the Captive began providing claims-made health care professional liability and occurrence-based general liability coverage to the Corporation and its affiliates with primary limits of $3,000,000 per occurrence without an aggregate limit and a buffer layer of $2,000,000 in the aggregate. From January 1, 2003 through December 31, 2004, the Corporation's primary layer of general and professional liability coverage with IPT was on a claims-made basis, and from January 1, 2002 through December 31, 2004, the Corporation's excess general and professional liability coverage with IPT was on a claims-made basis. The professional liability coverage under the Captive is also on a claims-made basis. However, the Captive includes tail coverage retroactive to the dates of the claims-made primary and excess coverages through IPT (January 2003 and January 2002, respectively). In January 2007, the Captive began providing professional liability coverage to certain employed physicians of the Hospital and EHV. The Corporation has recorded a tail coverage liability representing incurred but not reported claims of $8,891,000 and $6,852,000 (undiscounted) at June 30, 2007 and 2006,

3. General and Professional Liability Claims (continued)

respectively. The Corporation is also covered by an excess liability policy with limits of $45,000,000 in the aggregate, effective January 1, 2005. The Captive has also recorded a liability of $24,670,000 and $14,304,000 for claims reported to the Captive as of June 30, 2007 and 2006, respectively.

Annual premiums deposited in the IPT and the Captive are based on actuarial valuations. The premiums for primary coverage under IPT are subject to retrospective adjustment based on the loss experience of the Corporation and other IPT members, subject to certain maximum limitations. No retrospective premium adjustments were assessed to the Corporation during fiscal years 2007 and 2006.

Actuarial estimates are subject to uncertainty, including changes in claim reporting patterns, claim settlement patterns, judicial decisions, legislation, and economic conditions. The actual claim payments could be materially different than the estimates. The Corporation and its subsidiaries recorded $14,681,000 and $12,072,000 of general and professional liability insurance expense in 2007 and 2006, respectively. The Corporation is a defendant in various lawsuits arising in the ordinary course of business. Although the outcome of these lawsuits cannot be predicted with certainty, management believes the ultimate disposition of such matters will not have a material effect on the Corporation's financial condition or operations.

4. Contractual Arrangements With Third-Party Payors

The Medicare and Medicaid programs pay the Hospital for inpatient and outpatient services at predetermined rates based on treatment diagnosis. Medicare reimbursement for certain outpatient and extended care services rendered by Linden Oaks is primarily based on allowable costs, which are subject to retroactive audit and adjustment. Changes in the Medicare and Medicaid programs or reduction of funding levels for the programs could have an adverse effect on future amounts recognized as net patient service revenue.

The laws and regulations governing the Medicare and Medicaid programs are extremely 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.

Payment for services provided to health maintenance organization and preferred provider organization (HMO/PPO) patients is made at predetermined fixed rates. Payment for services provided to Blue Cross program inpatients is based on allowable reimbursable costs and is subject to retroactive audit and adjustment.

4. Contractual Arrangements With Third-Party Payors (continued)

Net patient revenues received under the HMO/PPO and Medicare payment arrangements account for 66% and 22% of net patient service revenue, respectively, for the year ended June 30, 2007, and 70% and 22%, respectively, for the year ended June 30, 2006. A provision has been made in the consolidated financial statements for contractual adjustments representing the difference between standard charges for services and actual or estimated payment.

The Hospital, Linden Oaks, and EHV grant credit without collateral to their patients, most of whom are local residents and are insured under third-party arrangements. Major components of net patient accounts receivable include 22% at June 30, 2007, and 21% at June 30, 2006, from Medicare.

Adjustments arising from reimbursement arrangements with third-party payors are accrued on an estimated basis in the period in which the services are rendered. Estimates for cost report settlements and contractual allowances can differ from actual reimbursement based on the results of subsequent reviews and cost report audits. Changes in third-party payor valuation allowances that relate to prior years are reported in revenue in excess of expenses in the consolidated statements of operations and changes in net assets. The impact of such items resulted in a (decrease) increase in revenue in excess of expenses in the amount of ($419,000) and $845,000 in 2007 and 2006, respectively.

On November 21, 2006, the Center for Medicare and Medicaid Services (CMS) approved the State of Illinois' Hospital Assessment Program (the Program) with an effective date beginning July 1, 2005 (the beginning of the state's fiscal year 2006) through June 30, 2008 (the end of the state's fiscal year 2008). Due to the timing of CMS' approval, the Corporation recognized in its fiscal year June 30, 2007, for the Program's period July 1, 2005 to June 30, 2006, Illinois hospital assessment revenue and assessment expense in the amounts of $8,435,000 and $10,970,000, respectively, resulting in a decrease in the Corporation's fiscal 2007's excess of revenue over expenses of $2,535,000. In addition, the Corporation recognized in its fiscal year ending June 30, 2007, for the Program's period July 1, 2006 through June 30, 2007, Illinois hospital assessment revenue and assessment expense in the amounts of $8,435,000 and $10,970,000, respectively, resulting in an additional decrease in the Corporation's fiscal 2007's excess of revenues over expenses of $2,535,000. The continuation of the Program beyond June 30, 2008, cannot be determined at this point in time.

In March 2007, the Hospital received an unrestricted contribution in the amount of $2,479,000 from the Illinois Hospital Research and Educational Foundation (IHREF) representing financial assistance to certain hospitals participating in the 2006 Illinois Medicaid Provider Tax program. This amount has been recorded as other operating revenue in the accompanying consolidated statement of operations and changes in net assets for the year ended June 30, 2007.

5. Charity and Other Unreimbursed Care

The Corporation maintains a policy whereby patients in need of medical services are treated without regard to their ability to pay for such services. The Corporation maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy, as well as the estimated difference between the cost of services provided to Medicaid and Medicare patients and the expected reimbursement from Medicaid and Medicare. In addition, the Corporation reports the cost associated with services provided to the community as charity care. The following information measures the level of charity care provided during each of the years ended June 30:

	2007	2006
Charity care (foregone charges)	**$ 20,770,000**	$ 16,525,000
Excess of allocated cost over reimbursement for services provided to Medicaid patients (unaudited)	**7,214,000**	6,376,000
Excess of allocated cost over reimbursement for services provided to Medicare patients (unaudited)	**28,345,000**	27,000,000
Community services provided, at cost (unaudited)	**6,142,000**	6,976,000
	$ 62,471,000	$ 56,877,000

6. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30:

	2007	2006
Temporarily restricted:		
Anonymous memorial	**$ 1,727,704**	$ 1,637,370
Cardiovascular programs	**82,680**	72,926
Other special uses	**1,002,448**	697,848
Total temporarily restricted net assets	**$ 2,812,832**	$ 2,408,144

6. Temporarily and Permanently Restricted Net Assets (continued)

Permanently restricted net assets at June 30 are summarized below, the income from which is expendable to support:

	2007	2006
Permanently restricted:		
Cardiovascular Endowment	**$ 100,000**	$ 100,000
Animal Assisted Therapy Endowment	**154,838**	154,838
Other special uses	**127,736**	55,123
Total permanently restricted net assets	**$ 382,574**	$ 309,961

Net assets were released from donor restrictions by incurring expenditures for the following purposes during the years ended June 30:

	2007	2006
Cancer campaign	**$ 89,711**	$ 663,954
Health care services	**506,067**	289,235
Total net assets released from restriction	**$ 595,778**	$ 953,189

Pledges receivable, which are included in the consolidated balance sheets in prepaid expenses and other current assets for the current portion and investments in affiliates and other for the long-term portion, are due over the following time periods:

	2007	2006
Less than one year	**$ 388,000**	$ 449,000
One through five years	**341,000**	513,000
	$ 729,000	$ 962,000

7. Investments in Affiliates

Investments in affiliates include a 50% interest in Edward Cardiovascular Institute (ECI), an Illinois general partnership; a 33 1/3% interest in Northern Illinois Surgery Center Limited Partnership, an Illinois limited partnership; a 50% membership interest and 100% ownership interest in Naperville Health Care Associates (NHCA), an Illinois for-profit corporation; a 50% interest in Charles E. Miller, MD & Associates: Specialists in Reproductive Health, an Illinois limited liability company; a 20.94% interest in the Kendall Point Surgery Center, an Illinois limited partnership; and a 40% interest in the Plainfield Surgery Center LLC. These investments are recorded using the equity method of accounting. Investments in affiliates also include a 12.5% investment in DMG Surgical Center, LLC entered into effective December 1, 2005, which is recorded using the cost method of accounting. Net income from these investments is included in realized gains and investment income.

Summarized unaudited financial results for the investments in affiliates accounted for under the equity method as of and for the year ended June 30 are as follows:

	2007	2006
Assets	**$ 43,874,497**	$ 42,824,000
Liabilities	**16,421,349**	12,152,000
Net income	**9,670,118**	14,879,000

8. Investments and Other Financial Instruments

Board-designated investments represent assets invested in a pooled investment fund, which aggregates investments of all the entities of the Corporation. Board-designated investments, along with trustee-held investments, consisted of the following at June 30:

	2007		2006	
	Fair Value	Cost	Fair Value	Cost
Mutual funds	**$ 262,089,022**	**$ 240,712,714**	$ 226,525,566	$ 219,399,056
Equity securities	**40,361,151**	**26,566,281**	36,057,806	26,585,092
Municipal bonds	**5,275,046**	**5,226,979**	14,443,413	14,378,238
Short-term investments	**42,608,275**	**42,608,275**	9,589,248	9,589,248
Other	**4,759,139**	**4,759,139**	1,669,467	1,669,467
	$ 355,092,633	**$ 319,873,388**	$ 288,285,500	$ 271,621,101

8. Investments and Other Financial Instruments (continued)

Return on investments for each of the years ended June 30 was as follows:

	2007	2006
Investment return:		
Interest and dividend income	**$ 16,753,882**	$ 15,261,259
Unrealized gains and losses on investments	**18,554,846**	541,879
Net realized gains on investments	**6,344,497**	2,525,584
Total investment return	**$ 41,653,225**	$ 18,328,722
Reported as:		
Other operating revenue	**$ 2,133,208**	$ 881,273
Unrealized gains and losses on investments	**18,554,846**	541,879
Net realized gains and investment income	**20,965,171**	16,905,570
	$ 41,653,225	$ 18,328,722

FASB Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended, requires the Corporation to recognize all of its derivative instruments as either assets or liabilities in the consolidated balance sheets at fair value. The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated as part of a hedging relationship and, further, on the type of hedging relationship. For derivative instruments that are designated as hedging instruments, the Corporation must designate the hedging instrument based upon the exposure being hedged as a fair value hedge, cash flow hedge, or a hedge of a net investment in a foreign operation.

For derivative instruments that are designated and qualify as a cash flow hedge (i.e., hedging the exposure of variability in expected future cash flows that is attributable to a particular risk), the gain or loss is recorded as a change in unrestricted net assets, whereas, for derivative instruments not designated as hedging instruments, the gain or loss is recognized in current earnings during the period of change. At June 30, 2007, the Corporation had no derivative instruments that are designated and qualify as a fair value hedge or hedge of a net investment in a foreign currency.

In November 2001, the Corporation entered into a 30-year interest rate swap agreement with a counterparty. The agreement effectively converted $30 million of the Corporation's Series 2001C Bond issue from a variable rate that approximates the Bond Marketing Association (BMA) 30-day rate (4.00% at June 30, 2006), reset on a weekly basis, to a fixed rate of 3.59%. Financial settlement of the terms of the agreement occurs on a monthly basis. The agreement expires in 2031.

8. Investments and Other Financial Instruments (continued)

In April 2006, the Corporation entered into two 33-year interest rate swap agreements with two counterparties with notional amounts of $57,140,000 for each swap. The swaps effectively locked in future refunding savings by exchanging a variable rate of 61.8% one-month LIBOR plus 0.31% with a fixed rate of 3.93%. The agreements became effective on February 1, 2007, at the option of the Corporation.

A summary of the market values of the outstanding swap agreements at June 30, 2007:

	Notional Amount	2007 Market Value	2006 Market Value
Fixed Pay LIBOR Swap (2001)	$ 30,000,000	$ 728,000	$ 796,000
Fixed Pay LIBOR Swap (2006)	57,140,000	(479,000)	(368,000)
Fixed Pay LIBOR Swap (2006)	57,140,000	(479,000)	(368,000)

Net interest paid or received under the interest rate swap agreements is included in interest expense. The net differential paid by the Corporation as a result of the interest rate swap agreements amounted to approximately $137,000 and $218,000 for the years ended June 30, 2007 and 2006, respectively, all attributable to the 2001 swap. These amounts are reflected as an increase to interest expense. The net fair value of the swaps was ($230,000) and $60,000 at June 30, 2007 and 2006, respectively. At June 30, 2007, the interest rate swap agreements do not qualify for hedge accounting; therefore, the change in the fair value has been reflected as loss on interest rate swaps in the nonoperating section of the consolidated statement of operations and changes in net assets.

The carrying values of cash and cash equivalents, assets limited as to use, patient accounts receivable, accounts payable, other accrued expenses, and estimated amounts due to/from third-party payors approximate their fair values at June 30, 2007 and 2006, due to the short-term nature of these financial instruments. The estimated fair value of long-term debt (including current portion) based on quoted market prices for the same or similar issues was $300,478,000 and $241,285,000 at June 30, 2007 and 2006, respectively.

9. Long-Term Debt

Long-term debt consists of the following at June 30:

	2007	2006
Illinois Finance Authority		
Revenue Bonds, Series 2007 A-1:		
Auction Rate Securities, interest payable every 35 days at a floating rate (3.60% at June 30, 2007) and principal amounts due in varying annual installments from 2021 to 2040	**$ 49,525,000**	$ –
Revenue Bonds, Series 2007 A-2:		
Auction Rate Securities, interest payable every 7 days at a floating rate (3.40% at June 30, 2007) and principal amounts due in varying annual installments from 2021 to 2040	**36,575,000**	–
Revenue Bonds, Series 2007 B-1:		
Variable Rate Securities, interest payable monthly at a floating rate (3.57% at June 30, 2007) and principal amounts due in varying annual installments from 2008 to 2040	**57,140,000**	–
Revenue Bonds, Series 2007 B-2:		
Variable Rate Securities, interest payable monthly at a floating rate (3.57% at June 30, 2007) and principal amounts due in varying annual installments from 2008 to 2040	**57,140,000**	–
Revenue Bonds, Series 2007 C:		
Taxable Convertible Securities, interest payable monthly at a floating rate (5.32% at June 30, 2007) and principal amounts due in varying annual installments from 2009 to 2029	**12,950,000**	–
Illinois Health Facilities Authority		
Revenue Bonds, Series 2001A:		
Serial Bonds, interest at 4.1% to 5.5%, due in varying annual installments from 2007 to 2017	**26,550,000**	28,575,000
Term Bonds, interest at 5.0%, due in 2020	**11,050,000**	11,050,000
Revenue Bonds, Series 2001B:		
Term Bonds, interest at 5.125%, due in 2025	**–**	26,960,000
Term Bonds, interest at 5.25%, due in 2034	**–**	69,615,000
Variable Rate Demand Revenue Bonds, Series 2001C, interest payable monthly at a floating rate (3.77% at June 30, 2007) and principal amounts due in varying annual installments from 2021 to 2034	**48,100,000**	48,100,000
Revenue Bonds Series 1997A:		
Term Bonds, interest at 5.25%, due in varying annual installments from 2011 to 2017	**–**	7,920,000
Term Bonds, interest at 5.25%, due in varying annual installments from 2018 to 2027	**–**	17,580,000
Serial Bonds, interest at 4.6% to 5.1%, due in varying annual installments through February 15, 2010	**–**	3,430,000
Revenue Bonds, Series 1993A:		
Term Bonds, interest at 6.0%, due in varying annual installments from 2010 to 2019	**–**	19,750,000
Term Bonds, interest at 5.75%, due in varying annual installments from 2007 to 2009	**–**	4,015,000
	299,030,000	236,995,000
Less current maturities	**3,780,000**	4,090,000
Unamortized premium (discount) on bonds payable	**215,228**	(2,905,947)
Long-term debt	**$ 295,465,228**	$ 229,999,053

9. Long-Term Debt (continued)

Annual maturities, assuming remarketing of the 2001C and 2007B obligations, on the Series 2001A, 2007A1-2, 2007B1-2, and 2007C Revenue Bonds (including mandatory sinking fund deposits) for each of the next five years are as follows:

2008	$ 3,780,000
2009	4,340,000
2010	4,545,000
2011	4,750,000
2012	4,895,000

In April 2001, the Corporation issued Series 2001A, B, and C Revenue Bonds, through the Illinois Health Facilities Authority. The bond proceeds were used to finance the costs of acquiring, constructing, renovating, and equipping certain health care facilities as part of a modernization and expansion program and to reimburse the Hospital for certain prior capital expenditures.

In March 2007, the Corporation issued Series 2007A, B, and C Revenue Bonds, through the Illinois Finance Authority. The bond proceeds were used to finance the costs of acquiring, constructing, renovating, and equipping certain health care facilities as part of a modernization and expansion program and to reimburse the Hospital for certain prior capital expenditures.

The Corporation has entered into several credit agreements, which expire on April 1, 2010 and March 1, 2012, with banks under the terms of which the banks agree to make liquidity loans to the Hospital in the amount necessary to purchase the variable rate demand direct obligations if not remarketed. The maximum amount of the liquidity loans would be principal ($175,330,000 at June 30, 2007), plus accrued interest. The liquidity loans would be payable quarterly in equal installments over five years with the initial payment being due 90 days following the expiration of the credit agreement.

Under the terms of the master trust indenture, various amounts are held on deposit with a trustee for bond redemption, interest payments, and certain construction expenditures. In addition, the master trust indenture requires the Corporation to maintain certain financial ratios and places restrictions on various activities, such as the transfer of assets and incurrence of additional indebtedness.

9. Long-Term Debt (continued)

Externally designated investments under debt agreements consisted of the following at June 30:

	2007	2006
Debt service reserve funds	**$ 11,343,723**	$ 21,820,849
Sinking and interest funds	**1,041,891**	2,462,159
Construction funds	**40,090,173**	1,419,120
	$ 52,475,787	$ 25,702,128

The Corporation maintains $5,000,000 in lines of credit with a bank. There were no amounts drawn on these lines of credit at June 30, 2007 and 2006.

Interest expense, including interest capitalized during 2007 and 2006, was $11,893,000 and $11,872,000, respectively. Interest capitalized during 2007 and 2006 was $969,000 and $766,000, respectively.

10. Employee Pension Plan

The Corporation maintains two defined-contribution retirement plans for employees. Employees of the Corporation and its tax-exempt subsidiaries may participate in the Corporation's 403(b) plan. Employees of the taxable subsidiary, EMC, may participate in the Corporation's 401(k) plan.

The employer contributions include a basic contribution based upon a percentage of the employee's compensation and a matching contribution based upon the amount of the employee's contribution. In January 2007, the eligibility requirements for the employer contributions changed to no longer require two years of service prior to eligibility. Also, effective January 1, 2007, the percentage of employee contributions subject to an employer-matching contribution was increased, and the employer basic contribution percentage was revised to be based upon the employee's length of service.

Pension expense was approximately $6,241,000 and $4,712,000 in 2007 and 2006, respectively.

11. Related-Party Transactions

During fiscal year 2007, the following net asset transfers were made among the consolidated affiliates: the Hospital transferred $24,265,893 to EHV; EHV transferred $2,400,000 to Linden Oaks.

During the years ended June 30, 2007 and 2006, NHCA paid the Corporation $6,963,000 and $4,961,000, respectively, for medical services.

ECI provided contracted cardiac services to the Hospital's patients in the amount of $11,404,000 and $10,248,000 for the years ended June 30, 2007 and 2006, respectively. Additionally, the Hospital and the Corporation provided administrative management and marketing services to ECI in the amounts of $760,000 and $691,000 for the years ended June 30, 2007 and 2006, respectively. ECI also rented space from the Hospital and the Corporation in the amount of $1,514,000 and $1,248,000 for the years ended June 30, 2007 and 2006, respectively.

As of June 30, 2007, NHCA and the Edward Women's Center for Health Limited Partnership no longer participate in the Corporation's cash concentration account. The amount recorded within due to affiliates of $7,806,000 at June 30, 2006, represented cash balances held by the Corporation on behalf of these affiliates.

12. Commitments

At June 30, 2007, the Corporation had commitments totaling approximately $8,442,000 related to construction and modernization projects that are expected to be completed during the next 12 months.

The Corporation leases office space under leases that are classified as operating leases. The future minimum lease payments for office space leases with initial or noncancelable lease terms in excess of one year are as follows:

Year ending June 30:	
2008	$ 3,166,000
2009	3,297,000
2010	2,827,000
2011	1,777,000
2012	1,283,000
Thereafter	7,155,000
	$ 19,505,000

12. Commitments (continued)

Rental expense amounted to approximately $2,545,000 and $2,499,000 for the years ended June 30, 2007 and 2006, respectively.

13. Functional Expenses

The Corporation provides general health care services to residents within its geographic location. Expenses related to this and general and administrative functions for each of the years ended June 30 are as follows:

	2007	2006
Health care services	**$ 452,541,000**	$ 391,462,000
General and administrative	**50,380,000**	39,287,000
	$ 502,921,000	$ 430,749,000

14. Subsequent Event – Unaudited

The Corporation has approximately $86 million of auction rate bonds as of January 31, 2008, which are included in long-term debt in the accompanying consolidated balance sheets. Variable interest rates, determined through the auctions, have increased in 2008 and until there is some relief from the illiquid market conditions in the debt markets, the Corporation expects to incur higher interest expense. During February 2008, the Corporation experienced certain failed auctions subjecting the organization to higher interest costs related to this category of debt for the auction reset period. As a result of these failed auctions, the interest rate upon reset is determined based upon formulas that are a factor of LIBOR or a stated ceiling. The maximum rate calculations vary by issuance and could go as high as 15% for tax exempt issuances. Management is pursuing various alternatives to refinance or retire these auction rate bonds.

Details of Consolidation

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Report of Independent Auditors on Details of Consolidation

The Board of Trustees
Edward Health Services Corporation

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying details of consolidation are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in our audits of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Ernst & Young LLP

August 30, 2007

Edward Health Services Corporation and Subsidiaries

Details of Consolidated Balance Sheet

June 30, 2007

	Consolidated Edward Health Services Corporation	Eliminations	Edward Health Services Corporation	Edward Hospital	Edward Foundation	EHSC Cayman Segregated Portfolio Co.	Consolidated Edward Health Ventures	Eliminations	Edward Health Ventures	Linden Oaks Hospital	Edward Health & Fitness Center	Edward Physician Office Center Limited Partnership	Edward Management Corporation
Assets													
Current assets:													
Cash and cash equivalents	$ 22,007,258	$ –	$ 3,110,233	$ 15,647,712	$ 398,369	$ 225,477	$ 2,625,467	$ –	$ 1,544,681	$ 423,278	$ 425,247	$ 198,786	$ 33,475
Assets limited as to use, externally designated investments under debt agreements	3,780,000	–	–	3,780,000	–	–	–	–	–	–	–	–	–
Patient accounts receivable, less allowances for doubtful accounts	70,771,659	–	–	64,607,709	–	–	6,163,950	–	1,230,768	4,933,182	–	–	–
Estimated amounts due from third-party payors	9,351,506	–	–	8,790,854	–	–	560,652	–	–	560,652	–	–	–
Inventories	4,512,814	–	–	4,312,819	–	–	199,995	–	–	–	199,995	–	–
Prepaid expenses and other current assets	8,505,651	(1,928)	1,348,402	4,718,102	465,350	6,801	1,968,924	–	826,157	738,608	33,993	19,307	350,859
Total current assets	118,928,888	(1,928)	4,458,635	101,857,196	863,719	232,278	11,518,988	–	3,601,606	6,655,720	659,235	218,093	384,334
Assets limited as to use, less current portion:													
Externally designated investments under debt agreements	48,695,787	–	–	48,695,787	–	–	–	–	–	–	–	–	–
Externally designated for self-insurance	32,476,737	–	–	–	–	32,476,737	–	–	–	–	–	–	–
Board-designated investments	270,140,109	–	37,923,002	217,218,570	6,981,562	–	8,016,975	–	–	–	5,185,027	2,423,793	408,155
	351,312,633	–	37,923,002	265,914,357	6,981,562	32,476,737	8,016,975	–	–	–	5,185,027	2,423,793	408,155
Other assets:													
Interest in restricted net assets of the Foundation	–	(3,076,929)	–	2,926,118	–	–	150,811	–	–	150,811	–	–	–
Investments in EPOCLP and Linden Oaks	–	(1,042,865)	31,764	1,011,101	–	–	–	(4,858,135)	4,858,135	–	–	–	–
Deferred financing costs	8,877,490	–	–	8,836,135	–	–	41,355	–	–	–	–	41,355	–
Goodwill, net	4,028,495	–	–	3,326,287	–	–	702,208	–	434,705	267,503	–	–	–
Due from affiliates	–	(27,729,571)	27,729,571	–	–	–	–	(4,100,181)	4,100,181	–	–	–	–
Investments in affiliates and other	15,505,289	(7,536,640)	7,536,640	4,468,231	341,000	–	10,696,058	–	10,672,558	23,500	–	–	–
	28,411,274	(39,386,005)	35,297,975	20,567,872	341,000	–	11,590,432	(8,958,316)	20,065,579	441,814	–	41,355	–
Land, buildings, and equipment:													
Land and improvements	40,294,952	–	–	9,660,942	–	–	30,634,010	–	30,163,861	470,149	–	–	–
Buildings and improvements	369,170,046	–	–	265,993,014	–	–	103,177,032	–	62,066,822	11,806,615	20,706,301	8,584,917	12,377
Furniture and equipment	141,622,798	–	–	132,790,327	–	–	8,832,471	–	2,809,045	1,801,914	3,342,786	94,191	784,535
Construction-in-progress	41,424,818	–	–	39,248,788	–	–	2,176,030	–	1,736,840	365,182	60,638	13,370	–
	592,512,614	–	–	447,693,071	–	–	144,819,543	–	96,776,568	14,443,860	24,109,725	8,692,478	796,912
Less allowances for depreciation	239,605,628	–	–	204,181,931	–	–	35,423,697	–	15,274,369	4,914,049	10,293,411	4,167,358	774,510
	352,906,986	–	–	243,511,140	–	–	109,395,846	–	81,502,199	9,529,811	13,816,314	4,525,120	22,402
	$ 851,559,781	$ (39,387,933)	$ 77,679,612	$ 631,850,565	$ 8,186,281	$ 32,709,015	$ 140,522,241	$ (8,958,316)	$105,169,384	$ 16,627,345	$ 19,660,576	$ 7,208,361	$ 814,891

Edward Health Services Corporation and Subsidiaries

Details of Consolidated Balance Sheet (continued)

June 30, 2007

	Consolidated Edward Health Services Corporation	Eliminations	Edward Health Services Corporation	Edward Hospital	Edward Foundation	EHSC Cayman Segregated Portfolio Co.	Consolidated Edward Health Ventures	Eliminations	Edward Health Ventures	Linden Oaks Hospital	Edward Health & Fitness Center	Edward Physician Office Center Limited Partnership	Edward Management Corporation
Liabilities and net assets													
Current liabilities:													
Accounts payable	$ 29,904,085	$ (1,924)	$ 3,886,958	$ 20,593,582	$ 67,800	$ 33,083	$ 5,324,586	$ –	$ 4,091,132	$ 491,017	$ 659,202	$ 78,320	$ 4,915
Accrued expenses	54,034,830	(34,903)	4,669,168	43,826,208	14,701	34,903	5,524,753	–	2,118,111	1,979,082	1,050,935	190,918	185,707
Due to affiliates	–	–	–	–	–	–	–	–	–	–	–	–	–
Estimated amounts due to third-party payors	38,877,051	–	–	37,213,832	–	–	1,663,219	–	–	1,663,219	–	–	–
Current maturities of long-term debt	3,780,000	–	–	3,780,000	–	–	–	–	–	–	–	–	–
Total current liabilities	126,595,966	(36,827)	8,556,126	105,413,622	82,501	67,986	12,512,558	–	6,209,243	4,133,318	1,710,137	269,238	190,622
Long-term debt, less current maturities	295,465,228	–	–	295,465,228	–	–	–	–	–	–	–	–	–
Professional and general liability	33,514,218	–	5,133	7,936,368	105	24,670,416	902,196	–	415,131	380,857	104,147	1,958	103
Due to affiliates	–	(27,694,668)	–	–	–	–	27,694,668	(4,100,182)	27,694,669	–	–	4,100,181	–
Minority interest in limited partnership	112,343	(1,042,867)	–	–	–	–	1,155,210	1,155,210	–	–	–	–	–
Other liabilities	1,968,870	(7,416,642)	–	1,539,872		7,845,640	–	–	–	–	–	–	–
Total liabilities	457,656,625	(36,191,004)	8,561,259	410,355,090	82,606	32,584,042	42,264,632	(2,944,972)	34,319,043	4,514,175	1,814,284	4,371,377	190,725
Net assets:													
Unrestricted	390,707,750	(120,000)	69,118,353	218,569,357	4,908,269	124,973	98,106,798	(6,013,344)	70,850,341	11,962,359	17,846,292	2,836,984	624,166
Temporarily restricted	2,812,832	(2,766,967)	–	2,616,156	2,812,832	–	150,811	–	–	150,811	–	–	–
Permanently restricted	382,574	(309,962)	–	309,962	382,574	–	–	–	–	–	–	–	–
Total net assets	393,903,156	(3,196,929)	69,118,353	221,495,475	8,103,675	124,973	98,257,609	(6,013,344)	70,850,341	12,113,170	17,846,292	2,836,984	624,166
	$ 851,559,781	$ (39,387,933)	$ 77,679,612	$ 631,850,565	$ 8,186,281	$ 32,709,015	$ 140,522,241	$ (8,958,316)	$105,169,384	$ 16,627,345	$ 19,660,576	$ 7,208,361	$ 814,891

Edward Health Services Corporation and Subsidiaries

Details of Consolidated Statement of Operations and Changes in Net Assets

June 30, 2007

	Consolidated Edward Health Services Corporation	Eliminations	Edward Health Services Corporation	Edward Hospital	Edward Foundation	EHSC Cayman Segregated Portfolio Co.	Consolidated Edward Health Ventures	Eliminations	Edward Health Ventures	Linden Oaks Hospital	Edward Health & Fitness Center	Edward Physician Office Center Limited Partnership	Edward Management Corporation
Revenue													
Net patient service revenue	$ 487,075,337	$ (224,614)	$ –	$ 448,191,096	$ –	$ –	$ 39,108,855	$ –	$ 12,897,571	$ 26,211,284	$ –	$ –	$ –
Other operating revenue	31,729,073	(71,828,098)	57,183,602	11,573,141	1,202,537	9,908,446	23,689,445	(3,640,982)	10,157,601	2,513,909	10,373,042	1,694,710	2,591,165
Total revenue	518,804,410	(72,052,712)	57,183,602	459,764,237	1,202,537	9,908,446	62,798,300	(3,640,982)	23,055,172	28,725,193	10,373,042	1,694,710	2,591,165
Expenses													
Salaries and wages	196,032,433	(229,088)	23,783,216	140,899,652	229,088	–	31,349,565	–	11,712,779	14,376,599	3,643,834	–	1,616,353
Employee benefits	39,914,628	(591,697)	6,601,225	26,982,045	15,726	–	6,907,329	(3,960)	2,257,974	3,348,967	939,668	–	364,680
Medical fees	8,163,009	–	–	7,124,265	–	–	1,038,744	–	500,897	537,847	–	–	–
Purchased services	43,012,587	(56,993,448)	7,684,549	84,871,057	44,942	124,622	7,280,865	(2,596,218)	4,535,377	3,633,018	1,355,582	152,521	200,585
Supplies and other	126,250,189	(14,238,477)	17,764,423	97,701,319	890,255	10,686,208	13,446,461	(1,040,804)	7,024,402	3,551,211	3,125,075	566,479	220,098
Depreciation and amortization	34,111,817	–	–	28,874,283	–	–	5,237,534	–	3,123,114	1,110,271	744,735	253,845	5,569
Provision for doubtful accounts	22,571,625	–	–	20,174,647	–	–	2,396,978	–	317,970	2,079,008	–	–	–
Interest	10,923,841	(1,955,473)		10,923,841	–	–	1,955,473	(293,588)	1,955,473	–	–	293,588	–
Medicaid tax	21,940,608	–	–	20,961,948	–	–	978,660	–	–	978,660	–	–	–
Total expenses	502,920,737	(74,008,183)	55,833,413	438,513,057	1,180,011	10,810,830	70,591,609	(3,934,570)	31,427,986	29,615,581	9,808,894	1,266,433	2,407,285
Operating income (loss)	15,883,673	1,955,471	1,350,189	21,251,180	22,526	(902,384)	(7,793,309)	293,588	(8,372,814)	(890,388)	564,148	428,277	183,880
Nonoperating													
Realized gain (loss) and investment income	20,965,171	(2,234,249)	4,563,353	13,832,144	308,884	902,384	3,592,655	71,827	2,977,885	14,754	308,550	184,260	35,379
Unrealized gain on investments	18,554,846	–	2,752,315	14,361,601	755,532	–	685,398	–	115,225	14,565	324,567	193,826	37,215
Loss on interest rate swap	(290,783)	–	–	(290,783)	–	–	–	–	–	–	–	–	–
Loss on defeasance of debt	(11,988,501)	–	–	(11,988,501)	–	–	–	–	–	–	–	–	–
Other nonoperating (losses) gains	(31,451)	278,778	–	–	–	–	(310,229)	(310,709)	–	–	480	–	–
	27,209,282	(1,955,471)	7,315,668	15,914,461	1,064,416	902,384	3,967,824	(238,882)	3,093,110	29,319	633,597	378,086	72,594
Revenue and gains in excess of expenses	43,092,955	–	8,665,857	37,165,641	1,086,942	–	(3,825,485)	54,706	(5,279,704)	(861,069)	1,197,745	806,363	256,474

Edward Health Services Corporation and Subsidiaries

Details of Consolidated Statement of Operations and Changes in Net Assets (continued)

June 30, 2007

	Consolidated Edward Health Services Corporation	Eliminations	Edward Health Services Corporation	Edward Hospital	Edward Foundation	EHSC Cayman Segregated Portfolio Co.	Consolidated Edward Health Ventures	Eliminations	Edward Health Ventures	Linden Oaks Hospital	Edward Health & Fitness Center	Edward Physician Office Center Limited Partnership	Edward Management Corporation
Unrestricted net assets													
Revenue and gains in excess of (less than) expenses	$ 43,092,955	$ –	$ 8,665,857	$ 37,165,641	$ 1,086,942	$ –	$ (3,825,485)	$ 54,706	$ (5,279,704)	$ (861,069)	$ 1,197,745	$ 806,363	$ 256,474
Transfers from affiliates and other, net	–	–	–	(24,176,182)	(89,711)	–	24,265,893	–	21,865,893	2,400,000	–	–	–
Other changes in unrestricted net assets	3,423	–	–	–	–	3,423	–	–	–	–	–	–	–
Net assets released from restriction used for purchase of fixed assets	89,713	–	–	–	89,713	–	–	–	–	–	–	–	–
Increase in unrestricted net assets	43,186,091	–	8,665,857	12,989,459	1,086,944	3,423	20,440,408	54,706	16,586,189	1,538,931	1,197,745	806,363	256,474
Temporarily restricted net assets													
Contributions	1,001,991	–	–	–	1,001,991	–	–	–	–	–	–	–	–
Change in interest in restricted net assets of the Foundation	–	(358,823)	–	224,644	–	–	134,179	–	–	134,179	–	–	–
Investment income	(1,523)	–	–	–	(1,523)	–	–	–	–	–	–	–	–
Net assets released from restrictions and used for operations	(506,067)	–	–	–	(506,067)	–	–	–	–	–	–	–	–
Net assets released from restrictions and used for purchase of fixed assets	(89,713)	–	–	–	(89,713)	–	–	–	–	–	–	–	–
Increase (decrease) in temporarily restricted net assets	404,688	(358,823)	–	224,644	404,688	–	134,179	–	–	134,179	–	–	–
Permanently restricted net assets													
Contributions	72,613	–	–	–	72,613	–	–	–	–	–	–	–	–
Increase in permanently restricted net assets	72,613	–	–	–	72,613	–	–	–	–	–	–	–	–
Increase (decrease) in net assets	43,663,392	(358,823)	8,665,857	13,214,103	1,564,245	3,423	20,574,587	54,706	16,586,189	1,673,110	1,197,745	806,363	256,474
Net assets at beginning of year	350,239,764	(2,838,105)	60,452,494	208,281,371	6,539,432	121,550	77,683,022	(6,068,050)	54,264,151	10,440,060	16,648,548	2,030,621	367,692
Net assets at end of year	$ 393,903,156	$ (3,196,928)	$ 69,118,351	$ 221,495,474	$ 8,103,677	$ 124,973	$ 98,257,609	$ (6,013,344)	$ 70,850,340	$ 12,113,170	$ 17,846,293	$ 2,836,984	$ 624,166

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APPENDIX C

CONSOLIDATED FINANCIAL STATEMENTS OF EDWARD HEALTH SERVICES CORPORATION FOR THE SEVEN MONTHS ENDED JANUARY 31, 2008 (UNAUDITED)

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CONSOLIDATED FINANCIAL STATEMENTS

Edward Health Services Corporation and Subsidiaries
Seven Months Ended January 31, 2008
Unaudited

Edward Health Services Corporation and Subsidiaries

Consolidated Balance Sheets

	January 31, 2008
Assets	
Current assets:	
Cash and cash equivalents	$ 13,300,827
Assets limited as to use, externally designated investments under debt agreements	3,780,000
Patient accounts receivable, less allowances for doubtful accounts	84,963,455
Estimated amounts due from third-party payors	5,355,550
Inventories	5,273,427
Prepaid expenses and other current assets	10,243,073
Total current assets	122,916,332
Assets limited as to use, less current portion:	
Externally designated investments under debt agreements	32,726,047
Externally designated for self-insurance	41,367,267
Board-designated investments	272,049,814
	346,143,128
Other assets:	
Deferred financing costs	8,706,931
Goodwill, net	3,779,075
Investments in affiliates and other	22,133,130
	34,619,136
Land, buildings, and equipment:	
Land and improvements	40,266,690
Buildings and improvements	373,441,396
Furniture and equipment	143,979,613
Construction in progress	63,653,672
	621,341,371
Less allowances for depreciation	258,447,403
	362,893,968
TOTAL ASSETS	$ 866,572,564

Edward Health Services Corporation and Subsidiaries

Consolidated Balance Sheets (Cont.)

	January 31, 2008
Liabilities and net assets	
Current liabilities:	
Accounts payable	$ 19,875,592
Accrued expenses	63,312,391
Due to affiliates	–
Estimated amounts due to third-party payors	42,022,173
Current maturities of long-term debt	3,780,000
Total current liabilities	128,990,156
Long-term debt, less current maturities	295,427,595
Professional and general liability	38,097,815
Minority interest in limited partnership	124,137
Other liabilities	1,674,430
Total liabilities	464,314,133
Net assets:	
Unrestricted net assets	398,667,015
Temporarily restricted net assets	3,206,342
Permanently restricted	385,074
Total net assets	402,258,431
TOTAL LIABILITIES AND NET ASSETS	$ 866,572,564

Edward Health Services Corporation and Subsidiaries

Consolidated Statements of Operations and Changes in Net Assets

	Seven Months Ended January 31, 2008
Revenue	
Net patient service revenue	$ 296,046,538
Other operating revenue	23,426,154
	319,472,692
Expenses	
Salaries and wages	120,974,563
Employee benefits	26,586,101
Medical fees	5,030,875
Purchased services	26,940,709
Supplies and other	74,793,507
Depreciation and amortization	22,324,979
Provision for doubtful accounts	13,856,145
Interest	6,567,686
Medicaid tax	6,399,349
	303,473,914
Operating income	15,998,778
Nonoperating	
Realized gain (loss) and investment income	30,446,962
Unrealized gain (loss) on investment income	(26,110,431)
Gain (loss) on interest rate swap	(12,518,125)
Other nonoperating losses	138,628
	(8,042,966)
Revenue and gains in excess of expenses	7,955,812

Edward Health Services Corporation and Subsidiaries

Consolidated Statements of Operations and Changes in Net Assets (continued)

	Seven Months Ended January 31, 2008
Unrestricted net assets	
Revenue and gains in excess of expenses	$ 7,955,812
Increase in net unrealized gains on investments	3,453
Increase in unrestricted net assets	7,959,265
Temporarily restricted net assets	
Investment income	(1,800)
Net assets released from restrictions used for operations	395,310
Increase in temporarily restricted net assets	393,510
Permanently restricted net assets	
Contributions	2,500
Increase in permanently restricted net assets	2,500
Increase in net assets	8,355,275
Net assets at beginning of year	393,903,156
Net assets at end of period	$ 402,258,431

Edward Health Services Corporation and Subsidiaries

Consolidated Statements of Cash Flows

	Seven Months Ended January 31, 2008
Operating activities	
Change in net assets	$ 8,355,275
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation and amortization	22,324,979
Provision for doubtful accounts	13,856,145
Change in net unrealized gains on investments	(26,110,431)
Change in net unrealized (gain) loss on derivative financial instrument	(12,518,125)
Change in Investments, net	31,277,438
Restricted contributions	2,500
Changes in operating assets and liabilities:	
Patient accounts receivable	(28,047,941)
Inventories, prepaid expenses, and other current assets	(2,498,035)
Accounts payable and accrued expenses	11,767,193
Other assets and liabilities	4,720,930
Estimated amounts due to third-party payors	7,141,078
Net cash provided by operating activities	30,271,006
Investing activities	
Additions to land, buildings, and equipment, net	(32,311,963)
Investments in affiliates and other	(6,627,841)
Net cash used in investing activities	(38,939,804)
Financing activities	
Principal payments under capital lease and bond obligations	(37,633)
Net cash used in financing activities	(37,633)
Net decrease in cash and cash equivalents	(8,706,431)
Cash and cash equivalents at beginning of year	22,007,258
Cash and cash equivalents at end of period	$ 13,300,827

Edward Health Services Corporation and Subsidiaries

Consolidated Financial Statements

Seven Months Ended January 31, 2008

1. Corporate Organization

The accompanying unaudited interim period consolidated financial statements represent the accounts of Edward Health Services Corporation (the Corporation) and its affiliates. Included among the affiliates are Edward Hospital (the Hospital), an acute care hospital located in Naperville, Illinois, serving residents of Naperville and its surrounding communities; Edward Health Ventures (EHV), an organization which provides the services of physician practices, holds real estate investments, and invests in joint venture medical practices and other health care services; Edward Foundation (the Foundation), a charitable foundation organized to solicit gifts for the maintenance and benefit of the Corporation and its affiliates; EHSC Cayman Segregated Portfolio Co. (the Captive), which provides general and professional liability insurance coverage to the Corporation and its affiliates; and Edward Cardiac Diagnostics, LLC ("ECD"). EHV is the sole corporate member of Edward Health & Fitness Center (EHFC), an Illinois not-for-profit corporation, and is the sole shareholder of Edward Management Corporation (EMC), an Illinois for-profit corporation, which provides physician billing services. EHV has a 99% ownership interest in Naperville Psychiatric Ventures, an Illinois not-for-profit corporation, d/b/a Linden Oaks Hospital (Linden Oaks), a psychiatric hospital located on the campus of the Hospital, and the Corporation owns the remaining 1% interest. EHV is also the general partner of the Edward Physician Office Center Limited Partnership (EPOCLP), an Illinois for-profit limited partnership, which owns a medical office building on the Hospital campus. EHV and the Hospital together own 96% of the limited and general partnership units of EPOCLP. ECD is a limited liability corporation owned 50% by Edward Hospital and 50% by EHV.

Significant intercompany transactions have been eliminated in consolidation.

The accompanying unaudited interim period consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included and are of a normal and recurring nature. Operating results for the seven months ended January 31, 2008, are not necessarily indicative of the results to be expected for the fiscal year ending June 30, 2008. For further information, refer to the audited consolidated financial statements and notes thereto for the year June 30, 2007.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Although estimates are considered to be fairly stated at the time the estimates are made, actual results could differ from those estimates.

Cash Equivalents

Cash equivalents include investments in highly liquid debt instruments with a maturity of three months or less when purchased, excluding amounts whose use is limited by board designation or other arrangements under trust agreements.

Accounts Receivable

The Corporation evaluates the collectibility of its accounts receivable based on the length of time the receivable is outstanding, payor class, and the anticipated future uncollectible amounts based on historical experience. Accounts receivable are charged to the allowance for doubtful accounts when they are deemed uncollectible.

Investments and Investment Income

Assets limited as to use include assets set aside by the Board of Trustees (the Board) for future capital improvements, which the Board, at its discretion, may subsequently use for other purposes. Additionally, assets limited as to use include assets held by trustees under debt agreements and assets externally designated by reinsurers for the self-insured professional and general liability.

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value based on quoted market prices for those or similar investments. Dividends, realized gains and losses, and unrealized gains and losses are reported as nonoperating gains and losses in the consolidated statements of operations and changes in net assets. Investment income from assets limited as to use under debt agreements is included as other operating revenue in the consolidated statements of operations and changes in net assets.

Interest Rate Swaps

Interest rate swaps are measured at fair value based on quoted market interest rates. Gains and losses resulting from changes in market interest rates are reported as nonoperating gains and losses in the consolidated statements of operations and changes in net assets.

2. Summary of Significant Accounting Policies (continued)

Inventories

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

Deferred Financing Costs and Goodwill

Debt issuance and financing costs are capitalized and amortized over the life of the debt issue using methods that approximate the effective interest method. Goodwill is amortized over 20 years using the straight-line method.

Land, Buildings, and Equipment

Land, buildings, and equipment are carried at cost, except donated assets, which are recorded at fair market value as of the date of donation. The Hospital records depreciation expense, including amortization of assets recorded under capital leases, using the straight-line method over the estimated useful lives of the assets, which range from 3 to 40 years, for all assets acquired before 1980 and after 1998. Assets acquired in the period from 1981 to 1998 were depreciated using an accelerated method. EHV, EHFC, Linden Oaks, EMC, and ECD record depreciation expense using the straight-line method, and EPOCLP uses an accelerated method.

Contributions

Unconditional promises to give cash and other assets are reported at fair value at the date the pledge is received to the extent estimated to be collectible by the Corporation. Pledges received with donor restrictions that limit the use of the donated assets are reported as either temporarily or permanently restricted support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions.

Temporarily restricted net assets are used to differentiate resources, the use of which is restricted by donors or grantors to a specific time period or purpose, from resources on which no restrictions have been placed or that arise from the general operations of the Corporation. Temporarily restricted gifts are recorded as an addition to temporarily restricted net assets in the period received. Resources restricted by donors for specific operating purposes are reported as revenue to the extent expended within the period.

Permanently restricted net assets consist of amounts held in perpetuity, as designated by donors. Earnings on investments of endowment funds are included in revenue unless restricted by donors.

2. Summary of Significant Accounting Policies (continued)

Net Patient Service Revenue

The Corporation has agreements with various third-party payors that provide for payments to the Corporation at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts received or due from patients, third-party payors, and others for services rendered. These amounts include estimated adjustments under certain reimbursement agreements with third-party payors, which are subject to audit by the applicable administering agency. These adjustments are accrued on an estimated basis and are adjusted in future periods as final settlements are determined.

Charity Care

The Corporation provides care to all patients regardless of their ability to pay. Charity care provided by the Corporation is excluded from net patient service revenue.

Revenue and Gains in Excess of Expenses

The consolidated statements of operations and changes in net assets include revenues and gains in excess of expenses. Changes in unrestricted net assets, which are excluded from revenues and gains in excess of expenses, include transfers with affiliates and contributions of long-lived assets, including assets acquired using donor-restricted contributions.

3. Long-Term Debt

The Corporation's long term debt is issued pursuant to a Master Trust Indenture dated September 15, 1997. Members of the obligated group include EHSC, EH, EHV, EHFC, and Naperville Psychiatric Ventures d/b/a LOH.

Under the terms of the master trust indenture, various amounts are held on deposit with a trustee for bond redemption, interest payments, and certain construction expenditures. In addition, the master trust indenture requires the Corporation to maintain certain financial ratios and places restrictions on various activities, such as the transfer of assets and incurrence of additional indebtedness.

4. Commitments and Contingencies

At January 31, 2008, the Corporation had commitments totaling approximately $40.1 million dollars related to construction and modernization projects that are expected to be completed during the next 12 months.

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE

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SUMMARY OF PRINCIPAL DOCUMENTS

Brief descriptions of the Amended and Restated Master Trust Indenture, dated as of September 15, 1997 (the "Master Indenture"), as supplemented and amended by the Third Supplemental Master Trust Indenture, dated as of April 1, 2001, the Fourth Supplemental Master Trust Indenture, dated as of March 1, 2007, the Fifth Supplemental Master Trust Indenture, dated as of March 1, 2007, the Seventh Supplemental Master Trust Indenture, dated as of March 7, 2007, the Eighth Supplemental Master Trust Indenture, dated as of March 7, 2007, the Ninth Supplemental Master Trust Indenture, dated as of March 1, 2008 and the Tenth Supplemental Master Trust Indenture, dated as of March 1, 2008 are included hereafter in this Reoffering Circular. (The First Supplemental Master Trust Indenture and the Second Supplemental Master Trust Indenture provided for the issuance of certain Obligations in 1997, and the Sixth Supplemental Master Trust Indenture provided for the issuance of certain Obligations in 2007, none of which will be outstanding at the time the Series 2008 Bonds are issued.) Such descriptions do not purport to be comprehensive or definitive. All references herein to the Master Indenture are qualified in their entirety by reference to each such document, copies of which are available for review prior to the issuance and delivery of the Series 2008 Bonds at the offices of the Corporation and thereafter at the offices of the Bond Trustee. All references to the Series 2008 Bonds are qualified in their entirety by reference to the definitive forms thereof and the information with respect thereto included in the respective Bond Indenture.

DEFINITIONS OF CERTAIN TERMS

The following are definitions of certain terms used in the Master Indenture.

"*Accelerable Instrument*" means any Obligation or any mortgage, indenture, or other instrument under which there has been issued or incurred, or by which there is secured, any Indebtedness evidenced by an Obligation, which Obligation or instrument provides that, upon the occurrence of an event of default under such Obligation or instrument, the holder thereof may request that the Master Trustee declare such Obligation or Indebtedness due and payable prior to the date on which it would otherwise become due and payable.

"*Act*" means the Illinois Finance Authority Act, as from time to time amended.

"*Additional Indebtedness*" means Indebtedness incurred by any Member subsequent to the issuance of the Series 1989 Obligation.

"*Additional Obligations*" means any evidence of Indebtedness or evidence of any repayment obligation under any Interest Rate Agreement which is issued after the issuance of the Series 1989 Obligation, is authorized to be issued by a Member pursuant to the Master Indenture and has been authenticated by the Master Trustee pursuant to the Master Indenture.

"*Affiliate*" means a corporation, partnership, joint venture, association, business trust or similar entity (a) which controls, is controlled by or is under common control with, directly or indirectly, a Member; or (b) a majority of the members of the Directing Body of which are members of the Directing Body of a Member. For the purposes of this definition, control means with respect to: (a) a corporation having stock, the ownership, directly or indirectly, of more than 50% of the securities (as defined in Section 2(1) of the Securities Act of 1933, as amended) of any class or classes, the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the directors of such corporation; (b) a not for profit corporation not having stock, having the power to elect or appoint, directly or indirectly, a majority of the members of the Directing Body of such corporation; or (c) 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. For the purposes of this definition, "Directing Body" means with respect to: (a) a corporation having stock, such corporation's board of directors and the owners, directly or indirectly, of more than 50% of the securities (as defined in Section 2(1) of the Securities Act of 1933, as amended) of any class or classes, the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the corporation's directors (both of which groups shall be considered a Directing Body); (b) a not for profit corporation not having stock, such corporation's members if the members have complete discretion to elect the corporation's directors, or the

corporation's directors if the corporation's members do not have such discretion; and (c) any other entity, its governing board or body. For the purposes of this definition, all references to directors and members shall be deemed to include all entities performing the function of directors or members however denominated.

"*Authority*" means the Illinois Finance Authority, a body politic and corporate created and existing under and by virtue of the Act, and its successors and assigns.

"*Balloon Indebtedness*" means Long-Term Indebtedness, 25% or more of the original principal of which matures during any consecutive twelve-month period, if such maturing principal amount is not required to be amortized below such percentage by mandatory redemption or prepayment prior to such twelve-month period. Balloon Indebtedness does not include Indebtedness which otherwise would be classified hereunder as Put Indebtedness.

"*Bondholder*" "*holders*" or "*owner of the Related Bonds*" means the registered owner of any Related Bond.

"*Book Value*," when used with respect to Property of a Member, means the value of such Property, net of accumulated depreciation and amortization, as reflected in the most recent audited financial statements of such Member which have been prepared in accordance with generally accepted accounting principles, and, when used with respect to Property of all Members, means the aggregate of the values of such Property, net of accumulated depreciation and amortization, as reflected in the most recent audited combined financial statements of the Obligated Group prepared in accordance with generally accepted accounting principles, provided that such aggregate shall be calculated in such a manner that no portion of the value of any Property of any Member is included more than once.

"*Business Day*" means a day which is not (a) a Saturday, Sunday or legal holiday on which banking institutions in the State of Illinois 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 Funded Indebtedness or Related Bonds and interest earned on amounts irrevocably deposited in escrow to the extent such interest earned is required to be applied to pay interest on Funded Indebtedness or Related Bonds.

"*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 Net 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.

"*Commitment Indebtedness*" means the obligation of any Member to repay amounts disbursed pursuant to a commitment from a financial institution to refinance or purchase when due, when tendered or when required to be purchased (a) other Indebtedness of such Member, or (b) Indebtedness of a Person who is not a Member, which Indebtedness is guaranteed by a Guaranty of such Member or secured by or payable from amounts paid on Indebtedness of such Member, in either case which Indebtedness or Guaranty of such Member was incurred in accordance with the provisions described herein under "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Permitted Additional Indebtedness", and the obligation of any Member to pay interest payable on amounts disbursed for such purposes, plus any fees, costs or expenses payable to such financial institution for, under or in connection with such commitment, in the event of disbursement pursuant to such commitment or in connection with enforcement thereof, including without limitation any penalties payable in the event of such enforcement.

"*Completion Funded Indebtedness*" means any Funded Indebtedness for borrowed money: (a) incurred for the purpose of financing the completion of the acquisition, construction, remodeling, renovation or equipping of Facilities with respect to which Funded Indebtedness for borrowed money has been incurred in accordance with the provisions of the Master Indenture; and (b) with a principal amount not in excess of the amount required to provide

a completed and equipped Facility of substantially the same type and scope contemplated at the time such prior Funded Indebtedness was originally incurred, to provide for Capitalized Interest during the period of construction, to provide any reserve fund relating to such Completion Funded Indebtedness and to pay the costs and expenses of issuing such Completion Funded Indebtedness.

"*Construction Index*" means the most recent issue of the "Dodge Construction Index for U.S. and Canadian Cities" with reference to the city in which the subject property is located (or, if such Index is not available for such city, with reference to the city located closest geographically to the city in which the subject property is located), or, if such Index is no longer published or used by the federal government in measuring costs under Medicare or Medicaid programs, such other index which is certified to be comparable and appropriate by the Obligated Group Agent in an Officer's Certificate delivered to the Master Trustee and which other index is acceptable to the Master Trustee.

"*Consultant*" means a professional consulting or banking firm selected by the Obligated Group Agent and acceptable to the Master Trustee, having the skill and experience necessary to render the particular report required and having a favorable and nationally recognized reputation for such skill and experience, which firm does not control any Member of the Obligated Group or any Affiliate thereof and is not controlled by or under common control with any Member of the Obligated Group or any Affiliate thereof.

"*Contributions*" means the aggregate amount of all contributions, grants, gifts, bequests and devises actually received in cash or marketable securities by any Person in the applicable fiscal year of such Person and any such contributions, grants, gifts, bequests and devises originally received in a form other than cash or marketable securities by any Person which are converted in such fiscal year to cash or marketable securities.

"*Corporation*" means Edward Hospital (formerly, Edward Hospital Association), an Illinois not for profit corporation, and its successors and assigns and any surviving, resulting or transferee corporation.

"*Cross-over Date*" means, with respect to Cross-over Refunding Indebtedness, the date on which the principal portion of the Cross-over Refunded Indebtedness is paid or redeemed, or on which it is anticipated that such principal portion will be paid or redeemed, from the proceeds of such Cross-over Refunding Indebtedness.

"*Cross-over Refunded Indebtedness*" means Indebtedness of a Person refunded by Cross-over Refunding Indebtedness.

"*Cross-over Refunding Indebtedness*" means Indebtedness of a Person issued for the purpose of refunding other Indebtedness of such Person if the proceeds of such Cross-over Refunding Indebtedness are irrevocably deposited in escrow to secure the payment on the applicable Cross-over Date of the Cross-over Refunded Indebtedness and earnings on such escrow deposit are required to be applied to pay interest or principal on either or both of such Cross-over Refunding Indebtedness or such Cross-over Refunded Indebtedness until the Cross-over Date.

"*Cumulative Net Income Available for Dividends*" means for any Person the amount equal to the sum of the Income Available for Debt Service of such Person for each Fiscal Year during which such Person is a Member of the Obligated Group subsequent to June 30, 1989, less, in each Fiscal Year, interest on Funded Indebtedness, depreciation and amortization.

"*Current Value*" means (i) with respect to Property, Plant and Equipment: (a) the aggregate fair market value of such Property, Plant and Equipment as reflected in the most recent written report of an appraiser selected by the Obligated Group Agent and acceptable to the Master Trustee and, in the case of real property, who is a member of the American Institute of Real Estate Appraisers (MAI), delivered to the Master Trustee (which report shall be dated not more than three years prior to the date as of which Current Value is to be calculated) increased or decreased by a percentage equal to the aggregate percentage increase or decrease in the Construction Index from the date of such report to the date as of which Current Value is to be calculated; plus (b) the Book Value of any Property, Plant and Equipment acquired since the last such report increased or decreased by a percentage equal to the aggregate percentage increase or decrease in the Construction Index from the date of such acquisition to the date as

of which Current Value is to be calculated; minus (c) the greater of the Book Value or the fair market value (as reflected in such most recent appraisers report) of any Property, Plant and Equipment disposed of since the last such report increased or decreased by a percentage equal to the aggregate percentage increase or decrease in the Construction Index from the date of such report to the date as of which Current Value is to be calculated, and (ii) with respect to any other Property, the fair market value of such Property, which fair market value shall be evidenced in a manner satisfactory to the Master Trustee.

"*Debt Service Requirements*" means, with respect to the period of time for which calculated, the aggregate of the payments required to be made during such period in respect of principal (whether at maturity, as a result of mandatory sinking fund redemption, mandatory prepayment or otherwise) and interest on outstanding Funded Indebtedness of each Person or a group of Persons with respect to which calculated; provided that: (a) the amount of such payments for a future period shall be calculated in accordance with the assumptions described herein under "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Permitted Additional Indebtedness" and "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Calculation of the Debt Service and Debt Service Coverage"; (b) interest shall be excluded from the determination of the Debt Service Requirements to the extent that Capitalized Interest is available to pay such interest; and (c) principal of Indebtedness shall be excluded from the determination of Debt Service Requirements to the extent that amounts are on deposit in an irrevocable escrow and such amounts (including, where appropriate, the earnings or other increment to accrue thereon) are required to be applied to pay such principal and such amounts so required to be applied are sufficient to pay such principal.

"*Defaulted Interest*" means interest on any Related Bond of a particular series which is payable but not duly paid on the date due.

"*DTC*" means The Depository Trust Company, New York, New York, and its successors and assigns.

"*Eighth Supplemental Master Indenture*" means the Eighth Supplemental Master Trust Indenture dated as of March 7, 2007 among Edward, as Obligated Group Agent, on behalf of itself and the other Members of the Obligated Group, and the Master Trustee providing for the issuance of the Series 2007D-2 Obligation.

"*Enabling Statute*" means the Act and any other legislation pursuant to which any series of Related Bonds is issued.

"*Encumbered*" means, with respect to Property, subject to a Lien described in subsections (b), (d) (other than a Lien securing Non-Recourse Indebtedness), (f) (including only leases whereunder any Member is lessor entered into in accordance with the disposition of Property provisions of the Master Indenture which were not in existence on December 1, 1989), (n)(ii), (u)(ii) and (v) of the definition of Permitted Encumbrances and all other Liens not described in the definition of Permitted Encumbrances; provided that any amounts on deposit in a construction fund created in connection with the issuance of an Obligation which are held as security for the payment of such Obligation or any Indebtedness incurred to purchase such Obligation or the proceeds of which are advanced or otherwise made available in connection with the issuance of such Obligation, shall not be deemed to be Encumbered if the amounts are to be applied to construct or otherwise acquire Property which is not subject to a Lien.

"*Escrow Obligations*" means, (i) with respect to any Obligation which secures a series of Related Bonds, the obligations permitted to be used to refund or advance refund such series of Related Bonds under the Related Bond Indenture, or (ii) in all other cases (a) United States Government Obligations, (b) obligations of any agency or instrumentality of the United States Government, (c) certificates of deposit issued by a bank or trust company which are (1) fully insured by the Federal Deposit Insurance Corporation or similar corporation chartered by the United States or (2) secured by a pledge of any United States Government Obligations having an aggregate market value, exclusive of accrued interest, equal at least to the principal amount of the certificates so secured, which security is held in a custody account by a custodian satisfactory to the Master Trustee, (d)(1) evidences of a direct ownership in future interest or principal payments on obligations of the type described in (a) above, which obligations are held in a custody account by a custodian satisfactory to the Master Trustee pursuant to the terms of a custody agreement and (2) obligations issued by any state of the United States or any political subdivision, public instrumentality or public authority of any state, which obligations are not callable before the date the principal thereof will be required and which obligations are fully secured by and payable solely from obligations of the type described in (a) above, which

securities are held pursuant to an agreement in form and substance acceptable to the Master Trustee, or (e) after 30 days' prior written notice to each Rating Agency then maintaining a rating on any Obligations or Related Bonds, shares or certificates in any short-term investment fund which is maintained by the Master Trustee or a Related Bond Trustee.

"*Excluded Property*" means any assets of "employee pension benefit plans" as defined in the Employee Retirement Income Security Act of 1974, as amended, the rights, titles and interests in and to real estate described in *Exhibit C* hereto, as amended as provided herein from time to time, and all improvements, fixtures, tangible personal property and equipment located thereon and used in connection therewith.

"*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 Funded Indebtedness, (ii) depreciation and amortization, (iii) 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), (iv) 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, if such calculation is being made with respect to the Obligated Group, excluding any such expenses attributable to transactions between any Member and any other Member, (v) any unrealized losses resulting from changes in the valuation of investment securities and (vi) losses resulting from any reappraisal, revaluation or write-down of assets.

"*Facilities*" means all land, leasehold interests and buildings and all fixtures and equipment (as defined in the Uniform Commercial Code or equivalent statute in effect in the state where such fixtures or equipment are located) of a Person. Facilities shall not include the land, leasehold interests, buildings, fixtures or equipment constituting Excluded Property.

"*Fiscal Year*" means any twelve-month period beginning on July 1 of any calendar year and ending on June 30 of the following calendar year or such other consecutive twelve-month period selected by the Obligated Group Agent as the fiscal year for the Members.

"*Fifth Supplemental Master Indenture*" means the Fifth Supplemental Master Trust Indenture dated as of March 1, 2007 among Edward, as Obligated Group Agent, on behalf of itself and the other Members of the Obligated Group, and the Master Trustee providing for the issuance of the Series 2007A Obligations.

"*Fitness*" means Edward Health and Fitness Center, an Illinois not for profit corporation, and its successors and assigns and any surviving, resulting or transferee corporation.

"*Fourth Supplemental Master Indenture*" means the Fourth Supplemental Master Trust Indenture dated as of March 1, 2007 among Edward, as Obligated Group Agent, on behalf of itself and the other Members of the Obligated Group, and the Master Trustee providing for admission of Linden Oaks as a Member of the Obligated Group.

"*Funded 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 or construction of Property which is not Short-Term; (iii) all Short-Term Indebtedness incurred by the Person which is of the type described herein in Section (E) under "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Permitted Additional Indebtedness"; (iv) the Person's Guaranties of Indebtedness which are not Short-Term; and (v) Capitalized Rentals under Capitalized Leases entered into by the Person; provided, however, that Indebtedness that could be described by more than one of the foregoing categories shall not in any case be considered more than once for the purpose of any calculation made pursuant to the Master Indenture.

"*Funded Indebtedness Ratio*" means the ratio consisting of (i) a numerator equal to the amount determined by dividing the Obligated Group's total Funded Indebtedness by the sum of (a) such Funded Indebtedness and (b) the Obligated Group's total unrestricted net assets (as reflected in or derived from the most recent audited combined

financial statements of the Obligated Group prepared in accordance with generally accepted accounting principles) and (ii) a denominator of one.

"*Governing Body*" means, with respect to a Member, the board of directors, board of trustees or similar group in which the right to exercise the powers of corporate directors or trustees is vested.

"*Government Obligations*" means securities which consist of (a) United States Government Obligations or (b) evidences of a direct ownership in future interest or principal payments on obligations of the type described in subparagraph (a) above, which obligations are held in a custody account by a custodian satisfactory to the Master Trustee pursuant to the terms of a custody agreement.

"*Guaranty*" means all obligations of a Person guaranteeing, or in effect guaranteeing, any Indebtedness, dividend or other obligation of any Primary Obligor in any manner, whether directly or indirectly, including but not limited to obligations incurred through an agreement, contingent or otherwise, by such Person: (1) to purchase such Indebtedness or obligation or any Property constituting security therefor, (2) to advance or supply funds: (i) for the purchase or payment of such Indebtedness or obligation, or (ii) to maintain working capital or other balance sheet condition; (3) 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 (4) otherwise to assure the owner of such Indebtedness or obligation against loss in respect thereof.

"*Historical Maximum Annual Debt Service Coverage Ratio*" means, for any period of time, the ratio consisting of a numerator equal to the amount determined by dividing Income Available for Debt Service for that period by the Historical Maximum Annual Debt Service Requirements on the Indebtedness of the Person or Persons involved during any completed period and a denominator of one; provided, however, that in calculating the Debt Service Requirements for any completed period, the principal amount of any Indebtedness included in such calculation which is paid during such period shall be excluded to the extent such principal amount is paid from the proceeds of other Indebtedness incurred in accordance with the provisions of the Master Indenture or from amounts deposited to provide for such payment pursuant to an amortization schedule established and maintained in accordance with Section (G)(ii)(a) and (b) described herein under "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Permitted Additional Indebtedness", which amounts were deposited in Fiscal Years prior to the Fiscal Year in which such principal became due.

"*Historical Maximum Annual Debt Service Requirements*" means the largest total Debt Service Requirements for the Fiscal Year with respect to which an Historical Maximum Annual Debt Service Coverage Ratio is being calculated or any subsequent Fiscal Year on the Indebtedness of the Person or Persons involved which was simultaneously outstanding during the Fiscal Year with respect to which an Historical Maximum Annual Debt Service Coverage Ratio is being calculated.

"*Historical Pro Forma Debt Service Coverage Ratio*" means, for any period of time, the ratio consisting of a numerator equal to the amount determined by dividing Income Available for Debt Service for that period by the Maximum Annual Debt Service Requirement for the Funded Indebtedness then outstanding (other than any Funded Indebtedness being refunded with the Funded Indebtedness then proposed to be issued) and the Funded Indebtedness then proposed to be issued and a denominator of one; provided that, when such calculation is being made with respect to the Obligated Group, Income Available for Debt Service and Maximum Annual Debt Service Requirement shall be determined only with respect to those Persons who are Members of the Obligated Group at the time of such calculation.

"*Income Available for Debt Service*" means, for any period, the excess of Revenues over Expenses of the Person or group of Persons involved.

"*Income Available for Debt Service on Guaranteed Debt*" means for any fiscal year of a Primary Obligor all Revenues of the Primary Obligor minus its Expenses.

"*Indebtedness*" means, for any Person, (a) all Guaranties by such Person, (b) all liabilities (exclusive of reserves such as those established for deferred taxes or litigation) recorded or required to be recorded as liabilities on

the audited financial statements of such Person in accordance with generally accepted accounting principles, and (c) all obligations for the payment of money incurred or assumed by such Person (i) due and payable in all events or (ii) if incurred or assumed primarily to assure the repayment of money borrowed or credit extended, due and payable upon the occurrence of a condition precedent or upon the performance of work, possession of Property as lessee, rendering of services by others or otherwise and shall include, without limitation Non-Recourse Indebtedness; provided that Indebtedness shall not include Indebtedness of one Member to another Member, any Guaranty by any Member of Indebtedness of any other Member, the joint and several liability of any Member on Indebtedness issued by another Member, any obligation of a Member under any Interest Rate Agreement or any obligation to repay moneys deposited by patients or others with a Member as security for or as prepayment of the cost of patient care or any rights of residents of life care, elderly housing or similar facilities to endowment or similar funds deposited by or on behalf of such residents.

"*Independent Architect*" means an architect, engineer or firm of architects or engineers selected by a Member, acceptable to the Master Trustee and licensed by, or permitted to practice in, the state where the construction involved is located, which architect, engineer or firm of architects or engineers, in the case of an individual, is not a member, director, officer or employee of any Member and, in the case of a firm, does not control any Member of the Obligated Group or any Affiliate thereof and is not controlled by or under common control with any Member of the Obligated Group or any Affiliate thereof.

"*Independent Counsel*" means an attorney duly admitted to practice law before the highest court of any state and, without limitation, may include independent legal counsel for any Related Issuer, any Member, the Master Trustee or any Related Bond Trustee.

"*Insurance Consultant*" means a person or firm who in the case of an individual is not an employee or officer of any Member or any Related Issuer and which, in the case of a firm, does not control any Member of the Obligated Group or any Affiliate thereof and is not controlled by or under common control with any Member of the Obligated Group or any Affiliate thereof, appointed by the Obligated Group Agent and satisfactory to the Master Trustee, qualified to survey risks and to recommend insurance coverage for hospital or health care facilities and services of the type involved, and having a favorable reputation for skill and experience in such surveys and such recommendations, and which may include, a broker or agent with whom any Member transacts business.

"*Interest Rate Agreement*" means an interest rate exchange, hedge or similar agreement, 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. Obligations of a Member under an Interest Rate Agreement shall not constitute Indebtedness under the Master Indenture.

"*Land*" means the real Property of the Obligated Group upon which the primary operations of the Members are conducted as described in Exhibit A to the Master Indenture, as amended as provided herein from time to time, together with all buildings, improvements and fixtures located thereon, excluding the Excluded Property.

"*Lien*" means any mortgage, pledge or lease of, security interest in or lien, charge, restriction or encumbrance on any Property of the Person involved in favor of, or which secures any obligation to, any Person other than any Member, and any Capitalized Lease under which any Member is lessee and the lessor is not another Member.

"*Linden Oaks*" means Naperville Psychiatric Ventures d/b/a Linden Oaks Hospital, an Illinois general partnership, and its successors and assigns and any surviving, resulting or transferee partnership, corporation or similar entity.

"*Long-Term Indebtedness*" means Indebtedness (which also may constitute Balloon Indebtedness or Put Indebtedness) having an original stated maturity or term greater than one year or renewable at the option of the debtor for a period greater than one year from the date of original issuance.

"*Master Indenture*" means the Original Master Indenture as supplemented, amended and restated by the Amended and Restated Master Trust Indenture dated as of September 15, 1997 among the Corporation, Services, Ventures, Fitness and the Master Trustee, as it may from time to time be further amended and supplemented in accordance with the terms of the Master Indenture

"*Master Trustee*" means The Bank of New York Trust Company, N.A., Chicago, Illinois, or any successor trustee under the Master Indenture.

"*Maximum Annual Debt Service Requirement*" means the largest total Debt Service Requirements for all Funded Indebtedness outstanding for the current or any succeeding Fiscal Year; provided that in applying the provisions described under "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – Rates and Charges" the current year shall be deemed to include the Fiscal Year with respect to which historical debt service coverage is being calculated; and provided further that in calculating Maximum Annual Debt Service Requirement for the purposes of applying such provisions, the principal amount of any Indebtedness included in such calculation which is paid during the year with respect to which historical debt service coverage is being calculated shall be excluded to the extent such principal amount is paid from the proceeds of other Indebtedness incurred in accordance with the provisions of the Master Indenture or from amounts deposited to provide for such payment pursuant to an amortization schedule established and maintained in accordance with the provisions described under "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – Permitted Additional Indebtedness," which amounts were deposited in Fiscal Years prior to the Fiscal Year in which such principal was paid; and provided further that principal and interest payments on Indebtedness due on the first day or first Business Day of a month shall be deemed payable during the preceding month if they are required to be fully deposited with a trustee for such Indebtedness during such preceding month.

"*Member*" or "*Member of the Obligated Group*" means any Person who is listed on *Exhibit E* hereto after designation as a Member of the Obligated Group pursuant to the terms of the Master Indenture, including the Corporation, Health Services, Ventures, Fitness and Linden Oaks.

"*Moody's*" means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns.

"*Net Proceeds*" means, when used with respect to any insurance or condemnation award or sale consummated under threat of condemnation, the gross proceeds from the insurance or condemnation award or sale with respect to which that term is used less all expenses (including attorney's fees, adjuster's fees and any expenses of the Master Trustee) incurred in the collection of such gross proceeds.

"*Net Rentals*" means all fixed rents (including as such all payments which the lessee is obligated to make to the lessor on termination of the lease or surrender of the Property other than upon termination of the lease for a default thereunder) payable under a lease or sublease of real or personal Property excluding any amounts required to be paid by the lessee (whether or not designated as rents or additional rents) on account of maintenance, repairs, insurance, taxes and similar charges. Net Rentals for any future period under any so-called "percentage lease" shall be computed on the basis of the amount reasonably estimated to be payable thereunder for such period, but in any event not less than the amount paid or payable thereunder during the immediately preceding period of the same duration as such future period; provided that the amount estimated to be payable under any such percentage lease shall in all cases recognize any change in the applicable percentage called for by the terms of such lease.

"*Ninth Supplemental Master Indenture*" means the Ninth Supplemental Master Trust Indenture dated as of March 1, 2008 among Edward, as Obligated Group Agent, on behalf of itself and the other Members of the Obligated Group, and the Master Trustee providing for the issuance of the Series 2008A Obligation.

"*Non-Recourse Indebtedness*" means any Indebtedness the liability for which is effectively limited to Property, Plant and Equipment (other than the Land) and the income therefrom not less than 80% of the cost of which Property, Plant and Equipment shall have been financed solely with the proceeds of such Indebtedness with no recourse, directly or indirectly, to any other Property of any Member.

"*Obligated Group*" means the Corporation and any other Person which has fulfilled the requirements for entry into the Obligated Group set forth under "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – Entrance into the Obligated Group" and which has not ceased such status as described under "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – Cessation of Status as a Member of the Obligated Group."

"*Obligated Group Agent*" means the Corporation or such other Member as may be designated from time to time pursuant to written notice to the Master Trustee and each Related Issuer executed by the President or Chairman of the Governing Body of the Corporation or, if the Corporation is no longer a Member of the Obligated Group, of each Member of the Obligated Group.

"*Obligation holder*," "*holder*" or "*owner of the Obligation*" means 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 the Series 2001 Obligations, the Series 2008 Obligations and any Additional Obligations and any Obligation or Obligations issued in exchange therefor.

"*Officer's Certificate*" means a certificate signed, in the case of a certificate delivered by a corporation, by the President or any other officer authorized to sign by resolution of the Governing Body of such corporation or, in the case of a certificate delivered by any other Person, the chief executive or chief financial officer of such other Person, in either case whose authority to execute such Certificate shall be evidenced to the satisfaction of the Master Trustee.

"*Original Master Indenture*" means the Master Trust Indenture dated as of December 1, 1989 between the Corporation and the Master Trustee, as it may from time to time be amended or supplemented in accordance with the terms of the Master Indenture

"*Outstanding*" means, in the case of Indebtedness of a Person other than Related Bonds or Obligations, all such Indebtedness of such Person which has been issued except any such portion thereof cancelled after purchase on the open market or surrendered for cancellation or because of payment at or redemption prior to maturity, any such Indebtedness in lieu of which other Indebtedness has been duly issued and any such Indebtedness which is no longer deemed outstanding under its terms and with respect to which such Person is no longer liable under the terms of such Indebtedness.

"*Outstanding Obligations*" or "*Obligations outstanding*" means all Obligations which have been duly authenticated and delivered by the Master Trustee under the Master Indenture, except:

(a) Obligations cancelled after purchase in the open market or because of payment at or prepayment or redemption prior to maturity;

(b) (i) Obligations for the payment or redemption of which cash or Escrow Obligations shall have been theretofore deposited with the Master Trustee (whether upon or prior to the maturity or redemption date of any such Obligations); provided that if such Obligations are to be prepaid or redeemed prior to the maturity thereof, notice of such prepayment or redemption shall have been given or irrevocable arrangements satisfactory to the Master Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Master Trustee shall have been filed with the Master Trustee and (ii) Obligations securing Related Bonds for the payment or redemption of which cash or Escrow Obligations shall have been theretofore deposited with the Related Bond Trustee (whether upon or prior to the maturity or redemption date of any such Obligations); provided that if such Related Bonds arc 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 hereunder; and

(d) Obligations held by a Member.

Notwithstanding the foregoing, any Obligation securing Related Bonds shall be deemed outstanding if such Related Bonds are Outstanding.

"*Outstanding Related Bonds*" or "*Related Bonds outstanding*" 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 cancelled after purchase in the open market 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 (whether upon or prior to the maturity or redemption date of any such Bonds) in accordance with the Related Bond Indenture; provided that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or arrangements satisfactory to the Related Bond Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Related Bond Trustee shall have been filed with the Related Bond Trustee;

(c) Related Bonds in lieu of which others have been authenticated under the Related Bond Indenture; and

(d) For the purposes of all covenants, approvals, waivers and notices required to be obtained or given under the Related Bond Indenture, Related Bonds held or owned by a Member.

"*Paying Agent*" means the bank or banks, if any, designated pursuant to a Related Bond Indenture to receive and disburse the principal of and interest on any Related Bonds or designated pursuant to the Master Indenture to receive and disburse the principal of and interest on any Obligations.

"*Permitted Encumbrances*" means the Master Indenture, any Related Loan Document, any Related Bond Indenture and, as of any particular time:

(a) Liens arising by reason of good faith deposits with a Member in connection with tenders, leases of real estate, bids or contracts (other than contracts for the payment of money), deposits by any Member to secure public or statutory obligations, or to secure, or in lieu of, surety, stay or appeal bonds, and deposits as security for the payment of taxes or assessments or other similar charges; any Lien arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable any Member to maintain self-insurance or to participate in any funds established to cover any insurance risks or in connection with workmen's compensation, unemployment insurance, pensions or profit sharing plans or other social security plans or programs, or to share in the privileges or benefits required for corporations participating in such arrangements;

(b) any Lien on Property acquired by a Member other than Property which will be classified as Land, which Lien secures Indebtedness issued, incurred or assumed by any Member in connection with and to effect such acquisition or existing Indebtedness which will remain outstanding after such acquisition but will not be assumed by a Member, if in any such case the aggregate principal amount of such Indebtedness does not exceed the fair market value of the Property subject to such Lien as determined in good faith by the Governing Body of the Member;

(c) any Lien on the Property of any Member granted in favor of or securing Indebtedness to any other Member;

(d) any Lien on the Property of any Member permitted under the provisions of the Master Indenture described under "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – Liens on Property";

(e) any Lien on Property if such Lien equally and ratably secures all of the Obligations and only the Obligations;

(f) leases which relate to Property of the Obligated Group which is of a type that is customarily the subject of such leases, such as office space for physicians and educational institutions, food service facilities, gift shops and radiology or other hospital-based specialty services, pharmacy and similar departments; leases entered into in accordance with the disposition of Property provisions of the Master Indenture; leases, licenses or similar rights to use Property to which the Corporation is a party existing as of December 1, 1989 and any renewals and extensions thereof; and any leases, licenses or similar rights to use Property whereunder a Member is lessee, licensee or the equivalent thereof upon fair and reasonable terms no less favorable to the lessee or licensee than would obtain in a comparable arm's-length transaction;

(g) Liens for taxes and special assessments which are not then delinquent or if then delinquent are being contested in accordance with the Master Indenture;

(h) utility, access and other easements and rights-of-way, restrictions, encumbrances and exceptions which do not materially interfere with or materially impair the operation of the Property affected thereby (or, if such Property is not being then operated, the operation for which it was designed or last modified);

(i) any mechanic's, laborer's, materialman's, supplier's or vendor's Lien or right in respect thereof if payment is not yet due under the contract in question or if such Lien is being contested in accordance with the provisions of the Master Indenture;

(j) such Liens, defects, irregularities of title and encroachments on adjoining property as normally exist with respect to property similar in character to the Property involved and which do not materially adversely affect the value of, or materially impair, the Property affected thereby for the purpose for which it was acquired or is held by the owner thereof, including without limitation statutory liens granted to banks or other financial institutions, which liens have not been specifically granted to secure Indebtedness and which do not apply to Property which has been deposited as part of a plan to secure Indebtedness;

(k) zoning laws and similar restrictions which are not violated by the Property affected thereby;

(l) statutory rights under Section 291, Title 42 of the United States Code, as a result of what are commonly known as Hill-Burton grants, and similar rights under other federal statutes or statutes of the state in which the Property involved is located;

(m) all right, title and interest of the state where the Property involved is located, municipalities and the public in and to tunnels, bridges and passageway's over, under or upon a public way;

(n) Liens on or in Property given, granted, bequeathed or devised by the owner thereof existing at the time of such gift, grant, bequest or devise, provided that (i) such Liens consist solely of restrictions on the use thereof or the income therefrom, or (ii) such Liens secure Indebtedness which is not assumed by any Member and such Liens attach solely to the Property (including the income therefrom) which is the subject of such gift, grant, bequest or devise;

(o) Liens of or resulting from any judgment or award, the time for the appeal or petition for rehearing of which shall not have expired, or in respect of which any Member shall at any time in good faith be prosecuting an appeal or proceeding for a review and in respect of which a stay of execution pending such appeal or proceeding for review shall be in existence;

(p) Liens on moneys deposited by patients or others with a Member as security for or as prepayment of the cost of patient care or any rights of residents of life care, elderly housing or similar facilities to endowment or similar funds deposited by or on behalf of such residents;

(q) Liens on Excluded Property;

(r) Liens on Property due to rights of third party payors for recoupment of excess reimbursement paid;

(s) any security interest in the Rebate Fund, any depreciation reserve, debt service or interest reserve, debt service fund or any similar fund established pursuant to the terms of any Supplemental Master Indenture, Related Bond Indenture or Related Loan Document in favor of the Master Trustee, a Related Bond Trustee, a Related Issuer or the holder of the Indebtedness issued pursuant to such Supplemental Master Indenture, Related Bond Indenture or Related Loan Document or the holder of any related Commitment Indebtedness;

(t) any Lien on any Related Bond or any evidence of Indebtedness of any Member acquired by or on behalf of any Member which secures Commitment Indebtedness and only Commitment Indebtedness;

(u) such Liens, covenants, conditions and restrictions, if any, which do not secure Indebtedness and which are other than those of the type referred to above, as are set forth in *Exhibit A* to the Master Indenture, and which (i) in the case of Property owned by the Corporation on the date of execution of the Master Indenture, do not and will not, so far as can reasonably be foreseen, materially adversely affect the value of the Property currently affected thereby or materially impair the same, and (ii) in the ease of any other Property, do not materially impair or materially interfere with the operation or usefulness thereof for the purpose for which such Property was acquired or is held by a Member; and

(v) Liens on accounts receivable arising as a result of the sale or pledge of such accounts receivable with or without recourse, but only to the extent that the principal amount of Indebtedness secured by any such Lien does not exceed the aggregate sale price of such accounts receivable or the dollar amount of accounts receivable so pledged, as the case may be.

"*Permitted Investments*" shall mean and include any of the following:

(a) Qualified Investments;

(b) Interest-bearing time or demand deposits, certificates of deposit, repurchase agreements or other similar banking arrangements with any bank, trust company, national banking association or other saving institution (including any Related Bond Trustee or the Master Trustee), provided that such deposits, certificates, repurchase agreements and other arrangements are (i) fully insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation or (ii) fully collateralized by investments of the type described in subparagraph (a) above, or (iii) in or with a government securities dealer, bank, trust company, national banking association or other savings institution whose unsecured debt obligations are rated in any of the three highest rating categories by each Rating Agency then maintaining a rating on any Obligations or Related Bonds; provided that in the case of any permitted Investments which are repurchase agreements, the investments which are the subject thereof shall be in the possession of the Master Trustee or an agent thereof and subject to no prior claims or liens;

(c) Obligations issued by any state of the United States or any political subdivision, public instrumentality or public authority of any state, which obligations are fully secured by and payable solely from Government Obligations which Government Obligations are held pursuant to an agreement in form and substance acceptable to the Master Trustee;

(d) Shares or certificates in any short-term investment fund which is maintained by the Master Trustee and which is rated in any of the three highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) by each Rating Agency then maintaining a rating on any Obligations or Related Bonds; and

(e) Upon 30 days prior written notice to each Rating Agency then maintaining a rating on any Obligations or Related Bonds, such other investments which at the time of the acquisition thereof shall be listed as permissible investments for trusteed funds in an indenture, resolution, official statement, offering circular or prospectus prepared in connection with the issuance of any particular series of Obligations issued under the Master Indenture and which other investments are made with respect to or in connection with such Obligations.

"*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.

"*Primary Obligor*" means the Person who is primarily obligated on an obligation which is guaranteed by another Person.

"*Projected Debt Service Coverage Ratio*" means, for any future period, the ratio consisting of a numerator equal to the amount determined by dividing the projected Income Available for Debt Service for that period by the Maximum Annual Debt Service Requirement for the Funded Indebtedness expected to be outstanding during such period and a denominator of one.

"*Projected Rate*" means the projected yield at par of an obligation as set forth in the report of a Consultant (which Consultant and report, including without limitation the scope, form, substance and other aspects thereof, are acceptable to the Master Trustee and each Related Issuer). Such report shall state that in determining the Projected Rate such Consultant reviewed the yield evaluations at par of not less than three obligations (or such lesser number as the Consultant shall deem appropriate, but in no event less than one) selected by such Consultant, the interest on which is entitled to the exemption from federal income tax afforded by Section 103(a) of the Code or any successor thereto (or, if it is not expected that it will be reasonably possible to issue such tax-exempt obligations, then obligations the interest on which is subject to federal income taxation) which obligations such Consultant states in its report are reasonable comparators for utilizing in developing such projected Rate and which obligations: (i) were outstanding on a date selected by the Consultant which date so selected occurred during the 90-day period preceding the date of the calculation utilizing the Projected Rate in question, (ii) to the extent practicable, are obligations of Persons engaged in operations similar to those of the Obligated Group and having a credit rating similar to that of the Obligated Group, (iii) are not entitled to the benefits of any credit enhancement, including without limitation any letter or line of credit or insurance policy, and (iv) to the extent practicable, have a remaining term and amortization schedule substantially the same as the obligation with respect to which such Projected Rate is being developed.

"*Property*" means any and all rights, titles and interests in and to any and all property whether real or personal, tangible (including cash) or intangible, wherever situated and whether now owned or hereafter acquired, other than Excluded Property.

"*Property, Plant and Equipment*" means all Property of each Member which is classified as property, plant and equipment under generally accepted accounting principles.

"*Put Date*" means (i) any date on which an owner of Put Indebtedness may elect to have such Put Indebtedness paid, purchased or redeemed by or on behalf of the underlying obligor prior to its stated maturity date or (ii) any date on which Put Indebtedness is required to be paid, purchased or redeemed from the owner by or on behalf of the underlying obligor (other than at the option of the owner) prior to its stated maturity date, other than

pursuant to any mandatory sinking fund or other similar fund or other than by reason of acceleration upon the occurrence of an event of default.

"*Put Indebtedness*" means Indebtedness which is (i) payable or required to be purchased or redeemed by or on behalf of the underlying obligor, at the option of the owner thereof, prior to its stated maturity date or (ii) payable or required to be purchased or redeemed from the owner by or on behalf of the underlying obligor (other than at the option of the owner) prior to its stated maturity date, other than pursuant to any mandatory sinking fund or other similar fund or other than by reason of acceleration upon the occurrence of an event of default.

"*Qualified Investments*" shall have the meaning assigned to such term in the Bond Indenture.

"*Qualifying Obligation holder*" means any Related Issuer, any Related Bond Trustee or the holder or holders of 10% or more in aggregate principal amount of the outstanding Obligations of any series.

"*Rating Agency*" means Moody's and Standard & Poor's and their respective successors and assigns.

"*Related Bond Indenture*" means the Bond Indenture, the Series 1997 Bond Indenture and any indenture, bond resolution or similar instrument pursuant to which any series of Related Bonds is issued.

"*Rebate Fund*" means the rebate or similar fund created by a Tax Exemption Agreement.

"Related Bond Trustee" means any trustee under any indenture, bond resolution or similar instrument pursuant to which a series of Related Bonds is issued and any successor trustee thereunder or, if no trustee is appointed, the Related Issuer.

"*Related Bonds*" means any revenue bonds or similar obligations issued by any state of the United States or any municipal corporation or other political subdivision formed under the laws thereof or any constituted authority, agency or instrumentality of any of the foregoing empowered to issue obligations on behalf thereof, the proceeds of which are loaned or otherwise made available to any Member in consideration, whether in whole or in part, of the execution, authentication and delivery of an Obligation or Obligations to such governmental issuer.

"*Related Issuer*" means the Authority and any other issuer of a series of Related Bonds.

"*Revenues*" means, for any period, the revenues of a Person as determined in accordance with generally accepted accounting principles, but excluding in any event (a) any unrealized gain resulting from changes in the valuation of investment securities, (b) any gains on the sale or other disposition of investments or fixed or capital assets not in the ordinary course or (c) earnings resulting from any reappraisal, revaluation or write-up of assets; provided, however, that if such calculation is being made with respect to the Obligated Group, such calculation shall be made in such a manner so as to exclude any revenues attributable to transactions between any Member and any other Member.

"Series 2001 Bond" or *"Series 2001 Bonds"* means, individually or collectively as the context may require, the Series 2001A Bonds and the Series 2001C Bonds.

"Series 2001 Bond Indenture" or *"Series 2001 Bond Indentures"* means, individually or collectively as the context may require, the Series 2001A Bond Indenture and the Series 2001C Bond Indenture.

"Series 2001 Bond Insurance Policy" or *"Series 2001 Bond Insurance Policies"* means, individually or collectively as the context may require, the Series 2001A Bond Insurance Policy and the Series 2001C Bond Insurance Policy.

"Series 2001 Bond Insurer" means Financial Security Assurance Inc., a New York domiciled financial guaranty insurance company, as issuer of the Series 2001Bond Insurance Policies, and its successors and assigns and any surviving, resulting or transferee corporation.

"Series 2001 Bond Trustee" means The Bank of New York Trust Company, N.A., under each of the Series 2001 Bond Indentures.

"Series 2001 Liquidity Facility Provider" means JPMorgan Chase Bank, N.A.

"Series 2001 Obligation" or *"Series 2001 Obligations"* means, individually or collectively as the context may require, the Series 2001A Obligation, the Series 2001C-1 Obligation and the Series 2001C-2 Obligation.

"Series 2001A Bond Indenture" means the Bond Trust Indenture dated April 1, 2001 between the Authority and the Series 2001 Bond Trustee, relating to the Series 2001A Bonds.

"Series 2001A Bond Insurance Policy" means the insurance policy issued by the Series 2001 Bond Insurer guaranteeing the scheduled payment of the principal of and interest on the Series 2001A Bonds when due.

"*Series 2001A Bonds*" means the $45,225,000 aggregate principal amount of Illinois Health Facilities Authority Revenue Bonds, Series 2001A (Edward Hospital Obligated Group) being issued by the Authority simultaneously with the Series 2001C Bonds.

"*Series 2001A Obligation*" means the Corporation's $45,225,000 Edward Hospital Obligated Group Direct Note Obligation, Series 2001A, securing the Series 2001A Bonds.

"*Series 2001C Bonds*" means the $48,100,000 aggregate principal amount of Illinois Health Facilities Authority Variable Rate Demand Revenue Bonds, Series 2001C (Edward Hospital Obligated Group) being issued by the Authority pursuant to the terms and conditions of the Series 2001C Bond Indenture.

"Series 2001C Bond Indenture" means the Bond Trust Indenture dated April 1, 2001 between the Authority and the Series 2001 Bond Trustee, relating to the Series 2001C Bonds.

"Series 2001C Bond Insurance Policy" means insurance policies issued by the Series 2001 Bond Insurer guaranteeing the scheduled payment of the principal of and interest on the Series 2001C when due.

"*Series 2001C Liquidity Facility Agreement"* means the Standby Bond Purchase Agreement dated April 1, 2001 between the Series 2001 Liquidity Facility Provider and the Series 2001 Bond Trustee, relating to the Series 2001C Bonds.

"*Series 2001C-1 Obligation*" means the Corporation's $48,100,000 Edward Hospital Group Direct Note Obligation, Series 2001C-1, securing the Series 2001C Bonds

"*Series 2001C-2 Obligation*" means the Corporation's Edward Hospital Obligated Group Direct Note Obligation, Series 2001C-2, securing the obligations of the Corporation under the Series 2001C Liquidity Facility Agreement.

"Series 2007 Bond Insurance Policies" means the insurance policies issued by the Series 2007 Bond Insurer guaranteeing the scheduled payment of the principal of and interest on the Series 2007A Bonds and the Series 2007B/C Bonds when due.

"Series 2007 Bond Insurer" means Ambac Assurance Corporation, a Wisconsin domiciled stock insurance corporation, and its successors and assigns and any surviving, resulting or transferee corporation.

"Series 2007 Bond Trustee" means Deutsche Bank National Trust Company, as bond trustee under each of the Series 2007A Bond Indenture and the Series 2007B/C Bond Indenture.

"*Series 2007A Bond Indenture*" means the Trust Indenture dated as of March 1, 2007, including the Exhibits thereto, between the Authority and the Series 2007 Bond Trustee, as it may from time to time be supplemented or amended, providing for the issuance of the Series 2007A Bonds.

"*Series 2007A Bond Insurance Policy*" means the financial guaranty insurance policy issued by the Series 2007 Bond Insurer insuring the payment when due of the principal of and interest on the Series 2007A Bonds as provided therein.

"*Series 2007A Bonds*" means the Authority's $86,100,000 Revenue Bonds, Series 2007A (Edward Hospital Obligated Group), which were issued in the following subseries: the Series 2007A-1 Bonds and the Series 2007A-2 Bonds, as such Series 2007A Bonds are from time to time Outstanding under the Series 2007A Bond Indenture.

"*Series 2007A Loan Agreement*" means the Loan Agreement dated as of March 1, 2007, including the Exhibits thereto, between the Authority and Corporation, relating to the Series 2007A Bonds, as it may from time to time be supplemented or amended.

"*Series 2007A Obligations*" means collectively, the Series 2007A-1 Obligation and the Series 2007A-2 Obligation.

"*Series 2007A-1 Bonds*" means the Authority's Revenue Bonds, Series 2007A-1 (Edward Hospital Obligated Group) issued in the aggregate principal amount of $49,525,000.

"*Series 2007A-1 Obligation*" means the $49,525,000 original principal amount Edward Obligated Group Direct Note Obligation, Series 2007A-1, being issued to the Authority to secure the Corporation's obligations under the Series 2007A Loan Agreement with respect to the Series 2007A-1 Bonds.

"*Series 2007A-2 Bonds*" means the Authority's Revenue Bonds, Series 2007A-2 (Edward Hospital Obligated Group) issued in the aggregate principal amount of $36,575,000.

"*Series 2007A-2 Obligation*" means the $36,575,000 original principal amount Edward Obligated Group Direct Note Obligation, Series 2007A-2, being issued to the Authority to secure the Corporation's obligations under the Series 2007A Loan Agreement with respect to the Series 2007A-2 Bonds.

"Series 2007D-1 Counter Party" means Citibank, N.A., New York.

"Series 2007D-1 Interest Rate Agreement" means the ISDA Master Agreement dated as of April 21, 2006, as amended between the Corporation and the Series 2007D-1 Counter Party.

"Series 2007D-1 Interest Rate Agreement Obligation" means the Edward Hospital Obligated Group Direct Note Obligation, Series 2007D-1 (Interest Rate Agreement), being issued to secure the Corporation's obligations under the Series 2007D-1 Interest Rate Agreement.

"Series 2007D-2 Swap Provider" means Goldman Sachs Capital Markets, L.P.

"Series 2007D-2 Interest Rate Agreement" means the ISDA Master Agreement dated as of April 21, 2006, as amended between the Corporation and the Series 2007D-2 Swap Provider.

"Series 2007D-2 Interest Rate Agreement Obligation" means the Edward Hospital Obligated Group Direct Note Obligation, Series 2007D-2 (Interest Rate Agreement), being issued to secure the Corporation's obligations under the Series 2007D-2 Interest Rate Agreement.

"Series 2008 Bank" means JPMorgan Chase Bank, National Association.

"Series 2008 Bond Trustee" means Deutsche Bank National Trust Company, as bond trustee under each of the Series 2008A Bond Indenture and the Series 2008B/C Bond Indenture.

"Series 2008 Bonds" means the Series 2008A Bonds, the Series 2008B Bonds and the Series 2008C Bonds.

"Series 2008 Obligation" or *"Series 2008 Obligations"* means, individually or collectively as the context may require, the Series 2008A-1 Obligation, the Series A-2 Obligation, the Series 2008B-1 Obligation, the Series 2008B-2 Obligation, the Series 2008C Obligation and the Series 2008D Obligation.

"*Series 2008A Bond Indenture*" means the Trust Indenture dated as of March 1, 2007, including the Exhibits thereto, between the Authority and the Series 2008 Bond Trustee, as it may from time to time be supplemented or amended, providing for the issuance of the Series 2008A Bonds.

"Series 2008A Bond Insurance Policy" means the financial guaranty insurance policy originally issued by the Series 2007 Bond Insurer which has been amended and endorsed to insure the payment when due of the principal of and interest on the Series 2008A Bonds as provided therein.

"*Series 2008A Bonds*" means the Authority's Revenue Bonds, Series 2008A (Edward Hospital Obligated Group) issued in the aggregate principal amount of $86,100,000.

"Series 2008A Reimbursement Agreement" means the Reimbursement Agreement dated March 1, 2008 between the Series 2008 Bank and the Series 2008 Bond Trustee, as trustee, and the Direct Pay Letter of Credit issued thereunder, relating to the debt service reserve fund under the Series 2008A Bond Indenture.

"*Series 2008A-1 Obligation*" means the $86,100,000 original principal amount Edward Hospital Obligated Group Direct Note Obligation, Series 2008A, being issued to the Authority to secure the Corporation's obligations under the Series 2007A Loan Agreement, as amended, with respect to the Series 2008A Bonds.

"*Series 2008A-2 Obligation*" means the Edward Hospital Obligated Group Direct Note Obligation, Series 2008A-2 (JP Morgan Chase Bank DSRF Letter of Credit), being issued to the Series 2008 Bank to secure the Corporation's obligations under the Series 2008A Reimbursement Agreement.

"*Series 2008B Bonds*" means the Authority's $113,200,000 Revenue Refunding Bonds, Series 2008B (Edward Hospital Obligated Group), which shall be issued in the following subseries: the Series 2008B-1 Bonds and the Series 2008B-2 Bonds, as such Series 2008B Bonds are from time to time Outstanding under the Series 2008B/C Bond Indenture.

"Series 2008B Obligation" or *"Series 2008B Obligations"* means, individually or collectively as the context may require, the Series 2008B-1 and the Series 2008B-2 Obligation.

"*Series 2008B-1 Bonds*" means the Authority's Revenue Refunding Bonds, Series 2008B-1 (Illinois Finance Authority) issued in the aggregate principal amount of $56,600,000.

"*Series 2008B-1 Obligation*" means the Edward Hospital Obligated Group Direct Note Obligation, Series 2008B-1, being issued to the Authority to secure the Corporation's obligations under the Series 2008B/C Loan Agreement with respect to the Series 2008B Bonds.

"*Series 2008B-2 Bonds*" means the Authority's Revenue Refunding Bonds, Series 2008B-2 (Edward Hospital Obligated Group) issued in the aggregate principal amount of $56,600,000.

"*Series 2008B/C Loan Agreement*" means the Loan Agreement dated as of March 1, 2008, including the Exhibits thereto, between the Authority and Corporation, relating to the Series 2008B Bonds and the Series 2008C Bonds, as it may from time to time be supplemented or amended.

"Series 2008B/C Reimbursement Agreement" means the Reimbursement Agreement dated March 1, 2008 between the Series 2008 Bank and the Series 2008 Bond Trustee, as trustee and tender agent, and the Direct Pay Letter of Credit issued thereunder, relating to the Series 2008B/C Bonds.

"*Series 2008C Bonds*" means the Authority's Revenue Refunding Bonds, Series 2008C (Edward Hospital Obligated Group) in the aggregate principal amount of $13,020,000.

"*Series 2008C Obligation*" means the $13,020,000 original principal amount Edward Hospital Obligated Group Direct Note Obligation, Series 2008C, being issued to the Authority to secure the Corporation's obligations under the Series 2008B/C Loan Agreement with respect to the Series 2008C Bonds.

"*Series 2008D Obligation*" means the Edward Hospital Obligated Group Direct Note Obligation, Series 2008D, being issued to the Series 2008 Bank to secure the Corporation's obligations under the Series 2008B/C Reimbursement Agreement.

"*Services*" means Edward Health Services Corporation, an Illinois not for profit corporation and any resulting, transferee or surviving corporation.

"*Seventh Supplemental Master Indenture*" means the Seventh Supplemental Master Trust Indenture dated as of March 7, 2007 among Edward, as Obligated Group Agent, on behalf of itself and the other Members of the Obligated Group, and the Master Trustee providing for the issuance of the Series 2007D-1 Obligation.

"*Short-Term*," when used in connection with Indebtedness, means having an original maturity less than or equal to one year and not renewable at the option of the debtor for a term greater than one year beyond the date of original issuance.

"*Standard & Poor's*" means Standard & Poor's Ratings Services, a Division of the McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns.

"*Supplemental Master Indenture*" means an indenture amending or supplementing the Master Indenture entered into pursuant to Article VII thereof.

"*Tax-Exempt Organization*" means a Person organized under the laws of the United States of America or any state thereof which is an organization described in Section 501(c)(3) of the Code, which is exempt from federal income taxes under Section 501(a) of the Code, and which is not a "private foundation" within the meaning of Section 509(a) of the Code, or corresponding provisions of federal income tax laws from time to time in effect.

"*Tenth Supplemental Master Indenture*" means the Tenth Supplemental Master Trust Indenture dated as of April 1, 2008 among Edward, as Obligated Group Agent, on behalf of itself and the other Members of the Obligated Group, and the Master Trustee providing for the issuance of the Series 2008B Obligations, the Series 2008C Obligation and Series 2008D Obligation.

"*Title Insurance Policy*" means Title Insurance Policy No. 1410 009 709 099 UL issued by Chicago Title Insurance, as such policy may be amended in accordance with the provisions of the Master Indenture.

"*United States Government Obligations*" means noncallable direct obligations of, or obligations the timely payment of the principal of and interest on which are fully guaranteed by, the United States of America including obligations issued or held in book entry form on the books of the Department of Treasury of the United States of America.

"*Unrestricted Contributions*" means Contributions which are not restricted in any way that would prevent their application to the payment of debt service on Indebtedness of the Person receiving such Contributions.

"*Ventures*" means Edward Health Ventures, an Illinois not for profit corporation, and any resulting, transferee or surviving corporation.

"*Written Request*" means with reference to a Related Issuer, a request in writing signed by the Chairman, Vice-Chairman, Mayor, Clerk, President, Vice President, Executive Director, Associate Executive Director, Secretary or Assistant Secretary of the Related Issuer and with reference to any Member means a request m writing signed by the President or Vice President of such Member, or any other officers designated by the Related Issuer or such Member, as the case maybe.

SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE

The Master Indenture contains various covenants, security provisions, terms and conditions, certain of which are summarized below. Reference is made to the Master Indenture for a full and complete statement of its provisions. *Certain provisions of the Master Indenture summarized below have been amended for the benefit of the Series 2001 Bond Insurer and the Series 2008 Bond Insurer*. See "SUMMARY OF CERTAIN PROVISIONS OF THE THIRD SUPPLEMENTAL MASTER INDENTURE," "SUMMARY OF CERTAIN PROVISIONS OF THE FOURTH SUPPLEMENTAL MASTER INDENTURE," "SUMMARY OF CERTAIN PROVISIONS OF THE FIFTH SUPPLEMENTAL MASTER INDENTURE," "SUMMARY OF CERTAIN PROVISIONS OF THE SEVENTH SUPPLEMENTAL MASTER INDENTURE," "SUMMARY OF CERTAIN PROVISIONS OF THE EIGHTH SUPPLEMENTAL MASTER INDENTURE," "SUMMARY OF CERTAIN PROVISIONS OF THE NINTH SUPPLEMENTAL MASTER INDENTURE," AND "SUMMARY OF CERTAIN PROVISIONS OF THE TENTH SUPPLEMENTAL MASTER INDENTURE."

THE OBLIGATIONS; PAYMENT OF THE OBLIGATIONS

The total principal amount of Obligations and the number of Obligations that may be created under the Master Indenture are not limited, except as shall be set forth in a Supplemental Master Trust Indenture providing for the issuance thereof.

The Obligations are the absolute and unconditional, joint and several obligation of each Member of the Obligated Group. See "Bondholders Risks -- Certain Matters Relating to Enforceability of the Master Indenture" in the Official Statement. Pursuant to the provisions of the Fifth Supplemental Master Indenture (the "Series 2007 Supplement"), the covenants included in the Series 2007 Supplement, including the security interest in Gross Receipts, are only applicable during the period the Series 2007 Bond Insurer has not lost its consent rights pursuant to the related Series 2007 Bond Indenture and may be amended or waived with the prior written consent of the Series 2007 Bond Insurer, but without the consent of the Series 2007 Bond Trustee or the owners of the Series 2007 Bonds. See "SUMMARY OF CERTAIN PROVISIONS OF THE FIFTH SUPPLEMENTAL MASTER INDENTURE." Pursuant to the provisions of the Ninth Supplemental Master Indenture, the covenants included therein, including the security interest in Gross Receipts, are only applicable during the period the Series 2008 Bond Insurer has not lost its consent rights pursuant to the related Series 2008 Bond Indenture and may be amended or waived with the prior written consent of the Series 2008 Bond Insurer, but without the consent of the Series 2008 Bond Trustee or the owners of the Series 2008 Bonds. See "SUMMARY OF CERTAIN PROVISIONS OF THE FIFTH SUPPLEMENTAL MASTER INDENTURE" AND "SUMMARY OF CERTAIN PROVISIONS OF THE NINTH SUPPLEMENTAL MASTER INDENTURE

Except as provided in the prior paragraph, the Series 2008 Obligations will not be secured by any pledge or mortgage of, or security interest in, any assets of any Member. Subject to certain conditions set forth in the Master Indenture, a Member may incur Additional Indebtedness (which may include Additional Obligations). Such Additional Indebtedness may be secured by security in addition to any security provided for the Series 2007 Obligations or any other Indebtedness (including without limitation, letters or lines of credit, insurance or Liens on the Property, including health care Facilities, of the Obligated Group or security interests in depreciation reserve, debt service or interest reserve or debt service or similar funds). Such security need not be extended to any other Indebtedness or any other Obligation. See "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Liens on Property" and "Definitions of Certain Terms -- Permitted Encumbrances" herein. The Master Indenture provides that Supplemental Master Indentures pursuant to which one or more series of Obligations entitled to additional security is issued may provide for such supplements or amendments to the provisions of the Master Indenture, including the provisions thereof relating to the exercise of remedies upon the occurrence of an event of default, as are necessary to provide such security and to permit realization upon such security solely for the benefit of the Obligations entitled thereto.

Each Member unconditionally and irrevocably (subject to the right of such Member to cease its status as a Member of the Obligated Group pursuant to the terms and conditions of the Master Indenture summarized under "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Cessation of Status as a Member of the Obligated Group" below), jointly and severally covenants that it will promptly pay the principal of, premium, if any, and interest on every Obligation issued under the Master Indenture at the place, on the dates and in the manner provided in the Master Indenture and in said Obligations according to the true intent and meaning thereof. Notwithstanding any schedule of payments upon the Obligations set forth in the Master Indenture or in the Obligations, each Member unconditionally and irrevocably (subject to the right of such Member to cease its status as a Member of the Obligated Group pursuant to the terms and conditions of the Master Indenture summarized under "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Cessation of Status as a Member of the Obligated Group" below), jointly and severally agrees to make payments upon each Obligation pledged to secure Related Bonds and be liable therefor at the times and in the amounts (including principal, interest and premium, if any) equal to the amounts to be paid as principal at maturity or by mandatory sinking fund redemption, interest or premium, if any, upon such Related Bonds from time to time outstanding. The Obligations will be absolute and unconditional obligations of each Member, but will not, except as described above, be secured by any pledge or mortgage of, or security interest in, any assets of any Member.

ENTRANCE INTO THE OBLIGATED GROUP

Any Person may become a Member of the Obligated Group if:

(a) Such Person is a corporation;

(b) Such Person shall execute and deliver to the Master Trustee a Supplemental Master Indenture acceptable to the Master Trustee which shall be executed by the Master Trustee and each then current Member, containing (i) the agreement of such Person (A) to become a Member of the Obligated Group and thereby to become subject to compliance with all provisions of the Master indenture and (B) unconditionally and irrevocably (subject to the right of such Person to cease its status as a Member of the Obligated Group pursuant to the terms and conditions of the Master Indenture summarized under "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Cessation of Status as a Member of the Obligated Group" below) to jointly and severally make payments upon each Obligation at the times and in the amounts provided in each such Obligation and (ii) representations and warranties by such Person substantially similar to those set forth in the Master Indenture other than those concerning tax-exempt status if such Person is not a Tax-Exempt Organization (but with such deviations as are acceptable to the Master Trustee);

(c) The Obligated Group Agent shall, by appropriate action of its Governing Body, have approved the admission of such Person to the Obligated Group and each of the Members shall have taken such action, if any, required to approve the admission of such Person to the Obligated Group;

(d) The Master Trustee shall have received (1) a certificate of the Obligated Group Agent which demonstrates that, immediately upon such Person becoming a Member of the Obligated Group, (A) the Members would not, as a result of such transaction, be in default in the performance or observance of any covenant or condition to be performed or observed by them under the Master Indenture, and (B) the Obligated Group could meet the conditions described in subsection (A) under "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Permitted Additional Indebtedness" below for the incurrence of one dollar of additional Funded Indebtedness, (2) an opinion of Independent Counsel to the effect that (x) the instrument described in paragraph (b) above has been duly authorized, executed and delivered and constitutes a legal, valid and binding agreement of such Person, enforceable in accordance with its terms, subject to customary exceptions for bankruptcy, insolvency and other laws generally affecting enforcement of creditors' rights and application of general principles of equity and to the exceptions set forth under "Bondholders Risks -- Certain Matters Relating to Enforceability of 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 (which counsel and opinion, including without limitation the scope, form, substance and other aspects thereof, are acceptable to the Master Trustee), to the effect that under then existing law the consummation of such transaction, whether or not contemplated on the date of delivery of any such Related Bond, would not adversely affect the validity of any Related Bond or any exemption from federal or state income taxation of interest payable on any such Related Bond otherwise entitled to such exemption; provided that in making the calculation described in subsection (d)(1)(B) above, (i) there shall be excluded from Revenues (a) any Revenues generated by Property of such Person transferred or otherwise disposed of by such Person since the beginning of the Fiscal Year during which such Person's entry into the Obligated Group occurs and (b) any Revenues generated by Property of the new Member which at the time of such Member's entry into the Obligated Group will be categorized as Excluded Property and (ii) there shall be excluded from Expenses (a) any Expenses related to Property of such Person transferred or otherwise disposed of by such Person since the beginning of the Fiscal Year during which such Person's entry into the Obligated Group occurs and (b) any Expenses related to Property of the new Member which at the time of such Member's entry into the Obligated Group will be categorized as Excluded Property; and

(e) (i) The description of the Land in Exhibit A to the Master Indenture is amended to include a description of the real property of the Person becoming a Member upon which the primary operations of such Person are conducted and a description of any Permitted Encumbrances of the type described in subsection (u)(ii) of the definition thereof, (ii) Exhibit C to the Master Indenture is amended to include a description of the Property of the Person becoming a Member which is to be considered Excluded Property (provided that such Property may be treated as Excluded Property only if such Property is real or tangible personal property and the primary operations of such Person are not conducted upon such real property), and (iii) Exhibit E to the Master Indenture is amended to add such Person as a Member.

Each successor, assignee, surviving, resulting or transferee corporation of a Member must agree to become, and satisfy the above-described conditions to becoming, a Member of the Obligated Group prior to any such succession, assignment or other change in such Member's corporate status.

CESSATION OF STATUS AS A MEMBER OF THE OBLIGATED GROUP

Each Member covenants that it will not take any action, corporate or otherwise, which would cause it or any successor thereto into which it is merged or consolidated under the terms of the Master Indenture to cease to be a Member of the Obligated Group unless:

(a) the Member proposing to withdraw from the Obligated Group is not a party to any Related Loan Documents with respect to Related Bonds which remain outstanding;

(b) prior to cessation of such status, there is delivered to the Master Trustee an opinion of nationally recognized municipal bond counsel (which counsel and opinion, including without limitation the scope, form, substance and other aspects thereof, are acceptable to the Master Trustee) to the effect that, under then existing law, the 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;

(c) when it is assumed that such cessation results in a transfer of Property owned by the Member proposing to cease such status to a Person who is not a Member of the Obligated Group, the conditions precedent to such a transfer to an unrelated entity set forth in the Master Indenture and summarized under "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Sale, Lease or Other Disposition of Property" below have been complied with;

(d) prior to and immediately after such cessation, no event of default exists under the Master Indenture and no event shall have occurred which with the passage of time or the giving of notice, or both, would become such an event of default;

(e) prior to such cessation there is delivered to the Master Trustee an opinion of Independent Counsel (which Counsel and opinion, including without limitation the scope, form, substance and other aspects thereof, are acceptable to the Master Trustee) to the effect that the cessation by such Member of its status as a Member will not adversely affect the status as a Tax-Exempt Organization of any Member which otherwise has such status; and

(f) prior to the cessation of such status, each Member of the Obligated Group consents in writing to the withdrawal by such Member.

Upon such cessation in accordance with the foregoing described provisions, (i) the description of Land in Exhibit A to the Master Indenture shall be amended to delete therefrom the description of any real property and of any Permitted Encumbrances of the type described in subsection (u)(ii) of the definition of Permitted Encumbrances of the Member which has ceased being a Member of the Obligated Group, (ii) Exhibit C to the Master Indenture shall be amended to delete therefrom any Property of the Member which has ceased being a Member and (iii) Exhibit E to the Master Indenture shall be amended to delete therefrom the name of such Person.

LIENS ON PROPERTY

Each Member agrees that it will keep its Property free and clear of all Liens which are not Permitted Encumbrances. The Master Indenture provides that a Lien on Property of any Member securing Indebtedness shall be classified as a Permitted Encumbrance and therefore be permitted if (i) such Lien secures Non-Recourse Indebtedness; or (ii)(a) after giving effect to such Lien and all other Liens classified as Permitted Encumbrances as a result of the provisions of the Master Indenture summarized under this subsection (ii)(a), the Book Value or, at the option of the Obligated Group Agent, the Current Value of the Property of the Obligated Group which is Encumbered is not more than 20% of the value of all of the Property of the Obligated Group (calculated on the same basis as the value of the Encumbered Property) and (b) the conditions summarized in subsection (A) under

"Permitted Additional Indebtedness" below are met for allowing the incurrence of one dollar of additional Funded Indebtedness.

PERMITTED ADDITIONAL INDEBTEDNESS

So long as any Obligations are outstanding, the Obligated Group will not incur any Additional Indebtedness (whether or not incurred through the issuance of Additional Obligations) other than:

(A) Funded Indebtedness, if prior to incurrence thereof or, if such Funded Indebtedness was incurred in accordance with another subsection of the Master Indenture hereinafter summarized under this heading and any Member wishes to have such Indebtedness classified as having been issued under the provisions of the Master Indenture summarized under this subsection (A), prior to such classification, there is delivered to the Master Trustee:

(i) An Officer's Certificate from the Obligated Group Agent (which Officer's Certificate, including without limitation the scope, form, substance and other aspects thereof, is acceptable to the Master Trustee) stating that the Funded Indebtedness Ratio of the Obligated Group, after giving effect to the incurrence of such Indebtedness and to the application of the proceeds thereof, does not exceed 0.65:1; or

(ii) An Officer's Certificate from the Obligated Group Agent (which, including without limitation the scope, form, substance and other aspects thereof is acceptable to the Master Trustee) stating that the Historical Pro Forma Debt Service Coverage Ratio of the Obligated Group for the most recent Fiscal Year preceding the date of delivery of the report for which combined financial statements reported upon by independent certified public accountants are available was not less than 1.25:1; or

(iii) (a) An Officer's Certificate from the Obligated Group Agent in form acceptable to the Master Trustee stating that the Historical Maximum Annual Debt Service Coverage Ratio of the Obligated Group for the Fiscal Year next preceding the incurrence of such Funded Indebtedness for which combined financial statements reported upon by independent certified public accountants are available was not less than 1.10:1; and (b) either (1) a written Consultant's report (which report, including without limitation the scope, form, substance and other aspects thereof, is acceptable to the Master Trustee) to the effect that the Projected Debt Service Coverage Ratio of the Obligated Group for each of the next two succeeding Fiscal Years or, if such Indebtedness is being incurred in connection with the financing of Facilities, the two Fiscal Years succeeding the projected completion date of such Facilities, is not less than 1.10:1, or (2) an Officer's Certificate from the Obligated Group Agent in a form acceptable to the Master Trustee to the effect that the Projected Debt Service Coverage Ratio of the Obligated Group for each of the next two succeeding Fiscal Years or, if such Indebtedness is being incurred in connection with the financing of Facilities, the two Fiscal Years succeeding the projected completion date of such Facilities, is not less than 1.20:1, provided that either of such reports shall include forecast balance sheets, statements of operations and statements of changes in net assets for each of such two Fiscal Years and a statement of the relevant assumptions upon which such forecasted statements are based, which financial statements shall indicate that sufficient revenues and cash flow could be generated to pay the operating expenses of the Obligated Group's proposed and existing Facilities and the debt service on the Obligated Group's other existing Indebtedness during such two Fiscal Years; provided that the requirements of the foregoing subsection (iii)(a) or (b), as the case may be, shall be deemed satisfied if (x) there is delivered to the Master Trustee the report of a Consultant (which report, including without limitation the scope, form, substance and other aspects thereof, is acceptable to the Master Trustee and which contains the information required by the proviso to subsection (iii)(b) in the case of projections) which contains an opinion of such Consultant that applicable laws or regulations have prevented or will prevent the Obligated Group from generating the amount of Income Available for Debt Service required to be generated by such subsection (iii)(a) or (b), as the case may be, as a prerequisite to the issuance of Funded Indebtedness, and, if requested by the Master Trustee, such report is accompanied by a concurring opinion of Independent Counsel (which Counsel and opinion, including without limitation the scope, form, substance and other aspects thereof, are acceptable to the Master Trustee) as to any conclusions of law supporting the opinion of such Consultant, (y) the report of the Consultant indicates that the rates charged or to be charged by the Obligated Group are or will be such that, in the opinion of such Consultant, the Obligated Group has generated or will generate the maximum amount of Revenues reasonably practicable given such laws or regulations, and (z) the Historical Maximum Annual Debt Service

Coverage Ratio of the Obligated Group and the Projected Debt Service Coverage Ratio of the Obligated Group referred to in the applicable subsection are at least 1.00:1.

(B) Completion Funded Indebtedness if there is delivered to the Master Trustee: (i) an Officer's Certificate of the Member for whose benefit such Indebtedness is being issued stating that at the time the original Funded Indebtedness for the Facilities to be completed was incurred, such Member had reason to believe that the proceeds of such Funded Indebtedness together with other moneys then expected to be available would provide sufficient moneys for the completion of such Facilities, (ii) a statement of an Independent Architect or an expert acceptable to the Master Trustee setting forth the amount estimated to be needed to complete the Facilities, and (iii) an Officer's Certificate of such Member stating that the proceeds of such Completion Funded Indebtedness to be applied to the completion of the Facilities, together with a reasonable estimate of investment income to be earned on such proceeds and available to pay such costs, the amount of moneys, if any, committed to such completion from available cash or marketable securities and reasonably estimated earnings thereon, enumerated bank loans (including letters or lines of credit) and federal or state grants reasonably expected to be available, will be in an amount not less than the amount set forth in the statement of an Independent Architect or other expert, as the case may be, referred to in (ii).

(C) Funded Indebtedness for the purpose of refunding (whether in advance or otherwise, including without limitation refunding through the issuance of Cross-over Refunding Indebtedness) any outstanding Funded Indebtedness if prior to the incurrence thereof an Officer's Certificate of the Obligated Group Agent is delivered to the Master Trustee stating that, taking into account the issuance of the proposed Funded Indebtedness and the application of the proceeds thereof and any other funds available to be applied to such refunding, the Maximum Annual Debt Service Requirement of the Obligated Group will not be increased by more than 15%.

(D) Short-Term Indebtedness (other than Short-Term Indebtedness incurred in accordance with the provisions of the Master Indenture summarized in subsection (E) below) in a total principal amount which at the time incurred does not, together with the principal amount of all other such Short-Term Indebtedness of the Obligated Group then outstanding under the provisions of the Master Indenture described in this subsection (D) and the principal payable on all Funded Indebtedness during the next succeeding 12 months, excluding such principal to the extent that amounts are on deposit in an irrevocable escrow and such amounts (including, where appropriate, the earnings or other increments to accrue thereon) are required to be applied to pay such principal and such amounts so required to be applied are sufficient to pay such principal, exceed 25% of the Revenues of the Obligated Group for the most recent Fiscal Year for which audited financial statements reported upon by independent certified public accountants are available; provided, however, that for a period of 20 consecutive calendar days in each Fiscal Year the total amount of such Short-Term Indebtedness of the Obligated Group outstanding under this subsection (D) shall be not more than 5% of the Revenues of the Obligated Group during the preceding Fiscal Year plus such additional amount as the Obligated Group Agent certifies in an Officer's Certificate is (a) attributable to Short-Term Indebtedness incurred to offset a temporary delay in the receipt of funds due from third party payors and (b) in the minimum amount reasonably practicable taking into account such delay. For the purposes of this subsection (D), Short-Term Indebtedness shall not include overdrafts to banks to the extent there are immediately available funds of the Obligated Group sufficient to pay such overdrafts and such overdrafts are incurred and corrected in the normal course of business.

(E) Short-Term Indebtedness if:

(i) There is in effect at the time the Short-Term Indebtedness provided for by this subsection (E) is incurred a binding commitment (including without limitation letters or lines of credit or insurance) which may be subject only to commercially reasonable contingencies, by a financial institution generally regarded as responsible, which commitment and institution are acceptable to the Master Trustee and each Related Issuer, to provide financing sufficient to pay such Short-Term Indebtedness at its maturity; and

(ii) The conditions described in subsection (A) above are met with respect to such Short-Term Indebtedness when it is assumed that such Short-Term Indebtedness is Funded Indebtedness maturing over 30 years from the date of issuance of the Short-Term Indebtedness, bears interest on the unpaid principal balance at the Projected Rate and is payable on a level annual debt service basis over a 30-year period.

(F) Non-Recourse Indebtedness.

(G) Balloon Indebtedness if:

(i) (a) there is in effect at the time such Balloon Indebtedness is incurred a binding commitment (including without limitation letters or lines of credit) which may be subject only to commercially reasonable contingencies by a financial institution generally regarded as responsible, which commitment and institution are acceptable to the Master Trustee and each Related Issuer, to provide financing sufficient to pay the principal amount of such Balloon Indebtedness coming due in each consecutive 12 month period in which 25% or more of the original principal amount of such Balloon Indebtedness comes due; and (b) the conditions set forth in subsection (A) above are met with respect to such Balloon Indebtedness when the assumptions set forth in subsection (E)(ii) above are made with respect to the portion of such Balloon Indebtedness becoming due during each such 12 month period; or

(ii) (a) a Member establishes in an Officer's Certificate filed with the Master Trustee an amortization schedule for such Balloon Indebtedness, which amortization schedule shall provide for payments of principal and interest for each Fiscal Year that are not less than the amounts required to make any actual payments required to be made in such Fiscal Year by the terms of such Balloon Indebtedness; (b) such Member agrees in such Officer's Certificate to deposit for each Fiscal Year with a bank or trust company (pursuant to an agreement between such Member and such bank or trust company, which agreement shall be satisfactory in form and substance to the Master Trustee) the amount of principal shown on such amortization schedule net of any amount of principal actually paid on such Balloon Indebtedness during such Fiscal Year (other than from amounts on deposit with such bank or trust company) which deposit shall be made prior to any such required actual payment during such Fiscal Year if the amounts so on deposit are intended to be the source of such actual payments; and (c) the conditions described in subsection (A) above are met with respect to such Balloon Indebtedness when it is assumed that such Balloon Indebtedness is actually payable in accordance with such amortization schedule.

(H) Put Indebtedness if (a) there is in effect at the time such Put Indebtedness is incurred a binding commitment (including without limitation letters or lines of credit) which may be subject only to commercially reasonable contingencies by a financial institution generally regarded as responsible, which commitment and institution are acceptable to the Master Trustee and each Related Issuer, to provide financing sufficient to pay such Put Indebtedness on any Put Date occurring during the term of such commitment, and (b) the conditions set forth in subsection (A) above are met with respect to such Put Indebtedness when it is assumed that such Put Indebtedness bears interest at the Projected Rate and is payable on a level annual debt service basis over a 30-year period commencing with the next succeeding Put Date.

(I) Guaranties by any Member of the payment by another Person of a sum certain; provided that the conditions set forth in subsection (A) above are satisfied if it is assumed that the Indebtedness guaranteed is Funded Indebtedness of such Member. In making the calculation required by this subsection (I) the Obligated Group's Income Available for Debt Service shall not be deemed to include any Revenues of the Primary Obligor and the debt service payable with respect to the Indebtedness guaranteed shall be calculated in accordance with the assumptions contained in the Master Indenture and summarized under the caption "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Calculation of Debt Service and Debt Service Coverage".

(J) Liabilities for contributions to self-insurance or shared or pooled-risk insurance programs required or permitted to be maintained under the Master Indenture.

(K) Commitment Indebtedness.

(L) Indebtedness consisting of accounts payable incurred in the ordinary course of business or other Indebtedness not incurred or assumed primarily to assure the repayment of money borrowed or credit extended which Indebtedness is incurred in the ordinary course of business.

(M) Indebtedness the principal amount of which at the time incurred, together with the aggregate principal amount of all other Indebtedness then outstanding which was issued pursuant to the provisions described in this subsection (M) and which has not been subsequently reclassified as having been issued under subsection (A),

(E), (G) or (H) above, does not exceed 10% of the Revenues of the Obligated Group for the latest preceding Fiscal Year for which audited financial statements reported upon by independent certified public accountants are available.

(N) Indebtedness incurred in connection with a sale of accounts receivable with or without recourse by any Member consisting of an obligation to repurchase all or a portion of such accounts receivable upon certain conditions, provided that the principal amount of such Indebtedness permitted hereby shall not exceed the aggregate sale price of such accounts receivable received by such Member.

The Master Indenture provides that various types of Indebtedness may be incurred under any of the above-referenced subsections with respect to which the tests set forth in such subsection are met and need not be incurred under only a subsection specifically referring to such type of Indebtedness (e.g., Balloon Indebtedness and Put Indebtedness may be incurred under subsection (A) above if the tests therein are satisfied).

Each Member covenants that Indebtedness of the type permitted to be incurred under subsection (L) above will not be allowed to become overdue for a period in excess of that which is ordinary for similar institutions without being contested in good faith and by appropriate proceedings.

Each Member covenants that prior to, or as soon as reasonably practicable after, the incurrence of Indebtedness by such Member for money borrowed or credit extended, or the equivalent thereof, it will deliver to the Master Trustee an Officer's Certificate which identifies the Indebtedness incurred, identifies the subsection of the Master Indenture summarized above pursuant to which such Indebtedness was incurred, demonstrates compliance with the provisions of such subsection and attaches a copy of the instrument evidencing such Indebtedness; it being understood that such requirement does not apply to Indebtedness incurred pursuant to the provisions of the Master Indenture summarized in subsection (J) or (L) above.

Each Member agrees that, prior to incurring Additional Indebtedness for money borrowed or credit extended to entities other than Related Issuers, sellers of real or personal property for purchase money debt, lessors of such property or banks or other institutional lenders, it will provide the Master Trustee with an opinion of Independent Counsel acceptable to the Master Trustee to the effect that, to such Counsel's knowledge, such Member has complied in all material respects with all applicable state and federal laws regarding the issuance of securities in connection with the incurrence of such Additional Indebtedness (including the issuance of any securities or other evidences of indebtedness in connection therewith) and such Counsel has no reason to believe that a right of rescission under such laws exists on the part of the entities to which such Additional Indebtedness is to be incurred.

CALCULATION OF DEBT SERVICE AND DEBT SERVICE COVERAGE

The various calculations of the amount of Indebtedness of a Person, the amortization schedule of such Indebtedness and the debt service payable with respect to such Indebtedness required under the Master Indenture shall be made in a manner consistent with the provisions of the Master Indenture summarized above under "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Permitted Additional Indebtedness" and under this heading.

In the case of Balloon or Put Indebtedness issued pursuant to provisions of the Master Indenture described in subsection (B), (G), (H) or (M) under "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Permitted Additional Indebtedness" above, unless such Indebtedness is reclassified pursuant to the provisions of the Master Indenture summarized under this heading as having been issued pursuant to another subsection summarized under the caption "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Permitted Additional Indebtedness" set forth above, the amortization schedule of such Indebtedness and the debt service payable with respect to such Indebtedness for future periods shall be calculated on the assumption that such Indebtedness is being issued simultaneously with such calculation. With respect to Put Indebtedness, if the option of the holder to require that such Indebtedness be paid, purchased or redeemed prior to its stated maturity date, or if the requirement that such Indebtedness be paid, purchased or redeemed prior to its stated maturity date (other than at the option of such holder and other than pursuant to any mandatory sinking fund or any similar fund), has expired or lapsed as of the date of calculation, such Put Indebtedness shall be deemed payable in accordance with its terms.

In determining the amount of debt service payable on Indebtedness in the course of the various calculations required under certain provisions of the Master Indenture, if the terms of the Indebtedness being considered are such that interest thereon for any future period of time is expressed to be calculated at a varying rate per annum, a formula rate or a fixed rate per annum based on a varying index, then for the purpose of making such determination of debt service, interest on such Indebtedness for such period (the "Determination Period") shall be computed by assuming that the rate of interest applicable to the Determination Period is equal to the average of the rate of interest (calculated in the manner in which the rate of interest for the Determination Period is expressed to be calculated) which was in effect on the last date of each of any six consecutive calendar months occurring in the nine full calendar months immediately preceding the month in which such calculation is made; provided that if the index or other basis for calculating such interest was not in existence for at least six full calendar months next preceding the date of calculation, the rate of interest for such portion of such period shall be deemed to be the rate of interest borne by such Indebtedness when issued.

Obligations issued to secure Indebtedness permitted to be incurred under the Master Indenture shall not be treated as Additional Indebtedness.

No debt service shall be deemed payable with respect to Commitment Indebtedness until such time as funding occurs under the commitment which gave rise to such Commitment Indebtedness. From and after such funding, the amount of such debt service shall be calculated in accordance with the actual amount required to be repaid on such Commitment Indebtedness and the actual interest rate and amortization schedule applicable thereto. No Additional Indebtedness shall be deemed to arise when any funding occurs under any such commitment or any such commitment is renewed upon terms which provide for substantially the same terms of repayment of amounts disbursed pursuant to such commitment as obtained prior to such renewal. In addition, no Additional Indebtedness shall be deemed to arise when Indebtedness which bears interest at a variable rate of interest is converted to Indebtedness which bears interest at a fixed rate or the method of computing the variable rate on such Indebtedness is changed or the terms upon which Indebtedness, if Put Indebtedness, may be or is required to be tendered for purchase are changed, if such conversion or change is in accordance with the provisions applicable to such variable rate Indebtedness or Put Indebtedness in effect immediately prior to such conversion or change.

Balloon Indebtedness incurred as described in subsection (B) or (M) under "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Permitted Additional Indebtedness" above, unless reclassified in accordance with the provisions of the Master Indenture summarized under this heading, shall be deemed to be payable in accordance with the assumptions set forth in subsection (G)(i)(b) under "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Permitted Additional Indebtedness." Put Indebtedness incurred as described in subsection (B) or (M) under "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Permitted Additional Indebtedness" above, unless reclassified in accordance with the provisions of the Master Indenture summarized under this heading, shall be deemed to be payable in accordance with the assumptions set forth in subsection (H)(ii) under "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Permitted Additional Indebtedness."

Except for the purpose of determining whether any particular Guaranty may be incurred in which case it shall be assumed that 100% of the Indebtedness guaranteed is Funded Indebtedness of the guarantor under such Guaranty and except for the purpose of calculating any historical Debt Service Requirements in which case the guarantor's Debt Service Requirements under a Guaranty shall be deemed to be the actual amount paid on such Guaranty by the guarantor, a guarantor shall be considered liable only for 20% of the annual debt service requirement on the Indebtedness guaranteed; provided, however, if the guarantor has been required by reason of its guaranty to make a payment in respect of such Indebtedness within the immediately preceding 24 months, the guarantor shall be considered liable for 100% of the annual debt service requirement on the Indebtedness guaranteed.

For the purpose of the various calculations required under the Master Indenture, the Capitalized Rentals under a Capital Lease at the time of such calculation shall be deemed to be the principal payable thereon.

The Obligated Group Agent may elect to have Indebtedness incurred by one or more Members pursuant to one provision of the Master Indenture summarized under "Permitted Additional Indebtedness," including without limitation subsection (M) under "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Permitted Additional Indebtedness," reclassified as having been incurred under another provision of the Master Indenture

summarized under "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Permitted Additional Indebtedness" above, by demonstrating compliance with such other provision on the assumption that such Indebtedness is being reissued on the date of delivery of the materials required to be delivered under such other provision including the certification of any applicable Projected Rate. From and after such demonstration, such Indebtedness shall be deemed to have been incurred under the provision with respect to which such compliance has been demonstrated until any subsequent reclassification of such Indebtedness.

Anything herein to the contrary notwithstanding, any portion of any Indebtedness of any Member for which an Interest Rate Agreement has been obtained by such Member shall be deemed to bear interest for the period of time that such Interest Rate Agreement is in effect at a net rate which takes into account the interest payments made by such Member on such Indebtedness and the payments made or received by such Member on such Interest Rate Agreement, provided that the long-term credit rating of the provider of such Interest Rate Agreement (or any guarantor thereof) is in one of the three highest rating categories of any Rating Agency (without regard to any refinements of gradation of rating category by numerical modifier or otherwise) or is at least as high as that of the Obligated Group. In addition, so long as any Indebtedness is deemed to bear interest at a rate taking into account an Interest Rate Agreement, any payments made by a Member on such Interest Rate Agreement shall be excluded from Expenses and any payments received by a Member on such Interest Rate Agreement shall be excluded from Revenues, in each case, for all purposes of the Master Indenture.

RATES AND CHARGES

Each Member covenants and agrees to operate all of its Facilities on a revenue producing basis and to charge such fees and rates for its Facilities and services and to exercise such skill and diligence as to provide income from its Property together with other available funds sufficient to pay promptly all payments of principal and interest on its Indebtedness, all expenses of operation, maintenance and repair of its Property and all other payments required to be made by it under the Master Indenture to the extent permitted by law. Each Member further covenants and agrees that it will from time to time as often as necessary and to the extent permitted by law, revise its rates, fees and charges in such manner as may be necessary or proper to comply with the requirements of the Master Indenture summarized under this heading.

The Members covenant and agree that they will cause the accountants for the Obligated Group to calculate the Income Available for Debt Service of the Obligated Group for the Fiscal Year covered by such report and to calculate the Maximum Annual Debt Service Requirement of the Obligated Group and to deliver a copy of such calculation to the Persons to whom such report is required to be delivered under the Master Indenture.

If in any Fiscal Year the Income Available for Debt Service of the Obligated Group is less than 110% of the Maximum Annual Debt Service Requirement of the Obligated Group, the Master Trustee shall require the Obligated Group at its expense to retain a Consultant to make recommendations with respect to the rates, fees and charges of the Members and the Obligated Group's methods of operation and other factors affecting its financial condition in order to increase such Income Available for Debt Service to at least 110% of the Maximum Annual Debt Service Requirement of the Obligated Group.

A copy of the Consultant's report and recommendations, if any, shall be filed with each Member, the Master Trustee, each Related Bond Trustee, each Related Issuer and each Qualifying Obligation holder. Each Member shall follow each recommendation of the Consultant applicable to it to the extent feasible (as determined by the Governing Body of such Member and each Related Issuer) and permitted by law. The provisions summarized under this heading shall not be construed to prohibit any Member from serving indigent patients to the extent required for such Member to continue its qualification as a Tax-Exempt Organization or from serving any other class or classes of patients without charge or at reduced rates so long as such service does not prevent the Obligated Group from satisfying the other requirements summarized under this heading.

The foregoing provisions notwithstanding, if in any Fiscal Year the Income Available for Debt Service of the Obligated Group is less than 110% of the Maximum Annual Debt Service Requirement of the Obligated Group, the Master Trustee shall not be obligated to require the Obligated Group to retain a Consultant to make such recommendations if: (a) there is filed with the Master Trustee (who shall provide a copy to each Qualifying Obligation holder, Related Bond Trustee and Related Issuer) a written report addressed to them of a Consultant

(which Consultant and report, including without limitation the scope, form, substance and other aspects of such report, are acceptable to the Master Trustee) which contains an opinion of such Consultant that applicable laws or regulations have prevented the Obligated Group from generating Income Available for Debt Service during such Fiscal Year in an amount sufficient to equal or exceed 110% of its Maximum Annual Debt Service Requirement and, if requested by the Master Trustee, such report is accompanied by a concurring opinion of Independent Counsel (which Counsel and opinion, including without limitation the scope, form, substance and other aspects thereof, are acceptable to the Master Trustee) as to any conclusions of law supporting the opinion of such Consultant; (b) the report of such Consultant indicates that the rates charged by the Obligated Group are such that, in the opinion of the Consultant, the Obligated Group has generated the maximum amount of Revenues reasonably practicable given such laws or regulations; and (c) the Income Available for Debt Service of the Obligated Group for such Fiscal Year was at least 100% of the Maximum Annual Debt Service Requirement of the Obligated Group. The Obligated Group shall not be required to cause the Consultant's report referred to in the preceding sentence to be prepared more frequently than once every two Fiscal Years if at the end of the first of such two Fiscal Years the Obligated Group provides to the Master Trustee (who shall provide a copy to each Qualifying Obligation holder, Related Bond Trustee and Related Issuer) an opinion of Independent Counsel (which Counsel and opinion, including without limitation the scope, form, substance and other aspects thereof, are acceptable to the Master Trustee) to the effect that the applicable laws and regulations underlying the Consultant's report delivered in respect of the previous Fiscal Year have not changed in any material way.

Except as provided in subsection (j) under the heading "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Defaults and Remedies" below, failure to maintain the levels of Income Available for Debt Service of the Obligated Group referred to in the preceding paragraphs under this heading shall not constitute a default under the Master Indenture; it being understood that failure to comply with the other provisions summarized under this heading may become an event of default summarized in subsection (b) under the heading "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Defaults and Remedies" below.

INSURANCE

Each Member shall 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 to protect its Property and operations. The Master Indenture provides that for the purpose of the provisions of the Master Indenture summarized under this heading, the term Property shall be deemed to include Excluded Property. The Obligated Group Agent shall annually review the insurance each Member maintains as to whether such insurance is customary and adequate. In addition, the Obligated Group Agent shall at least once every two Fiscal Years with respect to commercial insurance and at least once every Fiscal Year with respect to self-insurance cause a certificate of an Insurance Consultant to be delivered to the Master Trustee which indicates that the insurance then being maintained by the Members is customary in the case of corporations engaged in the same or similar activities and similarly situated and is adequate to protect the Obligated Group's Property and operations. The Obligated Group Agent shall cause copies of its review, or the certificates of the Insurance Consultant or Insurance Consultants, as the case may be, to be delivered promptly to the Master Trustee, to each Related Bond Trustee and to each Related Issuer. The Obligated Group or any Member may self-insure if the Insurance Consultant or Insurance Consultants determine that such self-insurance meets the standards set forth in the first sentence of this paragraph and is prudent under the circumstances.

SALE, LEASE OR OTHER DISPOSITION OF PROPERTY

Each Member agrees that it will not, in any consecutive 12-month period, sell, lease or otherwise dispose (including without limitation any involuntary disposition) of Property which, together with all other Property transferred by Members in transactions other than those described in subsections (A) through (G) below, totals for such 12-month period in excess of 5% of the total value of the Property of the Obligated Group (calculated on the basis of the Book Value of the assets shown on the asset side of the balance sheet in the audited financial statements of the Obligated Group for the Fiscal Year next preceding the date of such sale, lease or other disposition for which combined financial statements of the Obligated Group reported on by independent certified public accountants are

available or, if the Obligated Group Agent so elects, on the basis of Current Value), except for transfers or other dispositions in the ordinary course of business and except for transfers or other dispositions of Property:

(A) In return for other Property of equal or greater value and usefulness;

(B) To any Person, if prior to such sale, lease or other disposition there is delivered to the Master Trustee an Officer's Certificate of a Member stating that, in the judgment of the signer, such Property has, or within the next succeeding 24 calendar months is reasonably expected to, become inadequate, obsolete, worn out, unsuitable, unprofitable, undesirable or unnecessary and the sale, lease or other disposition thereof will not impair the structural soundness, efficiency or economic value of the remaining Property;

(C) To another Member;

(D) Upon fair and reasonable terms no less favorable to the Member than would obtain in a comparable arm's-length transaction;

(E) To any Person, if such Property consists solely of assets which are specifically restricted by the donor or grantor to a particular purpose which is inconsistent with their use for payment on the Obligations;

(F) Pursuant to the provisions of the Master Indenture summarized under the heading "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Dividends and Stock Purchases," where the Property subject to such transfer consists solely of cash; or

(G) To any Person upon delivery to the Master Trustee of: (i) an Officer's Certificate of the Obligated Group Agent (accompanied by the independent certified public accountant's reports mentioned below) certifying that during the Fiscal Year immediately preceding the proposed disposition for which financial statements have been reported upon by independent certified public accountants, the Historical Maximum Annual Debt Service Coverage Ratio of the Obligated Group, taking into account such disposition, would not have been reduced by more than 35% and would not have been reduced to less than 1.10:1, or (ii) an Officer's Certificate of the Obligated Group Agent stating that the Projected Debt Service Coverage Ratio of the Obligated Group for each of the two full Fiscal Years immediately following the date of such report, taking into account such disposition, (a) would not be reduced more than 35% from the Projected Debt Service Coverage Ratio of the Obligated Group which would have been estimated or forecasted if it were assumed such disposition would not occur and (b) would not be reduced to less than 1.50:1, or (iii) a written report from a Consultant stating that the Projected Debt Service Coverage Ratio of the Obligated Group for each of the two full Fiscal Years immediately following the date of such report, taking into account such disposition, (a) would not be reduced more than 35% from the Projected Debt Service Coverage Ratio of the Obligated Group which would have been estimated or forecasted if it were assumed such disposition would not occur and (b) would not be reduced to less than 1.20:1 or (iv) a written report from a Consultant stating that the Projected Debt Service Coverage Ratio of the Obligated Group for each of the two full Fiscal Years immediately following the date of such report, taking into account such disposition, would not be less than the Projected Debt Service Coverage Ratio for the Obligated Group which would have been estimated or forecasted if it were assumed such disposition would not occur.

Each Member further agrees that it will not sell, lease, donate or otherwise dispose of Property (a) which could reasonably be expected at the time of such sale, lease, donation or disposition to result in a reduction of the Historical Maximum Annual Debt Service Coverage Ratio for the Obligated Group such that the Master Trustee would be obligated to require the Obligated Group to retain a Consultant pursuant to the provisions of the Master Indenture described under the above caption "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Rates and Charges," or (b) if a Consultant has been retained in the circumstances described under the above caption "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Rates and Charges," such action, in the opinion of such Consultant, will have an adverse effect on the Income Available for Debt Service of the Obligated Group. The Master Indenture provides that the rendering of any service, the making of any loan, the extension of any credit or any other transaction, with any Affiliate except pursuant to the reasonable requirements of such Member's activities and upon fair and reasonable terms no less favorable to it than would obtain in a comparable arm's-length transaction with a person not an Affiliate is and shall be subject to, and shall be permitted only if there is compliance with, the provisions of the Master Indenture summarized under this heading.

ADDITIONS TO EXCLUDED PROPERTY

The schedule of Excluded Property attached to the Master Indenture may be amended to include additional real property acquired by a Member subsequent to September 15, 1997 and all improvements, fixtures, tangible personal property and equipment located thereon and used in connection therewith upon the receipt by the Master Trustee of an Officer's Certificate of the Obligated Group Agent stating that (1) such Property does not constitute a portion of the Land and (2) the total value of such Property does not exceed 10% of the total value of Property of the Obligated Group (calculated on the basis of the Book Value of the assets shown on the asset side of the balance sheet in the financial statements of the Obligated Group for the most recent Fiscal Year next preceding the date of such amendment for which financial statements reported on by independent certified public accountants are available or, if the Obligated Group Agent so elects, on the basis of Current Value).

MERGER, CONSOLIDATION, SALE OR CONVEYANCE

(a) Each Member agrees that it will not merge into, or consolidate with, one or more corporations which are not Members, 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, unless:

(i) Any successor corporation to such Member (including without limitation any purchaser of all or substantially all the Property of such Member) is a corporation organized and existing under the laws of the United States of America or a state thereof and shall execute and deliver to the Master Trustee an appropriate instrument, satisfactory to the Master Trustee, containing the agreement of such successor corporation to assume, jointly and severally, the due and punctual payment of the principal of, premium, if any, and interest on all Obligations according to their tenor and the due and punctual performance and observance of all the covenants and conditions of the Master Indenture to be kept and performed by such Member;

(ii) Immediately after such merger or consolidation, or such sale or conveyance, no Member would be in default in the performance or observance of any covenant or condition of any Related Loan Document or the Master Indenture;

(iii) Immediately after such merger or consolidation, or such sale or conveyance, the condition described in clause (ii)(a) under "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Liens on Property" would be met for the creation of a Lien on Property and the condition described in subsection (A) under "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Permitted Additional Indebtedness" would be met for the incurrence of one dollar of additional Funded Indebtedness, assuming that any Indebtedness of any successor or acquiring corporation is Indebtedness of such Member and that the Revenues and Expenses of the Member for such most recent Fiscal Year include the Revenues and Expenses of such other corporation; and

(iv) If all amounts due or to become due on all Related Bonds have not been fully paid to the holders thereof or fully provided for, there shall be delivered to the Master Trustee an opinion of nationally recognized municipal bond counsel (which counsel and opinion, including without limitation the scope, form, substance and other aspects thereof, are acceptable to the Master Trustee) to the effect that under then existing law the consummation of such merger, consolidation, sale or conveyance, whether or not contemplated on the original date of delivery of such Related Bonds, would not adversely affect the validity of such Related Bonds or the exemption otherwise available from federal or state income taxation of interest payable on such Related Bonds.

(b) The Master Trustee may rely upon an opinion of Independent Counsel as conclusive evidence that any such consolidation, merger, sale or conveyance, and any such assumption, complies with the provisions summarized under this heading and that it is proper for the Master Trustee under the provisions of the Master Indenture to join in the execution of any instrument required to be executed and delivered pursuant to the provisions of the Master Indenture summarized under this heading.

FINANCIAL STATEMENTS

(a) The Members have covenanted in the Master Indenture to keep proper books of records and accounts in which full, true and correct entries are made of all dealings or transactions of or in relation to the business and affairs of the Members in accordance with generally accepted accounting principles consistently applied except as may be disclosed in the notes to the audited financial statements.

(b) The Members have also covenanted to furnish to the Master Trustee, any Related Issuers, any Related Bond Trustees, and any other requesting Qualifying Obligation holder:

(i) As soon as practicable after they are available but in no event more than 45 days after the expiration of each of the first three quarterly fiscal periods of each Fiscal Year of the Obligated Group, a combined statement of operations and changes in net assets of the Obligated Group during such period, and a combined balance sheet as of the end of each such quarterly fiscal period, all in reasonable detail and certified, subject to year-end adjustment, by the chief financial officer or another authorized financial officer of the Obligated Group Agent.

(ii) Subject to paragraphs (c) and (d), as soon as practicable after they are available, but in no event more than 120 days after the last day of each Fiscal Year, a financial report for such Fiscal Year certified by a firm of nationally recognized independent certified public accountants selected by the Obligated Group Agent and satisfactory to the Master Trustee and each Related Issuer covering the operations of the Obligated Group for such Fiscal Year and containing a balance sheet as of the end of such Fiscal Year and a statement of changes in net assets and changes in cash flows for such Fiscal Year and a statement of operations for such Fiscal Year, showing in each case in comparative form the financial figures for the preceding Fiscal Year, together with a separate written statement of the accountants preparing such report containing a calculation of the Obligated Group's Historical Maximum Annual Debt Service Coverage Ratio for said Fiscal Year and a statement that such accountants have obtained no knowledge of any default by any Member in the fulfillment of any of the terms, covenants, provisions or conditions of the Master Indenture in so far as they relate to accounting and auditing matters, or if such accountants shall have obtained knowledge of any such default or defaults, they shall disclose in such statement the default or defaults and the nature thereof (but such accountants shall not be liable directly or indirectly to anyone for failure to obtain knowledge of any default).

(iii) At the time of delivery of the financial report referred to in subsection (ii) above, a certificate of the Obligated Group Agent signed by its President or any Vice President, stating that the Obligated Group Agent has made a review of the activities of each Member during the preceding Fiscal Year for the purpose of determining whether or not the Members have complied with all of the terms, provisions and conditions of the Master Indenture and that each Member has kept, observed, performed and fulfilled each and every covenant, provision and condition of the Master Indenture on its part to be performed and is not in default in the performance or observance of any of the terms, covenants, provisions or conditions hereof, or if any Member shall be in default such certificate shall specify all such defaults and the nature thereof.

(c) To the extent that generally accepted accounting principles would require consolidation of certain financial information of entities which are not Members of the Obligated Group with financial information of one or more Members, consolidated financial statements prepared in accordance with generally accepted accounting principles which include information with respect to entities which are not Members of the Obligated Group may be delivered in satisfaction of the requirements of the Master Indenture described under this heading so long as: (i) supplemental information in sufficient detail to separately identify the information with respect to the Members of the Obligated Group is delivered to the Master Trustee with the audited financial statements; (ii) such supplemental information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements delivered to the Master Trustee and, in the opinion of the accountant, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole; and (iii) such supplemental information is used for the purposes of the Master Indenture or for any agreement, document or certificate executed and delivered in connection or pursuant to the Master Indenture.

(d) To the extent that generally accepted accounting principles would not include the operations and financial condition of any Member in the financial statements referred to (a)(ii) above, the Obligated Group shall deliver to the Master Trustee financial statements of the type described in such subsections with respect to such Member. Financial statements delivered pursuant to this subsection (d) shall be accompanied by (i) unaudited financial statements of the Obligated Group prepared by the chief financial officer of the Obligated Group and (ii) a certificate of the Obligated Group Agent that such unaudited financial statements were prepared in accordance with generally accepted accounting principals (except with respect to consolidation) and that such statements reflect the results of operations and financial condition of the Obligated Group.

The provisions of the Master Indenture summarized under this caption will be modified in connection with the issuance of the Series 2001C Bonds. See "SUMMARY OF CERTAIN PROVISIONS OF THE THIRD SUPPLEMENTAL MASTER INDENTURE - Additional Amendment to the Master Indenture".

DIVIDENDS AND STOCK PURCHASES

The Master Indenture provides that if at any time any Member shall have outstanding any capital stock, such Member will not (i) declare or pay any dividends, either in cash or Property, on any shares of such stock (except dividends or other distributions payable solely in shares of such stock), (ii) directly or indirectly purchase, redeem or retire any shares of such stock or any warrants, rights or options to purchase or acquire any shares of such stock, or (iii) make any other payment or distribution, either directly or indirectly, in respect of such stock, which dividend, purchase, redemption, retirement, payment or other distribution, when aggregated with all other such dividends, purchases, redemptions, retirements, payments or distributions made by all Members after June 30, 1989, would exceed 50% of Cumulative Net Income Available for Dividends of the Obligated Group.

A Member will not declare any dividend payable more than 60 days after the date of declaration thereof.

For the purposes of the provisions of the Master Indenture summarized under this heading, the amount of any dividend or distribution declared, paid or distributed in Property shall be deemed to be the greater of the Book Value or the Current Value of such Property at the time of the making of such dividend or distribution.

The foregoing notwithstanding, any dividend or distribution paid by one Member to any other Member shall not be subject to the restrictions of the Master Indenture summarized under this heading.

DAMAGE OR DESTRUCTION

The Obligated Group Agent agrees to notify the Master Trustee immediately in the case of the destruction of any Member's Facilities or any portion thereof as a result of fire or other casualty, or any damage to such Facilities or portion thereof as a result of fire or other casualty, the Net Proceeds of which are estimated to exceed the greater of (a) $1,000,000 or (b) the sum of $1,000,000 plus an amount equal to $1,000,000 multiplied by a percentage equal to the aggregate percentage increase or decrease in the Construction Index from its level as of December 1, 1989.

In the event such Net Proceeds are less than or equal to the greater of (a) or (b) above, the Member suffering such casualty or loss may use such Net Proceeds in any manner it deems prudent and is consistent with the Master Indenture, any Related Loan Documents and the Tax Exemption Agreement. In the event such Net Proceeds exceed the greater of (a) or (b) above, the Member suffering such casualty or loss shall within 12 months after the date on which the Net Proceeds are finally determined elect by written notice of such election to the Master Trustee one of the following three options, subject to the approval of the Master Trustee (which approval may not be unreasonably withheld):

(a) *Option A-Repair and Restoration*. Such Member may elect to replace, repair, reconstruct, restore or improve any of the Facilities of the Obligated Group or acquire additional Facilities for the Obligated Group or repay Indebtedness incurred for any such purpose pending the receipt of such Net Proceeds. In such event an amount equal to the Net Proceeds of any insurance relating thereto shall be deposited, when received, with the Master Trustee and such Member shall proceed forthwith to replace, repair, reconstruct, restore or improve Facilities of the

Obligated Group or to acquire additional Facilities and will apply the Net Proceeds of any insurance relating to such damage or destruction received from the Master Trustee to the payment or reimbursement of the costs of such replacement, repair, reconstruction, restoration, improvement or acquisition or to the repayment of such Indebtedness. So long as the Members are not in default under the Master Indenture, any Net Proceeds of insurance relating to such damage or destruction received by the Master Trustee shall be released from time to time by the Master Trustee to such Member upon the receipt by the Master Trustee of:

(1) the Written Request of such Member specifying the expenditures made or to be made or the Indebtedness incurred in connection with such replacement, repair, reconstruction, restoration, improvement or acquisition and stating that such Net Proceeds, together with any other moneys legally available for such purposes, will be sufficient to complete such replacement, repair, reconstruction, restoration, improvement or acquisition; and

(2) if such expenditures were or are to be made or such Indebtedness was incurred for the construction or renovation of Facilities, the written approval of such Written Request by an Independent Architect, if an Independent Architect has been hired in connection with such construction or renovation.

If such Member elects Option A, the Master Indenture requires such Member to complete the replacement, repair, reconstruction, restoration, improvement and acquisition of the Facilities, whether or not the Net Proceeds of insurance received for such purposes are sufficient to pay for the same.

(b) *Option B - Prepayment of Obligations*. Subject to the obligations of the Members under the Master Indenture to keep their Facilities in good repair and working order, such Member may elect to have all of the Net Proceeds payable as a result of such damage or destruction applied to the prepayment of the Obligations. In such event such Member shall, in its notice of election to the Master Trustee, direct the Master Trustee to apply such Net Proceeds, when and as received, to the prepayment of the Obligations; provided that as a condition precedent to an election to proceed pursuant to this paragraph (b) the Member shall deliver to the Master Trustee (i) a report of an engineer or other expert acceptable to the Master Trustee that the Facilities, after giving effect to any reconstruction and restoration, are structurally sound, and (ii) a report of a Consultant that, after giving effect to both such replacement, repair, construction, restoration and improvement and such prepayment, the Obligated Group is capable of generating sufficient revenues to comply with all covenants contained in the Master Indenture.

(c) *Option C - Partial Restoration and Partial Prepayment of Obligations*. Such Member may elect to have a portion of such Net Proceeds applied to the replacement, repair, reconstruction, restoration and improvement of the Facilities of the Obligated Group or the acquisition of additional Facilities for the Obligated Group or the repayment of Indebtedness incurred for any such purpose pending the receipt of such Net Proceeds with the remainder of such Net Proceeds to be applied to prepay Obligations, in which event such Net Proceeds to be used for replacement, repair, reconstruction, restoration, improvement and acquisition shall be applied as set forth in subsection (a) above and such Net Proceeds to be used for prepayment of the Obligations shall be applied as set forth in subsection (b) above.

The foregoing notwithstanding, no Member will be required to comply with the provisions of the Master Indenture summarized under this heading to the extent that the Facilities damaged or destroyed were pledged as security for Non-Recourse Indebtedness incurred in accordance with the Master Indenture or Indebtedness secured by Liens which comply with the Master Indenture and the documents pursuant to which such Indebtedness was incurred require Net Proceeds to be applied in a manner inconsistent with the provisions of the Master Indenture summarized under this heading.

CONDEMNATION

The Master Trustee shall cooperate fully with the Members in the handling and conduct of any prospective or pending condemnation proceedings with respect to their Facilities or any part thereof. Pursuant to the Master Indenture, each Member has irrevocably assigned to the Master Trustee, as its interests may appear, all right, title and interest of such Member in and to any Net Proceeds of any award, compensation or damages payable in connection with any such condemnation or taking, or payment received in a sale transaction consummated under threat of condemnation (any such award, compensation, damages or payment being hereinafter referred to as an "award"), which exceeds the greater of (a) $1,000,000 or (b) the sum of $1,000,000 plus an amount equal to

$1,000,000 multiplied by a percentage equal to the aggregate percentage increase or decrease, as the case may be, in the Construction Index from its level as of December 1, 1989. Such Net Proceeds shall be initially paid to the Master Trustee for disbursement or use as described below.

In the event such Net Proceeds are less than or equal to the greater of (a) or (b) above, the Member suffering such casualty or loss may use such Net Proceeds in any manner it deems prudent and is consistent with the Master Indenture, the Related Loan Document and the Tax Exemption Agreements. In the event such Net Proceeds exceed the greater of (a) or (b) above, the Member in question shall within 12 months after the date on which the Net Proceeds are finally determined elect by written notice of such election to the Master Trustee one of the following three options, subject to the approval of the Master Trustee (which approval may not be unreasonably withheld):

(a) *Option A -- Repairs and Improvements*. The Member may elect to use the Net Proceeds of the award for restoration or replacement of or repairs and improvements to the Facilities of the Obligated Group or the acquisition of additional Facilities for the Obligated Group or the repayment of Indebtedness incurred for any such purpose pending the receipt of such Net Proceeds. In such event, so long as the Obligated Group is not in default under the Master Indenture, such Member shall have the right to receive such Net Proceeds from the Master Trustee from time to time upon the receipt by the Master Trustee of:

(1) the Written Request of such Member specifying the expenditures made or to be made or the Indebtedness incurred in connection with such restoration, replacement, repairs, improvements and acquisitions and stating that such Net Proceeds, together with any other moneys legally available for such purposes, will be sufficient to complete such restoration, replacement, repairs, improvements and acquisition: and

(2) if such expenditures were or are to be made or such Indebtedness was incurred for the construction or renovation of Facilities, the written approval of such Written Request by an Independent Architect, if an Independent Architect has been hired in connection with such construction or renovation.

(b) *Option B -- Prepayment of Obligations*. Subject to the obligation of such Member to keep its Facilities in good repair and working order, such Member may elect to have such Net Proceeds of the award applied to the prepayment of the Obligations. In such event such Member shall, in its notice of election to the Master Trustee, direct the Master Trustee to apply such Net Proceeds, when and as received, to the prepayment of the Obligations.

(c) *Option C -- Partial Restoration and Partial Prepayment of Obligations*. Such Member may elect to have a portion of such Net Proceeds of the award applied to the repair, replacement, restoration and improvement of the Facilities of the Obligated Group or the acquisition of additional Facilities for the Obligated Group or the repayment of Indebtedness incurred for any such purpose pending the receipt of such Net Proceeds, with the remainder of such Net Proceeds to be applied to the prepayment of Obligations, in which event such Net Proceeds to be used for repair, replacement, restoration, improvement and acquisition shall be applied as set forth in subsection (a) above and such Net Proceeds to be used for prepayment of the Obligations shall be applied as set forth in subsection (b) above; provided that as a condition precedent to an election to proceed pursuant to this paragraph (c) the Member shall deliver to the Master Trustee (i) a report of an engineer or other expert acceptable to the Master Trustee that the Facilities, after giving affect to any repair, replacement, restoration or improvement, are structurally sound, and (ii) a report of a Consultant that, after giving effect to both such repair, replacement, restoration or improvement and such prepayment, the Obligated Group is capable of generating sufficient revenues to comply with all covenants contained in the Master Indenture.

The foregoing notwithstanding, no Member will be required to comply with the provisions of the Master Indenture summarized under this heading to the extent that the Facilities condemned were pledged as security for Non-Recourse Indebtedness incurred in accordance with the Master Indenture or Indebtedness secured by Liens in accordance with the Master Indenture and the documents pursuant to which such Indebtedness was issued require Net Proceeds to be applied in a manner inconsistent with the provisions of the Master Indenture summarized under this heading.

OTHER COVENANTS OF THE MEMBERS

Each Member covenants to, among other things, (a) pay all taxes, levies, assessments and charges on account of the use, occupancy or operation of its Property and 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; provided that such Member has the right to contest any of the foregoing provided that no such contest shall subject the Master Trustee, any Obligation holder or any Related Issuer to the risk of any liability, and that the Member will save the Master Trustee, all Obligation holders, all Related Bond Trustees, and all Related Issuers harmless from and against all losses, judgments, decrees and costs as a result of such contest; (b) maintain, preserve and keep all of its Property and each part thereof in good condition, repair and working order, and make all necessary and proper repairs and replacements thereto; and (c) procure and maintain all necessary licenses and permits and maintain the status of its health care Facilities (other than those not currently having such status or not having such status on the date a Person becomes a Member) as providers of health care services eligible for payment under those third-party programs which its Governing Body determines are appropriate.

DEFAULTS AND REMEDIES

The following events are "events of default" under the Master Indenture:

(a) failure of the Obligated Group to pay any installment of interest or principal, or any premium, on any Obligation when the same shall become due and payable, whether at maturity, upon any date fixed for prepayment or by acceleration or otherwise and the continuance of such failure for five days; or

(b) failure of any Member to comply with, observe or perform any of the covenants, conditions, agreements or provisions contained in the Master Indenture and to remedy such default within 30 days after written notice thereof to such Member and the Obligated Group Agent from the Master Trustee or the holders of at least 25% in aggregate principal amount of the outstanding Obligations; provided, that if such default cannot with due diligence and dispatch be wholly cured within 30 days but can be wholly cured, the failure of the Member to remedy such default within such 30-day period shall not constitute a default under the Master Indenture if the Member shall immediately upon receipt of such notice commence with due diligence and dispatch the curing of such default and, having so commenced the curing of such default, shall thereafter prosecute and complete the same with due diligence and dispatch; or

(c) any representation or warranty made by any Member in the Master Indenture or in any statement or certificate furnished to the Master Trustee or the purchaser of any Obligation in connection with the sale of any Obligation or furnished by any Member pursuant to the 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 30 days after written notice thereof to the Obligated Group Agent by the Master Trustee or the holders of at least 25% in aggregate principal amount of the outstanding Obligations; or

(d) default in the payment of the principal of, premium, if any, or interest on any Indebtedness for borrowed money (other than Non-Recourse Indebtedness) of any Member, including without limitation any Indebtedness created by any Related Loan Document, 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 any Member, and which default in payment or event of default entitles the holder thereof to declare or, in the case of any Obligation, to request that the Master Trustee declare, such Indebtedness due and payable prior to the date on which it would otherwise become due and payable; provided, however, that if such Indebtedness is not evidenced by an Obligation or issued, incurred or secured by or under a Related Loan Document, a default in payment 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 1% of the unrestricted net assets of the Obligated Group as shown on or derived from the then latest available audited financial statements of the Obligated Group: or

(e) any judgment, writ or warrant of attachment or of any similar process shall be entered or filed against any Member or against any Property of any Member and remains unvacated, unpaid, unbonded, unstayed or uncontested in good faith for a period of 30 days; provided, however, that none of the foregoing shall constitute an event of default unless the amount of such judgment, writ, warrant of attachment or similar process, together with the amount of all other such judgments, writs, warrants or similar processes so unvacated, unpaid, unbonded, unstayed or uncontested, exceeds 1% of the unrestricted fund balance of the Obligated Group as shown on or derived from the then latest available audited financial statements of the Obligated Group; or

(f) any Member admits insolvency or bankruptcy or its inability to pay its debts as they mature, or is generally not paying its debts as such debts become due, or makes an assignment for the benefit of creditors or applies for or consents to the appointment of a trustee, custodian or receiver for such Member, or for the major part of its Property; or

(g) a trustee, custodian or receiver is appointed for any Member or for the major part of its Property and is not discharged within 30 days after such appointment; or

(h) bankruptcy, dissolution, reorganization, arrangement, insolvency or liquidation proceedings, proceedings under Title 11 of the United States Code, as amended, or other proceedings for relief under any bankruptcy law or similar law for the relief of debtors are instituted by or against any Member (other than bankruptcy proceedings instituted by any Member against third parties), and if instituted against any Member are allowed against such Member or are consented to or are not dismissed, stayed or otherwise nullified within 60 days after such institution; or

(i) payment of any installment of interest or principal, or any premium, on any Related Bond is not made when the same shall become due and payable under the provisions of any Related Bond Indenture; or

(j) the Income Available for Debt Service of the Obligated Group shall be less than 100% of the Maximum Annual Debt Service Requirement of the Obligated Group in any Fiscal Year; provided, however, that if applicable laws and regulations have prevented the Obligated Group from generating Income Available for Debt Service during such Fiscal Year in an amount sufficient to equal or exceed 100% of the Maximum Annual Debt Service Requirement of the Obligated Group (as evidenced by the written report of a Consultant of the type referred to in clause (a) of the fifth paragraph under the heading "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Rates and Charges" above), no event of default shall be deemed to have occurred under the Master Indenture unless and until the Income Available for Debt Service of the Obligated Group shall be less than 100% of the Maximum Annual Debt Service Requirement of the Obligated Group in any succeeding Fiscal Year.

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 and the interest accrued thereon immediately due and payable, and the entire principal and such interest shall thereupon become due and payable, subject, however, to the provisions of the Master Indenture with respect to waivers of events of default.

The Series 2001C-1 Obligation, the Series 2001C-2 Obligation and all of the Related Loan Documents are Accelerable Instruments. The Bond Indenture provides that the Bond Trustee is deemed to be the holder of the Series 2001C-1 Obligation; provided, however, that unless the Bond Insurer has lost its rights as described under "SUMMARY OF CERTAIN PROVISIONS OF THE THIRD SUPPLEMENTAL MASTER INDENTURE – Additional Provisions for the Benefit of the Series 2001 Bond Insurer," the Bond Insurer shall be considered to be the holder of the Series 2001C-1 Obligation and shall have the right to direct the Bond Trustee with respect to the actions under the Master Indenture.

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 and any other sums due under the Master Indenture and may collect such sums in the manner provided by law out of the Property or the Excluded Property of any Member wherever situated.

DIRECTION OF PROCEEDINGS

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 as a result of acceleration 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, have the right under the Master Indenture, at any time, by an instrument or instruments in writing executed and delivered to the Master Trustee, to direct in writing 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; provided, that such direction shall not be otherwise than in accordance with the provisions of law and 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 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 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 under the Master Indenture to direct in writing 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, any Supplemental Master Indenture or Indentures pursuant to which such Obligations were issued or are 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 the Master Indenture.

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 and before the acceleration of any Related Bond, any Member 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 to 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.

SUPPLEMENTAL MASTER INDENTURES

Subject to the limitations set forth in clauses (a), (b) and (c) of the next paragraph, 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 to: (a) provide for the issuance of Additional Obligations; (b) grant to or confer upon the Master Trustee for the benefit of the Obligation holders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Obligation holders and the Master Trustee, or either of them, to add to the covenants of the Members for the benefit of the Obligation holders or to surrender any right or power conferred under the Master Indenture upon any Member; (c) assign and pledge under the Master Indenture

additional revenues, properties or collateral; (d) 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; (e) evidence the succession of another corporation to the agreements of a Member or the Master Trustee, or the successor of any thereof under the Master Indenture; (f) permit the qualification of the Master Indenture under the Trust Indenture Act of 1939, as then amended, or under any similar federal statute hereafter in effect or permit the qualification of any Obligations for sale under the securities laws of any state of the United States; (g) provide for the refunding or advance refunding of any Obligation; (h) reflect the addition to or withdrawal of a Member from the Obligated Group; (i) provide for the issuance of Obligations with original issue discount, provided such issuance would not materially adversely affect the holders of Outstanding Obligations; (j) permit an Obligation to be secured by security which is not extended to all Obligation holders; (k) permit the issuance of Obligations which are not in the form of a promissory note; and (l) make any other change which, in the opinion of the Master Trustee, does not materially adversely affect the holders of any of the Obligations and, in the opinion of each Related Bond Trustee, does not materially adversely affect the holders of the Related Bonds with respect to which it acts as trustee, including without limitation any modification, amendment or supplement to the Master Indenture or any indenture supplemental thereto in such a manner as to establish or maintain exemption of interest on any Related Bonds under a Related Bond Indenture from federal income taxation under applicable provisions of the Code.

The holders of not less than 51% in aggregate principal amount of the Obligations which are outstanding under the Master Indenture at the time of the execution of a Supplemental Master Indenture or, in case less than all of the several series of Obligations are affected thereby, the holders of not less than 51% in aggregate principal amount of the Obligations of the 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 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 Members for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Master Indenture or in any other Supplemental Master Indenture; provided, however, that nothing contained in the Master Indenture shall permit, or be construed as permitting (a) an extension of the stated maturity or reduction in the principal amount of or reduction in the rate or extension of the time of paying 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, or (c) modification of the rights, duties or immunities of the Master Trustee, without the written consent of the Master Trustee; provided further that no such modification shall be made if it materially adversely affects the provisions of the Master Indenture concerning the conditions precedent to a Person becoming a Member, the conditions precedent to cessation of status as a Member, the maintenance of the Obligated Group's Property free and clear of Liens other than Permitted Encumbrances, the definition of Permitted Encumbrances or transactions with or transfers to Members and other entities without the written approval or consent of the holders of not less than 51% in aggregate principal amount of the Obligations of each series affected thereby.

RIGHT TO CONSENT

Each Member shall have the right to agree in any Related Bond Indenture, Related Loan Document or Supplemental Master Indenture pursuant to which an Obligation is issued that, so long as any Related Bonds remain outstanding under such Related Bond Indenture or such Obligation remains outstanding, any or all provisions of the Master Indenture which provide for approval, consent, direction or appointment by the Master Trustee, provide that anything must be satisfactory or acceptable to the Master Trustee, allow the Master Trustee to request anything or contain similar provisions granting discretion to the Master Trustee shall be deemed to also require or allow, as the case may be, the approval, consent, appointment, satisfaction, acceptance, request or like exercise of discretion by the Related Issuer, a Qualifying Obligation holder or the Related Bond Trustee, or any one thereof, and that all items required to be delivered or addressed to the Master Trustee under the Master Indenture shall also be delivered or addressed to the Related Issuer, such Qualifying Obligation holder and the Related Bond Trustee, or any one thereof, unless waived thereby.

SUMMARY OF CERTAIN PROVISIONS OF THE THIRD SUPPLEMENTAL MASTER INDENTURE

The Third Supplemental Master Indenture contains certain covenants and restrictions for the benefit of the Series 2001 Bond Insurer (the "Series 2001 Bond Insurer Covenants") which apply in addition to, and not in substitution for, the provisions of the Master Indenture. Further, these Series 2001 Bond Insurer Covenants, including the security interest granted in Gross Receipts, can be enforced only by the Series 2001 Bond Insurer and may be modified, amended or waived with the prior written consent of the Series 2001 Bond Insurer and without the consent of the Master Trustee, the Series 2001 Bond Trustee, any Related Bond Trustee, any Related Issuer and the holder of any Series 2001 Obligation or any other Obligation or any owner of the Series 2001 Bonds or any other Related Bonds. Notwithstanding anything in the Third Supplemental Master Indenture or any Series 2001 Bond Insurance Policy to the contrary, the provisions of the Third Supplemental Master Indenture summarized below, including the security interest granted in Gross Receipts, shall only be applicable during the period any series of Series 2001 Bonds are outstanding and the Series 2001 Bond Insurer has not lost its consent right pursuant to the provisions of the related Series 2001 Bond Indenture. Reference is made to the Third Supplemental Master Indenture for a full and complete statement of its provisions.

DEFINITIONS

Subsection (v) of the definition of "Permitted Encumbrances" in the Master Indenture is amended by the Third Supplemental Master Indenture to read as follows:

"Permitted Encumbrances' means ...

(v) Liens on accounts receivable arising as a result of the sale or pledge of such accounts receivable with or without recourse, provided that (i) as of the date of each such sale or pledge, the amount of accounts receivable sold or pledged shall not exceed 30% of the aggregate amount of the Obligated Group's accounts receivable, and (ii) as of the date of each such sale or pledge, Days Cash on Hand is at least 75, and (iii) as of the date of each such sale or pledge, the Historical Maximum Annual Debt Service Coverage Ratio of the Credit Group calculated from the most recent audited financial statements delivered under the Master Indenture is at least equal to 1.50:1;"

The following definition in the Master Indenture is amended by the Third Supplemental Master Indenture to read as follows:

"*Revenues*' means, for any period, the revenues of a Person as determined in accordance with generally accepted accounting principles, but excluding in any event (a) any unrealized gain resulting from changes in the valuation of investment securities, (b) any gains on the sale or other disposition of investments or fixed or capital assets not in the ordinary course, (c) earnings resulting from any reappraisal, revaluation or write-up of assets and (d) Excess Realized Gains; provided, however, that if such calculation is being made with respect to the Obligated Group, such calculation shall be made in such a manner so as to exclude any revenues attributable to transactions between any Member and any other Member."

The following definitions are added to the Master Indenture by the Third Supplemental Master Indenture:

(a) "*Average Investment Balance*" means, for any period, the amount of unrestricted and unencumbered marketable or liquid investment balances reported on the monthly financial statements of any Person divided by the number of months in such period.

(b) "*Days Cash on Hand*" means the quotient determined by dividing (1) Unrestricted Cash and Investments as of a particular date by (2) the quotient obtained by dividing (a) operating expenses less depreciation and amortization for the most recent preceding Fiscal Year for which financial statements have been delivered under the Master Indenture or for the first six months of the current Fiscal Year, as the case may be, by (b) the number of days in such Fiscal Year or six month period, as the case may be.

(c) "*Days in Accounts Payable*" means the product of (i) the quotient resulting from dividing (a) "trade accounts payable", as set forth in the most recent financial statements delivered under the Master Indenture, divided by (b) "supplies expense," also as so set forth, multiplied by (ii) the number of days for the period.

(d) "*Days of Operating Expenses*" means the quotient determined by dividing (a)(i) an amount equal to operating expenses, as set forth in the most recent financial statements delivered under the Master Indenture, minus (ii) depreciation and amortization set forth in the most recent financial statements delivered under the Master Indenture, by (b) the number of days for the applicable period.

(e) "*Excess Realized Gains*" means, for any period, the amount equal to (a) realized gains on investments reported on the financial statements of any person minus (b) the product of (i) the Average Investment Balance and (ii) the Fixed Income Index Yield.

(f) "*Exposure on Guaranteed Debt*" means, with respect to the period of time for which calculated, an amount equal to the sum of 100% of the maximum annual debt service requirement (calculated in the same manner as Maximum Annual Debt Service Requirement) on the Indebtedness of a Primary Obligor which is guaranteed; provided, however, that if (a) the guarantor has not been required, by reason of its guaranty, to make any payment in respect of the Indebtedness which is guaranteed within the immediately preceding twenty-four (24) months, and (b) an Officer's Certificate of the Obligated Group Agent delivered to the Master Trustee states that the Guaranteed Debt Service Coverage Ratio is: (i) not less than 2.00:1, Exposure on Guaranteed Debt means an amount equal to 20% of the maximum annual debt service requirement on the Indebtedness of a Primary Obligor which is guaranteed, (ii) less than 2.00:1 but not less than 1.50:1, Exposure on Guaranteed Debt means an amount equal to 50% of the maximum annual debt service requirement on the Indebtedness of a Primary Obligor which is guaranteed, (iii) less than 1.50:1 but not less than 1.10:1, Exposure on Guaranteed Debt means an amount equal to 75% of the maximum annual debt service requirement on the Indebtedness of a Primary Obligor which is guaranteed and (iv) less than 1.10:1, Exposure on Guaranteed Debt means an amount equal to 100% of the maximum annual debt service requirement on the Indebtedness of a Primary Obligor which is guaranteed.

(g) "*Fixed Income Index Yield*" means, for any period, the average yield for such period of the Merrill Lynch Corporate Bond Index, the Dow Jones 20-Bond Index or any other comparable published index of fixed income securities selected by the Obligated Group Agent.

(h) "*Gross Receipts*" means all accounts and general intangibles (other than those general intangibles which may not be assigned under the law) now owned or hereafter acquired by the Member involved regardless of how generated, and all proceeds therefrom, whether cash or noncash, all as defined in Article 9 of the Uniform Commercial Code, as amended, of the state in which such Member has its primary place of business; excluding, however, gifts, grants, bequests, donations and contributions to such Member heretofore or hereafter made, and the income and gains derived therefrom which are specifically restricted by the donor or grantor to a particular purpose which is inconsistent with its use for payments required under the Master Indenture or on the Obligations.

(i) "*Guaranteed Debt Service Coverage Ratio*" means the ratio consisting of a denominator of one and a numerator equal to the amount determined by dividing the Primary Obligor's Income Available for Debt Service on Guaranteed Debt for the most recent fiscal year of the Primary Obligor for which audited financial statements are available by the maximum annual debt service requirement (determined in the same manner as Maximum Annual Debt Service Requirement) on the obligation guaranteed and all other Funded Indebtedness of the Primary Obligor.

(j) "*Income Available for Debt Service on Guaranteed Debt*" means for any fiscal year of a Primary Obligor all Revenues of the Primary Obligor minus its Expenses.

(k) "*Net Patient Service Revenues*" means net patient service revenues as set forth on the most recent financial statements delivered under the Master Indenture.

(l) "*Unrestricted Cash and Investments*" means (a) the sum of all cash, cash equivalents and unrestricted and unencumbered long term marketable or liquid investment balances, including without limitation, such amounts that are on deposit in a funded depreciation fund or account, whether classified as current or noncurrent assets, held by a Member for any of its corporate purposes, but excluding trustee-held funds, reserves, deposits or set-asides including debt service funds, construction funds, reserve funds, malpractice funds, litigation reserves, self-insurance or captive insurer funds, and pension or retirement funds, less (b) the sum of (i) an amount equal to the dollar equivalent of Days in Accounts Payable in excess of 60 days, plus (ii) 50% of the due to third party liabilities (net of due from third party payers), plus (iii) the principal amount of any Short-Term Indebtedness or Balloon Indebtedness maturing within one year of the date Unrestricted Cash and Investments are calculated, plus (iv) the required collateral levels under a swap agreement if collateral is actually posted, all as set forth in the most recent financial statements delivered under the Master Indenture; provided, however, that the principal amount of Short-Term Indebtedness or Balloon Indebtedness are not required to be deducted pursuant to (b)(iii) above if there is in effect on the date of calculation a binding commitment (including without limitation letters or lines of credit or standby bond purchase agreements) which may be subject only to commercially reasonable contingencies from a financial institution with a rating of "A" or better by a Rating Agency to provide financing sufficient to pay the principal amount of such Balloon Indebtedness so becoming due within one year of the date of calculation or to pay such Short-Term Indebtedness, except that any amounts payable pursuant to the binding commitment within one year shall nevertheless be deducted.

ENTRANCE INTO THE OBLIGATED GROUP

Paragraph (d) of the provisions of the Master Indenture summarized above under "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Entrance Into the Obligated Group" is amended by adding the following clause (C):

"(C) after giving effect to the entrance of the new Member, the Historical Maximum Annual Debt Service Coverage Ratio of the Obligated Group for the most recent Fiscal Year for which audited financial statements are available would be at least equal to 85% of the Historical Maximum Annual Debt Service Coverage Ratio for such Fiscal Year without regard to the new Member and (D) containing the consent of the Obligated Group Agent to such entrance."

CESSATION OF STATUS AS A MEMBER OF THE OBLIGATED GROUP

The provisions of the Master Indenture summarized above under the caption "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Cessation of Status as a Member of The Obligated Group" are amended by adding the following section at the end thereof:

"No Member may withdraw from the Obligated Group unless (1) the Obligated Group Agent shall have consented to such withdrawal in writing and (2) the Member delivers to the Master Trustee an Officer's Certificate demonstrating that, after giving effect to the withdrawal of the Member, (a) the Historical Maximum Annual Debt Service Coverage Ratio of the Obligated Group for the most recent Fiscal Year for which audited financial statements are available would be at least equal to 85% of the Historical Maximum Annual Debt Service Coverage Ratio for such Fiscal Year without regard to the withdrawal of the Member and (b) the Obligated Group could meet the conditions described in paragraph (A) under the caption "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Permitted Additional Indebtedness" for the incurrence of one dollar of additional Funded Indebtedness. The Corporation may not withdraw from the Obligated Group without the prior written consent of the Series 2001Bond Insurer."

INSURANCE

The provisions of the Master Indenture summarized above under the caption "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Insurance" are deleted in their entirety and replaced to read as follows:

"Each Member shall 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 to protect its Property and operations. Such insurance shall be provided by insurance companies rated "A" or better by Standard & Poor's or Moody's. The Master Indenture provides that for the purposes of the provisions of the Master Indenture summarized under this heading, the term Property shall be deemed to include Excluded Property. The Obligated Group Agent shall annually review the insurance each Member maintains as to whether such insurance is customary and adequate. In addition, the Obligated Group Agent shall at least once every two Fiscal Years with respect to commercial insurance and at least once every Fiscal year with respect to self-insurance (commencing with its Fiscal Year beginning July 1, 1997) cause a certificate of an Insurance Consultant or Insurance Consultants to be delivered to the Master Trustee which indicates that the insurance then being maintained by the Members is customary in the case of corporations engaged in the same or similar activities and similarly situated and is adequate to protect the Obligated Group's Property and operations. The Obligated Group Agent shall cause copies of its review, or the certificates of the Insurance Consultant or Insurance Consultants, as the case may be, to be delivered promptly to the Master Trustee, to each Related Bond Trustee and to each Related Issuer. The Obligated Group or any Member may self-insure if the Insurance Consultant or Insurance Consultants determines that such self-insurance meets the standards set forth in the first sentence of this paragraph and is prudent under the circumstances; provided that the Obligated Group shall not self-insure against casualty losses to Property, Plant and Equipment, other than as to any deductible which is commercially reasonable for corporations engaged in the same or similar activities or similarly situated."

RATES AND CHARGES

The provisions of the Master Indenture summarized above under the caption "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Rates and Charges" are amended as follows:

(a) by replacing all references therein to "110%" with "120%";

(b) by adding the following sentence at the end of the second paragraph thereof to read as follows:

"Not later than 45 days after the end of each Fiscal Year, the Obligated Group Agent shall calculate the Historical Maximum Annual Debt Service Coverage Ratio of the Obligated Group for such Fiscal Year based on unaudited financial statements and deliver a copy of such calculations to the Series 2001 Bond Insurer."

(c) by adding the following sentences at the end of the third paragraph:

"Any Consultant retained pursuant to the provisions of the Master Indenture summarized under this caption, together with the scope of such Consultant's report, shall be acceptable to the Series 2001 Bond Insurer. If the Obligated Group Agent has retained a Consultant because the Historical Maximum Annual Debt Service Coverage Ratio of the Obligated Group is less than 1.20:1 in any Fiscal Year based on the unaudited financial statements of the Obligated Group, the Obligated Group Agent may release such Consultant and is not obligated to follow any recommendations made by such Consultant if the Historical Maximum Annual Debt Service Coverage Ratio of the Obligated Group for such Fiscal Year is at least 1.20:1 based on the audited financial statements delivered pursuant to the Master Indenture."; and

(d) by adding the following sentence at the end thereof to read as follows:

"The foregoing notwithstanding, if in any Fiscal Year the Historical Maximum Annual Debt Service Coverage Ratio of the Obligated Group is less than 1.00:1, an Event of Default shall exist hereunder."

DAMAGE, DESTRUCTION AND CONDEMNATION

The provisions of the Master Indenture summarized above under the captions "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Damage or Destruction" and "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Condemnation" are amended by replacing all references therein to "the greater of (a) $1,000,000 or (b) the sum of $1,000,000 plus an amount equal to $1,000,000 multiplied by a percentage equal to the aggregate percentage increase or decrease in the Construction Index from its level as of December 1, 1989" with "5% of the Current Value of the Obligated Group's Property, Plant and Equipment".

MERGER, CONSOLIDATION, SALE OR CONVEYANCE

The provisions of the Master Indenture summarized above in subparagraph (a) under the caption "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Merger, Consolidation, Sale or Conveyance" are amended by adding the following clause (v):

> "(v) No such merger or consolidation or such sale or conveyance shall be permitted unless the Historical Maximum Annual Debt Service Coverage Ratio of the Obligated Group for the most recent Fiscal Year for which audited financial statements are available, after giving effect to such merger or consolidation or such sale or conveyance as if it had occurred on the first day of such Fiscal Year, would be at least equal to the 85% of the Historical Maximum Annual Debt Service Coverage Ratio for such Fiscal Year without regard to such merger or consolidation or such sale or conveyance."

FINANCIAL STATEMENTS

The provisions of the Master Indenture summarized above under the caption "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Financial Statements" are amended by adding the following section at the end thereof:

> "At the request of the Series 2001 Bond Insurer, the Members will furnish the financial statements delivered pursuant to the provisions of the Master Indenture described in (b)(i) for each calendar month of each Fiscal Year of the Obligated Group in lieu of the financial statements for each of the first three quarterly fiscal periods of the Fiscal Year as soon as practicable after they are available but in no event more than 30 days after the expiration of such calendar month."

PERMITTED ADDITIONAL INDEBTEDNESS

The provisions of the Master Indenture summarized above under the caption "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Permitted Additional Indebtedness" are deleted in their entirety and replaced to read as follows:

> "So long as any Obligations are outstanding, the Obligated Group will not incur any Additional Indebtedness after the date of the Master Indenture (whether or not incurred through the issuance of Additional Obligations) other than:
>
> (A) Funded Indebtedness, if prior to incurrence thereof or, if such Funded Indebtedness was incurred in accordance with another subsection described under this caption and any Member wishes to have such Indebtedness classified as having been issued under this subsection (A), prior to such classification, there is delivered to the Master Trustee:
>
> (i) [omitted]
>
> (ii) An Officer's Certificate from the Obligated Group Agent (which Officer's Certificate, including without limitation the scope, form, substance and other aspects thereof, is acceptable to the Master Trustee) stating that the Historical Pro Forma Debt Service Coverage Ratio of the Obligated Group for the two most recent Fiscal Years preceding the date of delivery

of the report for which combined financial statements reported upon by independent certified public accountants are available was not less than 1.25:1; or

(iii) (a) An Officer's Certificate from the Obligated Group Agent in a form acceptable to the Master Trustee stating that the Historical Maximum Annual Debt Service Coverage Ratio of the Obligated Group for the two Fiscal Years next preceding the incurrence of such Funded Indebtedness for which combined financial statements reported upon by independent certified public accountants are available was not less than 1.35:1; and (b) an Officer's Certificate from the Obligated Group Agent in a form acceptable to the Master Trustee to the effect that the Projected Debt Service Coverage Ratio of the Obligated Group for each of the next two succeeding Fiscal Years or, if such Indebtedness is being incurred in connection with the financing of Facilities, the two Fiscal Years succeeding the projected completion date of such Facilities, is not less than 1.25:1; provided that such reports shall include forecast balance sheets, statements of operations and statements of changes in net assets for each of such two Fiscal Years and a statement of the relevant assumptions upon which such forecasted statements are based, which financial statements shall indicate that sufficient revenues and cash flow could be generated to pay the operating expenses of the Obligated Group's proposed and existing Facilities and the debt service on the Obligated Group's other existing Indebtedness during such two Fiscal Years.

(B) Completion Funded Indebtedness if there is delivered to the Master Trustee: (i) an Officer's Certificate of the Member for whose benefit such Indebtedness is being issued stating that (x) at the time the original Funded Indebtedness for the Facilities to be completed was incurred, such Member had reason to believe that the proceeds of such Funded Indebtedness together with other moneys then expected to be available would provide sufficient moneys for the completion of such Facilities and (y) the incurrence of such Completion Funded Indebtedness will not cause the Maximum Annual Debt Service Requirement of the Obligated Group to be increased by more than 10%, (ii) a statement of an Independent Architect or an expert acceptable to the Master Trustee setting forth the amount estimated to be needed to complete the Facilities, and (iii) an Officer's Certificate of such Member stating that the proceeds of such Completion Funded Indebtedness to be applied to the completion of the Facilities, together with a reasonable estimate of investment income to be earned on such proceeds and available to pay such costs, the amount of moneys, if any, committed to such completion from available cash or marketable securities and reasonably estimated earnings thereon, enumerated bank loans (including letters or lines of credit) and federal or state grants reasonably expected to be available, will be in an amount not less than the amount set forth in the statement of an Independent Architect or other expert, as the case may be, referred to in (ii).

(C) Funded Indebtedness for the purpose of refunding (whether in advance or otherwise, including without limitation refunding through the issuance of Cross-over Refunding Indebtedness) any outstanding Funded Indebtedness if prior to the incurrence thereof an Officer's Certificate of the Obligated Group Agent is delivered to the Master Trustee stating that, taking into account the issuance of the proposed Funded Indebtedness and the application of the proceeds thereof and any other funds available to be applied to such refunding, the Maximum Annual Debt Service Requirement of the Obligated Group will not be increased by more than 10%.

(D) Short-Term Indebtedness (other than Short- Term Indebtedness incurred in accordance with subsection (E) hereof) in a total principal amount which at the time incurred does not, together with the principal amount of all other such Short-Term Indebtedness of the Obligated Group then outstanding under this subsection (D) and the principal payable on all Funded Indebtedness during the next succeeding 12 months, excluding such principal to the extent that amounts are on deposit in an irrevocable escrow and such amounts (including, where appropriate, the earnings or other increments to accrue thereon) are required to be applied to pay such principal and such amounts so required to be applied are sufficient to pay such principal, exceed the lesser of (i) 20% of Net Patient Service Revenues of the Obligated Group for the most recent Fiscal Year for which audited financial statements reported upon by independent certified public accountants are available or (ii) 30% of Unrestricted Cash and Investments; provided, however, that for a period of 30 consecutive calendar days in each Fiscal Year the total amount of such Short-Term Indebtedness of the Obligated Group outstanding under this subsection (D) shall be not more than 5% of Net Patient Service Revenues of the Obligated Group for the most recent Fiscal Year for which audited

financial statements have been delivered pursuant to the Master Indenture, plus such additional amount (not to exceed an amount equal to an additional 5% of Net Patient Service Revenues) if the Obligated Group Agent certifies in an Officer's Certificate that such additional amount is attributable to Short-Term Indebtedness incurred to offset a temporary delay in the receipt of funds due from third party payors. For the purposes of this subsection, Short-Term Indebtedness shall not include overdrafts to banks to the extent there are immediately available funds of the Obligated Group sufficient to pay such overdrafts and such overdrafts are incurred and corrected in the normal course of business.

(E) Short-Term Indebtedness if:

(i) There is in effect at the time the Short-Term Indebtedness provided for by this subsection (E) is incurred a binding commitment (including without limitation letters or lines of credit or insurance) which may be subject only to commercially reasonable contingencies, by a financial institution generally regarded as responsible, which commitment and institution are acceptable to the Master Trustee and each Related Issuer, to provide financing sufficient to pay such Short-Term Indebtedness at its maturity; and

(ii) The conditions described in subsection (A) are met with respect to such Short-Term Indebtedness when it is assumed that such Short-Term Indebtedness is Funded Indebtedness maturing over 30 years from the date of issuance of the Short-Term Indebtedness, bears interest on the unpaid principal balance at the Projected Rate and is payable on a level annual debt service basis over a 30-year period.

(F) Non-Recourse Indebtedness, the principal amount of which, together with principal amount of all other Non-Recourse Indebtedness incurred pursuant to the provisions of this subsection (F), does not exceed 10% of Net Patient Service Revenues of the Obligated Group for the most recent Fiscal Year for which audited financial statements have been delivered pursuant to the Master Indenture.

(G) Balloon Indebtedness if:

(i) (a) there is in effect at the time such Balloon Indebtedness is incurred a binding commitment (including without limitation letters or lines of credit) which may be subject only to commercially reasonable contingencies by a financial institution generally regarded as responsible, which commitment and institution are acceptable to the Master Trustee and each Related Issuer, and which institution is rated at least "P1" by Moody's or "A1" by Standard & Poor's, to provide financing sufficient to pay the principal amount of such Balloon Indebtedness coming due in each consecutive 12 month period in which 25% or more of the original principal amount of such Balloon Indebtedness comes due; and

(b) the conditions set forth in subsection (A) are met with respect to such Balloon Indebtedness when it is assumed such Balloon Indebtedness bears interest at the interest rate set forth in such binding commitment and the principal amount of such Balloon Indebtedness is amortized in accordance with the amortization schedule set forth in the binding commitment; or

(ii) (a) a Member establishes in an Officer's Certificate filed with the Master Trustee an amortization schedule for such Balloon Indebtedness, which amortization schedule shall provide for payments of principal and interest for each Fiscal Year that are not less than the amounts required to make any actual payments required to be made in such Fiscal Year by the terms of such Balloon Indebtedness;

(c) such Member agrees in such Officer's Certificate to deposit for each Fiscal Year with a bank or trust company (pursuant to an agreement between such Member and such bank or trust company, which agreement shall be satisfactory in form and substance to the Master Trustee) the amount of principal shown on such amortization schedule net of any amount of principal actually paid on such Balloon Indebtedness during such Fiscal Year (other than from amounts on

deposit with such bank or trust company) which deposit shall be made prior to any such required actual payment during such Fiscal Year if the amounts so on deposit are intended to be the source of such actual payments; and

(d) the conditions described in subsection (A) above are met with respect to such Balloon Indebtedness when it is assumed that such Balloon Indebtedness is actually payable in accordance with such amortization schedule; or

(iii) the conditions set forth in subsection (A) are met with respect to such Balloon Indebtedness when it is assumed the Indebtedness is amortized on a level debt service basis over a twenty year period and bears interest at an interest rate based on the Revenue Bond Index as most recently published in The Bond Buyer.

(H) Put Indebtedness if

(i) (x) the aggregate principal amount of such Put Indebtedness and all other Put Indebtedness incurred pursuant to the provisions of this clause (H) is not greater than an amount equal to 25% of Unrestricted Cash and Investments for the most recent Fiscal Year for which audited financial statements have been delivered pursuant to the Master Indenture, (y) at the time such Put Indebtedness is incurred, the difference between Unrestricted Cash and Investments and the principal amount of Put Indebtedness incurred pursuant to the provisions of this clause (H)(i) is not less than an amount equal to 90 Days of Operating Expenses; and (z) on February 15 and August 15 of each year, the Obligated Group Agent delivers an Officer's Certificate to the Master Trustee certifying that the principal amount of Unrestricted Cash and Investments invested in highly liquid investments is not less than the aggregate outstanding principal amount of Put Indebtedness incurred pursuant to the provisions of this subsection (H)(i); or

(ii) (x) there is in effect at the time such Put Indebtedness is incurred a binding commitment (including without limitation letters or lines of credit) which may be subject only to commercially reasonable contingencies by a financial institution generally regarded as responsible, which commitment and institution are acceptable to the Master Trustee and each Related Issuer, and which institution is rated at least "VMIG1" by Moody's or "A1" by Standard & Poor's, to provide financing sufficient to pay such Put Indebtedness on any Put Date occurring during the term of such commitment, and (y) the conditions set forth in subsection (A) above are met with respect to such Put Indebtedness when it is assumed that such Put Indebtedness is amortized on a level annual debt service basis over a 30-year period commencing with the next succeeding Put Date and bears interest at the Revenue Bond Index, as most recently published in The Bond Buyer.

(I) Guaranties by any Member of the payment by another Person of a sum certain; provided that the conditions set forth herein are satisfied if it is assumed that the Indebtedness guaranteed is Funded Indebtedness of such Member; provided that such obligation shall only be considered Funded Indebtedness to the extent of the Obligated Group's Exposure on Guaranteed Debt. In making the calculation required by this subsection (I) the Obligated Group's Income Available for Debt Service shall not be deemed to include any Revenues of the Primary Obligor and the debt service payable with respect to the Indebtedness guaranteed shall be calculated in accordance with the assumptions contained in the Master Indenture and summarized under this caption and under the caption "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Calculation of Debt Service and Debt Service Coverage".

(J) Liabilities for contributions to self-insurance or shared or pooled-risk insurance programs required or permitted to be maintained under the Master Indenture.

(K) Commitment Indebtedness.

(L) Indebtedness consisting of accounts payable incurred in the ordinary course of business or other Indebtedness not incurred or assumed primarily to assure the repayment of money borrowed or credit extended which Indebtedness is incurred in the ordinary course of business.

(M) Indebtedness the principal amount of which at the time incurred, together with the aggregate principal amount of all other Indebtedness then outstanding which was issued pursuant to the provisions of this subsection (M) and which has not been subsequently reclassified as having been issued under subsection (A), (E), (G) or (H), does not exceed 5% of the Net Patient Service Revenues of the Obligated Group for the latest preceding Fiscal Year for which combined financial statements reported upon by independent certified public accountants are available.

(N) Indebtedness incurred in connection with a sale of accounts receivable with or without recourse by any Member consisting of an obligation to repurchase all or a portion of such accounts receivable upon certain conditions, provided that the principal amount of such Indebtedness permitted hereby shall not exceed the aggregate sale price of such accounts receivable received by such Member.

The foregoing notwithstanding, no Indebtedness may be incurred pursuant to paragraphs (D), (E), (F) or (M) if, after giving effect to the incurrence of such Indebtedness, the aggregate principal amount of Indebtedness incurred pursuant to paragraphs (D), (E), (F) and (M) and then outstanding, would exceed 25% of Net Patient Service Revenues as set forth in the most recent audited financial statements delivered to the Master Trustee.

It is agreed and understood by the parties to the Master Indenture that various types of Indebtedness may be incurred under any of the above-referenced subsections with respect to which the tests set forth in such subsection are met and need not be incurred under only a subsection specifically referring to such type of Indebtedness (e.g., Balloon Indebtedness and Put Indebtedness may be incurred under subsection (A) above if the tests therein are satisfied).

Each Member covenants that Indebtedness of the type permitted to be incurred under subsection (L) above will not be allowed to become overdue for a period in excess of that which is ordinary for similar institutions without being contested in good faith and by appropriate proceedings.

Each Member covenants that prior to, or as soon as reasonably practicable after, the incurrence of Indebtedness by such Member for money borrowed or credit extended, or the equivalent thereof, it will deliver to the Master Trustee an Officer's Certificate which identifies the Indebtedness incurred, identifies the subsection of the Master Indenture summarized above pursuant to which such Indebtedness was incurred, demonstrates compliance with the provisions of such subsection and attaches a copy of the instrument evidencing such Indebtedness; provided, however, that this requirement shall not apply to Indebtedness incurred pursuant to subsection (J) or (L).

Each Member agrees that, prior to incurring Additional Indebtedness for money borrowed or credit extended to entities other than Related Issuers, sellers of real or personal property for purchase money debt, lessors of such property or banks or other institutional lenders, it will provide the Master Trustee with an opinion of Independent Counsel acceptable to the Master Trustee to the effect that, to such Counsel's knowledge, such Member has complied in all material respects with all applicable state and federal laws regarding the issuance of securities in connection with the incurrence of such Additional Indebtedness (including the issuance of any securities or other evidences of indebtedness in connection therewith) and such Counsel has no reason to believe that a right of rescission under such laws exist on the part of the entities to which such Additional Indebtedness is to be incurred."

CALCULATION OF DEBT SERVICE AND DEBT SERVICE COVERAGE

The provisions of the Master Indenture summarized in the third and sixth paragraphs under the caption "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Calculation of Debt Service and Debt Service Coverage" are amended as follows:

"In determining the amount of debt service payable on Indebtedness in the course of the various calculations required under certain provisions of the Master Indenture, if the terms of the Indebtedness being considered are such that interest thereon for any future period of time is expressed to be calculated at a varying rate per annum, a formula rate or a fixed rate per annum based on a varying index, then for the purpose of making such determination of debt service, interest on such Indebtedness for such period (the "Determination Period") shall be computed by assuming that the rate of interest applicable to the Determination Period is equal to the Revenue Bond Index as most recently published in The Bond Buyer, or any successor publication."

"Balloon Indebtedness incurred as provided under subsection (B) or (M) under the caption "SUMMARY OF CERTAIN PROVISIONS OF THE THIRD SUPPLEMENTAL MASTER INDENTURE - Permitted Additional Indebtedness" above, unless reclassified in accordance with the provisions of the Master Indenture summarized under this caption, shall be deemed to be payable in accordance with the assumptions set forth in subsection (G)(iii) under "SUMMARY OF CERTAIN PROVISIONS OF THE THIRD SUPPLEMENTAL MASTER INDENTURE - Permitted Additional Indebtedness"; provided, however, that the outstanding principal amount of such Balloon Indebtedness maturing within one year of the date of such calculation shall be included in the Debt Service Requirements of the Member if a binding commitment referred to in subsection (G)(i)(a) under the caption "SUMMARY OF CERTAIN PROVISIONS OF THE THIRD SUPPLEMENTAL MASTER INDENTURE - Permitted Additional Indebtedness" is not in existence. Put Indebtedness incurred as provided under subsection (B) or (M) under the caption "SUMMARY OF CERTAIN PROVISIONS OF THE THIRD SUPPLEMENTAL MASTER INDENTURE - Permitted Additional Indebtedness", unless reclassified in accordance with the provisions of the Master Indenture under this caption, shall be deemed to be payable in accordance with the assumptions set forth in subsection (H)(ii)(y) under the caption "SUMMARY OF CERTAIN PROVISIONS OF THE THIRD SUPPLEMENTAL MASTER INDENTURE – Permitted Additional Indebtedness"; provided, however, that the outstanding principal amount of such Put Indebtedness maturing within one year of the date of such calculation shall be included in the Debt Service Requirements of the Member if a binding commitment referred to in (H)(ii) under the caption "SUMMARY OF CERTAIN PROVISIONS OF THE THIRD SUPPLEMENTAL MASTER INDENTURE – Permitted Additional Indebtedness" is not in existence."

SALE, LEASE OR OTHER DISPOSITION OF PROPERTY

The provisions of the Master Indenture summarized above under the caption "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Sale, Lease or Other Disposition of Property" are deleted in their entirety and replaced to read as follows:

"(I) Each Member agrees that it will not, in any consecutive 12-month period, sell, lease or otherwise dispose (including without limitation any involuntary disposition) of Property, Plant and Equipment which, together with all other Property, Plant and Equipment transferred by Members in transactions other than those described in subsections (A) through (G) hereof, totals for such 12-month period in excess of 5% of the net book value of the Property, Plant and Equipment of the Obligated Group (calculated on the basis of the Book Value of the assets shown on the assets side of the balance sheet in the audited financial statements of the Obligated Group for the Fiscal Year next preceding the date of such sale, lease or other disposition for which combined financial statements of the Obligated Group reported on by independent certified public accountants are available), except for transfers or other dispositions in the ordinary course of business and except for transfers or other dispositions of Property:

(A) In return for other Property of equal or greater value and usefulness;

(B) To any Person, if prior to such sale, lease or other disposition there is delivered to the Master Trustee an Officer's Certificate of a Member stating that, in the judgment of the signer, such Property has, or within the next succeeding 24 calendar months is reasonably expected to, become inadequate, obsolete, worn out, unsuitable, unprofitable, undesirable or unnecessary and the sale, lease or other disposition thereof will not impair the structural soundness, efficiency or economic value of the remaining Property;

(C) To another Member;

(D) Upon fair and reasonable terms no less favorable to the Member than would obtain in a comparable arm's-length transaction;

(E) To any Person, if such Property consists solely of assets which are specifically restricted by the donor or grantor to a particular purpose which is inconsistent with their use for payment on the Obligations;

(F) [omitted]; or

(G) To any Person upon delivery to the Master Trustee of an Officer's Certificate of the Obligated Group Agent (accompanied by the independent certified public accountant's reports mentioned below) certifying that (i) during the Fiscal Year immediately preceding the proposed disposition for which financial statements have been reported upon by independent certified public accountants, the Historical Maximum Annual Debt Service Coverage Ratio of the Obligated Group, taking into account such disposition, (a) would have been greater than the actual Historical Maximum Annual Debt Service Coverage or (b) would not have been reduced by more than 20% and would not have been reduced to less than 1.10:1, and (ii) the conditions of the Master Indenture summarized in subparagraph (A) under the caption "SUMMARY OF CERTAIN PROVISIONS OF THE THIRD SUPPLEMENTAL MASTER INDENTURE - Permitted Additional Indebtedness" are met for the incurrence of one dollar of additional Funded Indebtedness.

The foregoing provisions of this Section notwithstanding, each Member further agrees that it will not sell, lease, donate or otherwise dispose of Property (a) which could reasonably be expected at the time of such sale, lease, donation or disposition to result in a reduction of the Historical Maximum Annual Debt Service Coverage Ratio for the Obligated Group such that the Master Trustee would be obligated to require the Obligated Group to retain a Consultant pursuant to the provisions of the Master Indenture summarized under the captions "SUMMARY OF CERTAIN PROVISIONS OF THE THIRD SUPPLEMENTAL MASTER INDENTURE - Rates and Charges" and "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Rates and Charges, or (b) if a Consultant has been retained in the circumstances described under the captions "SUMMARY OF CERTAIN PROVISIONS OF THE THIRD SUPPLEMENTAL MASTER INDENTURE - Rates and Charges" and "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Rates and Charges," such action, in the opinion of such Consultant, will have an adverse effect on the Income Available for Debt Service of the Obligated Group. The Master Indenture provides that the parties thereto agree that the rendering of any service, the making of any loan, the extension of any credit or any other transaction, with any Affiliate except pursuant to the reasonable requirements of such Member's activities and upon fair and reasonable terms no less favorable to it than would obtain in a comparable arm's-length transaction with a person not an Affiliate is and shall be subject to, and shall be permitted only if there is compliance with, the provisions of the Master Indenture summarized under this caption.

(II) Each Member covenants that it will not dispose, transfer or loan Unrestricted Cash and Investments except for dispositions or transfers in the ordinary course of business and except for disposition or transfers:

(A) In return for Property of equal or greater value and usefulness;

(B) To another Member; or

(C) To any Person, if after giving affect to such disposition, transfer or loan, (i) Unrestricted Cash and Investments will not decline by more than 20% of the lesser of (a) Unrestricted Cash and Investments as of the end of the most recent audited fiscal year and (b) Unrestricted Cash and Investments as of the date of such disposition, transfer or loan and (ii) Unrestricted Cash and Investments would not be less than the greater of (a) a dollar amount equal to 90 Days of Operating Expenses, calculated as of the

most recently audited fiscal year and (b) a dollar amount equal to 90 Days of Operating Expenses, calculated as of the date of such disposition, transfer or loan."

LIENS ON PROPERTY

The provisions of the Master Indenture summarized above under the caption "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Liens on Property" are deleted in their entirety and replaced to read as follows:

"Each Member agrees that it will keep its Property free and clear of all Liens which are not Permitted Encumbrances. The Master Indenture provides that a Lien on Property of any Member securing Indebtedness shall be classified as a Permitted Encumbrance and therefore permitted if:

(i) such Lien secures Non-Recourse Indebtedness, provided that the Book Value of the Property, Plant and Equipment of the Obligated Group which is Encumbered is not greater than the lesser of (i) 20% of the Book Value of all the Property, Plant and Equipment of the Obligated Group or (ii) 20% of the Net Patient Service Revenues of the Obligated Group, in each case as determined for the most recent Fiscal Year for which audited financial statements have been delivered; or

(ii) (a) after giving effect to such Lien and all other Liens classified as Permitted Encumbrances under this clause (ii)(a), the Book Value of the Property, Plant and Equipment of the Obligated Group which is Encumbered is not greater than the lesser of (i) 20% of the Book Value of all the Property, Plant and Equipment of the Obligated Group or (ii) 20% of the Net Patient Service Revenues of the Obligated Group, in each case as determined for the most recent Fiscal Year for which audited financial statements have been delivered and (b) the conditions described in clause (A) under the caption "SUMMARY OF CERTAIN PROVISIONS OF THE THIRD SUPPLEMENTAL MASTER INDENTURE - Permitted Additional Indebtedness" are met for allowing the incurrence of one dollar of additional Funded Indebtedness."

ADDITIONAL CONSENTS

The provisions of the Master Indenture described above under the caption "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Right to Consent" are amended by adding the following sentence at the end thereof: "With respect to any or all provisions of the Master Indenture which provide for consent, notice, direction or request of holders of the Series 2001 Obligations, so long as any Series 2001 Bonds remain outstanding, such provisions will also provide for consent, notice, direction or request of the Series 2001 Bond Insurer."

ADDITIONAL PROVISIONS FOR THE BENEFIT OF THE SERIES 2001 BOND INSURER

The Third Supplemental Master Indenture further amends the Master Indenture by adding the following provisions thereto:

LIQUIDITY

Pursuant to the Third Supplemental Master Indenture, the Obligated Group Agent covenants to deliver to the Series 2001 Bond Insurer and the Master Trustee within 150 days after the end of each Fiscal Year and within 45 days after the end of the first six months of each Fiscal Year an Officer's Certificate demonstrating that Unrestricted Cash and Investments as of the last day of such six month period or Fiscal Year, as the case may be, was not less than an amount equal to 75 Days of Operating Expenses. If Unrestricted Cash and Investments as so calculated by such Officer's Certificate is less than 75 Days of Operating Expenses as of the last day of any such period, the Master Trustee shall require the Obligated Group at its expense to retain a Consultant, acceptable to the Series 2001 Bond Insurer, to make recommendations with respect to the rates, fees and charges of the Members and the Obligated Group's methods of operation and other factors affecting its financial condition in order to increase the amount of Unrestricted Cash and Investments to an amount at least equal 75 Days of Operating Expenses. If such Officer's Certificate is not delivered when required, the recommendations of the Consultant are not adopted

or if Unrestricted Cash and Investments as so calculated by such Officer's Certificate is less than 40 Days of Operating Expenses as of the last day of any such Fiscal Year, an Event of Default shall exist under the Master Indenture."

DEPOSIT OF GROSS RECEIPTS

Pursuant to the Third Supplemental Master Indenture, the Members covenant and agree that if (i) an "event of default" described in paragraph (a) under the heading "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Defaults and Remedies" should occur and be continuing or (b) an "event of default" described in paragraph (b) under the heading "SUMMARY OF CERTAIN PROVISIONS OF THE THIRD SUPPLEMENTAL MASTER INDENTURE - Defaults and Remedies" should occur and be continuing as a result of a failure of the Obligated Group to comply with the covenants summarized under the headings "Entrance Into the Obligated Group," "Cessation of Status as a Member of the Obligated Group", "Liens on Property", "Rates and Charges", "Merger, Consolidation, Sale or Conveyance", "Permitted Additional Indebtedness", "Sale, Lease or Other Disposition of Property" or "Liquidity", as the foregoing may be described under the caption "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE" and as the same may have been amended or modified under corresponding headings under the caption "SUMMARY OF CERTAIN PROVISIONS OF THE THIRD SUPPLEMENTAL MASTER INDENTURE," the Members of the Obligated Group will deposit daily the proceeds of their Gross Receipts with the Master Trustee. The foregoing notwithstanding, for purposes of this provision an "event of default" shall not be deemed to occur as a result of a failure of the Obligated Group to comply with (a) the covenant described under the captions "SUMMARY OF CERTAIN PROVISIONS OF THE THIRD SUPPLEMENTAL MASTER INDENTURE - Rates and Charges" and "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Rates and Charges" if (i) the Obligated Group has retained a Consultant and has followed the recommendations of the Consultant as described under the captions "SUMMARY OF CERTAIN PROVISIONS OF THE THIRD SUPPLEMENTAL MASTER INDENTURE - Rates and Charges" and "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Rates and Charges" and (ii) Income Available for Debt Service is not less than 100% of Historical Maximum Annual Debt Service Requirement for such Fiscal Year or (b) the covenant described under the above under the caption "Additional Provisions for the Benefit of the Series 2001 Bond Insurer - Liquidity" if (i) the Obligated Group has retained a Consultant and has followed the recommendations of the Consultant and (ii) Unrestricted Cash and Investments are not less than 40 Days of Operating Expenses. Pursuant to the Third Supplemental Master Indenture, the Master Trustee is authorized and directed to establish a "Gross Receipts Account" into which such Gross Receipts shall be deposited.

The Obligated Group covenants to take all action necessary to insure that all such receipts and revenues are deposited with the Master Trustee including, but not limited to, depositing directly all payments received and directing all debtors and payors to make all payments due to the Obligated Group to the Master Trustee. Such daily deposits will continue until such "event of default" has been cured, at which time such moneys will be transferred to the Obligated Group. Any amounts on deposit in the Gross Receipts Account will be held for the benefit of the holders of the Obligations. Such amounts will be applied to pay debt service on Obligations due or past due and thereafter may be applied by the Obligated Group for any valid corporate purpose. Any such proceeds of Gross Receipts on deposit with the Master Trustee may, with the written consent of the Series 2001 Bond Insurer, be released to the Member depositing such proceeds upon the written request of the Obligated Group Agent. The foregoing notwithstanding, an event of default resulting from a breach of the covenants summarized under the headings "Entrance Into the Obligated Group," "Cessation of Status as a Member of the Obligated Group", "Liens on Property", "Rates and Charges", "Merger, Consolidation, Sale or Conveyance", "Permitted Additional Indebtedness", "Sale, Lease or Other Disposition of Property" or "Liquidity," as the foregoing may be described under the caption "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE" and as the same may have been amended or modified under corresponding headings under the caption "SUMMARY OF CERTAIN PROVISIONS OF THE THIRD SUPPLEMENTAL MASTER INDENTURE," shall not be considered an event of default under the Master Indenture for purposes of the provisions of the Master Indenture summarized under this caption until such default shall have been continuing and not cured for five consecutive calendar days after notice thereof is received by the Obligated Group Agent from the Master Trustee or the Series 2001 Bond Insurer and, provided, further, if the Obligated Group Agent can clearly demonstrate to the Series 2001 Bond Insurer's satisfaction that the breach of any such covenants is

due to an administrative error or oversight and action can be implemented to promptly remedy the breach, the Obligated Group shall have 10 days, or such longer period of time as may be granted by the Series 2001 Bond Insurer, to remedy such breach prior to the date on which the Obligated Group would otherwise be required to deposit its Unrestricted Receivables with the Master Trustee.

Pursuant to the Master Indenture, the Obligated Group has authorized the Master Trustee to take such self-help and other measures that a secured party is entitled to under the Uniform Commercial Code.

RESTRICTIONS ON INTEREST RATE AGREEMENTS

Pursuant to the Third Supplemental Master Indenture, the Members of the Obligated Group have agreed that no Member may enter into any Interest Rate Agreement without the prior written consent of the Series 2001 Bond Insurer unless (i) the Interest Rate Agreement is entered into as a hedge against assets owned or debt outstanding at the time such Agreement is entered into, (ii) the Interest Rate Agreement does not contain any leverage element or multiplier component unless there is a matching Interest Rate Agreement which offsets the exposure from such leverage element or multiplier component, (iii) as determined on the date such Interest Rate Agreement is executed, the payment of any settlement, breakage or other termination amount under such Interest Rate Agreement would not cause Unrestricted Cash and Investments to be less than an amount equal to 90 Days of Operating Expenses, with such termination amount to be determined based on an assumed 200 basis point fixed rate reduction for a fixed rate obligation and a 300 basis point fixed rate increase for a floating rate obligation, (iv) the counterparty or its guarantor on the Interest Rate Agreement must have a rating of at least "A" or "A2" at the time of incurrence and (v) the Interest Rate Agreement contains no events which permit immediate termination of the Agreement by the counterparty.

SERIES 2001C BOND INSURER COVENANTS FOR BENEFIT OF THE SERIES 2001C LIQUIDITY FACILITY PROVIDER

The Series 2001C Bond Insurer Covenants contained in Article III of the Third Supplemental Master Indenture shall inure to the benefit of the Series 2001C Liquidity Facility Provider, which has provided liquidity for the purchase (upon tender) of Series 2001C Bonds, and the Series 2001C Bond Insurer Covenants shall apply in addition to, and not in substitution for, the provisions of the Master Indenture. Each reference to the Series 2001C Bond Insurer in the Third Supplemental Master Indenture shall be deemed to be a reference to the Series 2001C Liquidity Facility Provider, and each report, certificate or other documents required to be delivered to the Master Trustee pursuant to Article III of the Third Supplemental Master Indenture shall also be delivered to the Series 2001C Liquidity Facility Provider. The Series 2001C Bond Insurer Covenants shall only be applicable to and enforceable by the Series 2001C Liquidity Facility Provider during the period any Series 2001C Bonds are outstanding, the Series 2001C Liquidity Facility Agreement is in effect and the Series 2001C Liquidity Facility Provider is not in default thereunder. At such time as a substitution event occurs pursuant to the provisions of the Series 2001C Bond Indenture relating to the substitution of the Series 2001C Bond Insurance Policy, the Series 2001C Bond Insurer Covenants may be enforced by the Series 2001C Liquidity Facility Provider and the Master Trustee for the benefit of the Series 2001C Liquidity Facility Provider only and any and all of the Series 2001C Bond Insurer Covenants and the related definitions of terms used therein, to the extent they apply to and are enforceable by such Series 2001C Liquidity Facility Provider, may only be modified, amended and waived at any time with the prior written consent of the Series 2001C Liquidity Facility Provider and without the consent of the Master Trustee, the Series 2001C Bond Trustee, the Authority, any other holder of Obligations or any owner of Related Bonds (as defined in the Master Indenture).

ADDITIONAL AMENDMENT TO THE MASTER INDENTURE

The provisions of the Master Indenture summarized under the caption "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Financial Statements" are amended by adding the following:

"(h) In lieu of delivering the financial statements required pursuant to paragraphs (b)(i) or (b)(ii), the Obligated Group may deliver financial statements prepared in accordance with generally accepted accounting principles which include information with respect to the Members of the Obligated Group and entities which are not Members of the Obligated Group provided that: (a) supplemental information in sufficient detail to separately identify the information with respect to the Members of the Obligated Group

is delivered to the Master Trustee with such financial statements; (b) with respect to (b)(ii), such supplemental information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements delivered to the Master Trustee and, in the opinion of the accountant, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole; and (c) such supplemental information is used for the purposes of the Master Indenture or for any agreement, document or certificate executed and delivered in connection or pursuant to the Master Indenture."

SUMMARY OF CERTAIN PROVISIONS OF THE FOURTH SUPPLEMENTAL MASTER INDENTURE

The provisions of the Fourth Supplemental Master Indenture summarized below are in addition to and do not replace the other covenants and restrictions contained in the Master Indenture.

ADDITION OF A NEW MEMBER OF THE OBLIGATED GROUP

The Fourth Supplemental Master Indenture provides for the admission of Linden Oaks as a Member of the Obligated Group.

DEFINITIONS

The following definitions are deleted from the Master Indenture by the Fourth Supplemental Master Indenture:

"*Lease*" means the Lease dated July 1, 1984 between The Edward Hospital District, as lessor, and the Corporation, as lessee, as supplemented and amended.

"*Leased Land*" means the real Property of The Edward Hospital District being leased to the Corporation pursuant to the Lease, as described in Exhibit E to the Lease, including all buildings and other improvements and fixtures thereon and all rights, easements and appurtenances thereto.

The following definitions in the Master Indenture are amended by the Fourth Supplemental Master Indenture to read as follows:

"*Land*" means the real Property of the Obligated Group upon which the primary operations of the Members are conducted as described in Exhibit A hereto, as amended as provided herein from time to time, together with all buildings, improvements and fixtures located thereon, excluding the Excluded Property.

"*Property*" means any and all rights, titles and interests in and to any and all property whether real or personal, tangible (including cash) or intangible, wherever situated and whether now owned or hereafter acquired, other than Excluded Property.

OTHER AMENDMENTS TO THE MASTER INDENTURE.

The first five lines of Paragraph (a) of Section 403 of the Master Indenture pertaining to the representations and warranties of the Members of the Obligated Group are amended in their entirety to read as follows:

"(a) It is a not-for-profit corporation or a general partnership duly organized under the laws of the State of Illinois, is in good standing and duly authorized to conduct its business and affairs in Illinois, is duly authorized and has full power under the laws of the State of Illinois and all other applicable provisions of law and its articles of incorporation and bylaws or its partnership agreement to create, issue, enter into, execute and deliver the Master Indenture…"

Paragraph (a) under the heading 'SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – Entrance Into the Obligated Group" is amended in its entirety to read as follows:

"(a) Such Person is a corporation or a partnership."

The last paragraph of Section 404 of the Master Indenture is amended in its entirety to read as follows:

"Each successor, assignee, surviving, resulting or transferee corporation or partnership 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 or partnership status."

Exhibit A to the Master Indenture is amended as set forth in Schedule I to the Fourth Supplemental Master Indenture to address changes in the legal description of a portion of the land of the Members of the Obligated Group due to subdivision platting and to include the legal description of the land upon which Linden Oaks conducts its operations.

Exhibit E to the Master Indenture is amended to include in the List of Obligated Group Members Linden Oaks.

SUMMARY OF CERTAIN PROVISIONS OF THE FIFTH SUPPLEMENTAL MASTER INDENTURE

The Fifth Supplemental Indenture contains certain covenants and restrictions for the benefit of the Series 2007 Bond Insurer (the "Series 2007A Bond Insurer Covenants") which apply in addition to, and not in substitution for, the provisions of the Master Indenture. The Series 2007A Bond Insurer Covenants are identical in all material respects to the Series 2001 Bond Insurer Covenants, as summarized above, except as follows:

(a) references to the "Series 2001 Bonds," the "Series 2001 Bond Indentures," the "Series 2001 Bond Trustee," the "Third Supplemental Master Indenture," the "Series 2001 Obligations," "Series 2001 Bond Insurer" and the "Series 2001 Bond Insurance Policy" contained under the caption "SUMMARY OF CERTAIN PROVISIONS OF THE THIRD SUPPLEMENTAL MASTER INDENTURE" shall be read and interpreted as meaning the "Series 2007A Bonds," the "Series 2007A Bond Indenture," the "Series 2007 Bond Trustee," the "Fifth Supplemental Master Indenture," the "Series 2007A Obligation," the "Series 2007 Bond Insurer" and the "Series 2007A Bond Insurance Policy," respectively, as such terms are defined in this APPENDIX C; and

(b) the provisions described above under the captions "SUMMARY OF CERTAIN PROVISIONS OF THE THIRD SUPPLEMENTAL MASTER INDENTURE - Series 2001 Bond Insurer Covenants for Benefit of The Series 2001 Liquidity Facility Provider" and "- Additional Amendment to the Master Indenture" have been omitted from the Fifth Supplemental Master Indenture; and

(c) the Series 2007A Obligations and all of the Related Loan Documents are Accelerable Instruments and the Series 2007A Bond Indenture provides that the Series 2007 Bond Trustee is deemed to be the holder of the Series 2007A Obligations; provided, however, that unless the Series 2007 Bond Insurer has lost its rights as described under "SUMMARY OF CERTAIN PROVISIONS OF THE THIRD SUPPLEMENTAL MASTER INDENTURE – Additional Provisions for the Benefit of the Series 2001 Bond Insurer," the Series 2007 Bond Insurer shall be considered to be the holder of the Series 2007 Obligations and shall have the right to direct the Series 2007 Bond Trustee with respect to the actions under the Master Indenture.

The Series 2007A Bond Insurer Covenants, including the security interest granted in Gross Receipts, can be enforced only by the Series 2007 Bond Insurer and may be modified, amended or waived with the prior written consent of the Series 2007 Bond Insurer and without the consent of the Master Trustee, the Series 2007 Bond Trustee, any Related Bond Trustee, any Related Issuer and the holder of any Series 2007 Obligation or any other Obligation or any owner of the Series 2007 Bonds or any other Related Bonds. Notwithstanding anything in the Fifth Supplemental Master Indenture or the Series 2007A Bond Insurance Policy to the contrary, the Series 2007A Bond Insurer Covenants, including the security interest granted in Gross Receipts, shall only be applicable during

the period any series of Series 2007A Bonds are outstanding and the Series 2007 Bond Insurer has not lost its consent right pursuant to the provisions of the related Series 2007A Bond Indenture. Reference is made to the Fifth Supplemental Master Indenture for a full and complete statement of its provisions.

DEFINITIONS

The following definitions are added to the Master Indenture by the Fifth Supplemental Master Indenture and apply to the provisions summarized under this caption "SUMMARY OF CERTAIN PROVISIONS OF THE FIFTH SUPPLEMENTAL MASTER INDENTURE:"

"*Debt to Capitalization Ratio*" means, as of any date of determination, the ratio of (a) Funded Indebtedness to (b) the sum of Funded Indebtedness plus Unrestricted Net Assets. For purposes of this definition, Funded Indebtedness shall include the principal amount of any Long-Term Debt guaranteed by the Obligated Group or any Member as follows: (a) 100% if the Guaranteed Debt Service Coverage Ratio of the Primary Obligor is less than 1.10:1, or if the Obligated Group or a Member has made a payment on such Long-Term Debt pursuant to its guaranty within the immediately preceding twenty-four (24) months; (b) 75% if the Guaranteed Debt Service Coverage Ratio of the Primary Obligor is less than 1.50:1 but not less than 1.10:1; (c) 50% if the Guaranteed Debt Service Coverage Ratio of the Primary Obligor is less than 2.00:1 but not less than 1.50:1; and (d) 20% if the Guaranteed Debt Service Coverage Ratio of the Primary Obligor is not less than 2.00:1.

"*Unrestricted Net Assets*" means, as of the end of any Fiscal Year of the Obligated Group, the unrestricted net assets of the Obligated Group as reflected on the audited financial statements of the Obligated Group for such Fiscal Year.

ADDITIONAL PROVISIONS FOR THE BENEFIT OF THE SERIES 2007 BOND INSURER

In addition to the matters covered under "SUMMARY OF CERTAIN PROVISIONS OF THE THIRD SUPPLEMENTAL MASTER INDENTURE – Additional Provisions for the Benefit of the Series 2001 Bond Insurer, the Series 2007A Bond Insurer Covenants also include the following:

DEBT TO CAPITALIZATION RATIO

Pursuant to the Fifth Supplemental Master Indenture, the Obligated Group covenants to maintain a Debt to Capitalization Ratio as of the end of each Fiscal Year of not greater than 0.65:1.0 and to deliver to the Master Trustee and the Series 2007 Bond Insurer, not later than 120 days after the end of each Fiscal Year, an Officer's Certificate of the Obligated Group Agent setting forth a calculation of the Debt to Capitalization Ratio of the Obligated Group as of the end of such Fiscal Year. If such Officer's Certificate discloses that the required Debt to Capitalization Ratio is not being maintained, the Obligated Group must employ a Consultant acceptable to the Series 2007 Bond Insurer to prepare recommendations, which will be given to the Series 2007 Bond Insurer and the Master Trustee, concerning changes in the operating policies of the Obligated Group to cause such Debt to Capitalization Ratio to be attained as of the end of the then-current Fiscal Year. Each Member must follow the recommendations of the Consultant applicable to it to the extent permitted by law. No event of default shall occur under the Master Indenture if such recommendations are so followed, notwithstanding that such Debt to Capitalization Ratio is not subsequently attained, but the Obligated Group must continue to employ such a Consultant and obtain such a report in any year where such Officer's Certificate discloses that such Debt to Capitalization Ratio is not being maintained. The failure of the Obligated Group to employ a Consultant when required, or to follow such Consultant's recommendations to the extent permitted by law, or to attain a Debt to Capitalization Ratio of 0.70:1.0 or less in any Fiscal Year shall constitute an event of default under the Master Indenture.

ADDITIONAL DEBT

Pursuant to the Fifth Supplemental Master Indenture, the Obligated Group further covenants it will not incur any Additional Indebtedness subsequent to the execution and delivery of the Sixth Supplemental Master Indenture unless an Officer's Certificate of the Obligated Group Agent is delivered to the Master Trustee certifying that (i) the Obligated Group is in compliance with the provisions of the Master Indenture with respect to such

Additional Indebtedness as of the date of issuance of such Additional Indebtedness, (ii) the Debt to Capitalization Ratio of the Obligated Group as of the end of the most recent Fiscal Year for which audited financial statements are available, without giving effect to the issuance of such Additional Indebtedness or to the application of the proceeds thereof, was not greater than 0.65:1.0 and (iii) the Debt to Capitalization Ratio of the Obligated Group as of the end of the most recent Fiscal Year for which audited financial statements are available, after giving effect to the issuance of such Additional Indebtedness and to the application of the proceeds thereof, is not greater than 0.65:1.0.

OTHER AMENDMENTS

Pursuant to the Fifth Supplemental Master Indenture, for the benefit of the Series 2007 Bond Insurer, the following additional covenants of the Obligated Group are established:

(a) Within 30 days of the issuance by any Member of any Additional Indebtedness, the Obligated Group Agent shall provide the Series 2007 Bond Insurer with the related official statement or other disclosure document which shall include such Additional Indebtedness's maturity schedule, interest rates and redemption and security provisions and information concerning any liquidity facilities or credit enhancement provided for such Additional Indebtedness.

(b) The Obligated Group Agent shall notify the Series 2007 Bond Insurer of any loss or change in any Member's Chief Executive Officer, Chief Financial Officer or Chief Operating Officer within 30 days of such loss or change.

(c) The Obligated Group Agent shall notify the Series 2007 Bond Insurer within 10 days of any change in ownership, any merger or any change in membership affecting any Member of the Obligated Group.

(d) Each Member of the Obligated Group covenants and agrees that it will give or cause to be given to the Series 2007 Bond Insurer, as promptly as practicable, but in no event later than five (5) Business Days after the same shall first become known to such Member, notice of the occurrence of any Event of Default or any event which, with the passage of time or the giving of notice, or both, would constitute an Event of Default.

(e) The Obligated Group Agent shall notify the Series 2007 Bond Insurer within 30 days of any litigation or investigation by a governmental entity that may have a material adverse effect on the Obligated Group's Facilities or its financial or operating status.

(f) The Obligated Group shall allow the Series 2007 Bond Insurer or its agent to inspect all of its non-confidential records. The Obligated Group Agent shall deliver to the Series 2007 Bond Insurer, within 150 days after the end of each of its fiscal years, the Obligated Group's audited financial statements, including combining schedules and related management letters, and (ii) the Series 2007 Bond Insurer's "Information Update Form for Health Care Issuers," and shall provide to the Series 2007 Bond Insurer upon request certain records and notices, including the following: financial reports; operational statistics; non-default letters; and strategic plans.

(g) No Member or any of its affiliates shall purchase the Bonds in lieu of redemption without the Series 2007 Bond Insurer's prior consent, provided that this provision does not preclude an open market tender for the Bonds by any Member or any of its affiliates.

(h) The Obligated Group shall reimburse the Series 2007 Bond Insurer immediately and unconditionally upon demand, to the extent permitted by law, for all reasonable expenses, including attorneys' fees and expenses, incurred by the Series 2007 Bond Insurer in connection with (i) the enforcement by the Series 2007 Bond Insurer of the Obligated Group's obligations, or the preservation or defense of any rights of the Series 2007 Bond Insurer, under the Bond Indenture and any other document executed in connection with the issuance of the Bonds, and (ii) any consent, amendment, waiver or other action with respect to the Bond Indenture or any related document, whether or not granted or approved, together with interest on all such expenses from and including 30 days from the date billed to the date of payment at Citibank's Prime Rate (as such figure is provided by the Series 2007 Bond Insurer) plus 3% or the maximum interest rate permitted by law, whichever is less. In addition, the

Series 2007 Bond Insurer reserves the right to charge a fee in connection with its review of any such consent, amendment or waiver, whether or not granted or approved.

SUMMARY OF CERTAIN PROVISIONS OF THE SEVENTH SUPPLEMENTAL MASTER INDENTURE

The Seventh Supplemental Master Indenture provides for certain amendments to the Master Indenture to permit the Corporation to deliver collateral pursuant to the Series 2007D-1 Interest Rate Agreement in the form of the Series 2007D-1 Interest Rate Obligation in order to secure the Series 2007D-1 Counter Party. The Series 2007D-1 Interest Rate Obligation constitutes an Additional Obligation under the Master Indenture but does not constitute Additional Indebtedness thereunder.

SUMMARY OF CERTAIN PROVISIONS OF THE EIGHTH SUPPLEMENTAL MASTER INDENTURE

The Eighth Supplemental Master Indenture provides for certain amendments to the Master Indenture to permit the Corporation to deliver collateral pursuant to the Series 2007D-2 Interest Rate Agreement in the form of the Series 2007D-2 Interest Rate Obligation in order to secure the Series 2007D-2 Swap Provider. The Series 2007D-2 Interest Rate Obligation constitutes an Additional Obligation under the Master Indenture but does not constitute Additional Indebtedness thereunder.

SUMMARY OF CERTAIN PROVISIONS OF THE NINTH SUPPLEMENTAL MASTER INDENTURE

The Ninth Supplemental Indenture contains certain covenants and restrictions for the benefit of the Series 2007A Bond Insurer (the "Series 2008A Bond Insurer Covenants") which apply in addition to, and not in substitution for, the provisions of the Master Indenture. The Series 2008A Bond Insurer Covenants are identical in all material respects to the Series 2001 Bond Insurer Covenants and the Series 2007 Bond Insurer Covenants, as summarized above, except as follows:

(a) references to the "Series 2001 Bonds," the "Series 2001 Bond Indentures," the "Series 2001 Bond Trustee," the "Third Supplemental Master Indenture," the "Series 2001 Obligations," "Series 2001 Bond Insurer" and the "Series 2001 Bond Insurance Policy" contained under the caption "SUMMARY OF CERTAIN PROVISIONS OF THE THIRD SUPPLEMENTAL MASTER INDENTURE" shall be read and interpreted as meaning the "Series 2008A Bonds," the "Series 2008A Bond Indenture," the "Series 2008 Bond Trustee," the "Ninth Supplemental Master Indenture," the "Series 2008A Obligation," the "Series 2007 Bond Insurer" and the "Series 2008A Bond Insurance Policy," respectively, as such terms are defined in this APPENDIX C; and

(b) references to the "Series 2007 Bonds," the "Series 2007 Bond Indentures," the "Series 2007 Bond Trustee," the "Fifth Supplemental Master Indenture," the "Series 2007 Obligations," "Series 2007 Bond Insurer" and the "Series 2007 Bond Insurance Policy" contained under the caption "SUMMARY OF CERTAIN PROVISIONS OF THE FIFTH SUPPLEMENTAL MASTER INDENTURE" shall be read and interpreted as meaning the "Series 2008A Bonds," the "Series 2008A Bond Indenture," the "Series 2008 Bond Trustee," the "Ninth Supplemental Master Indenture," the "Series 2008A Obligation," and the "Series 2008A Bond Insurance Policy," respectively, as such terms are defined in this APPENDIX C; and

(c) the Series 2008A Obligation and all of the Related Loan Documents are Accelerable Instruments and the Series 2008A Bond Indenture provides that the Series 2008 Bond Trustee is deemed to be the holder of the Series 2008A Obligation; provided, however, that unless the Series 2008 Bond Insurer has lost its rights as described under "SUMMARY OF CERTAIN PROVISIONS OF THE THIRD SUPPLEMENTAL MASTER INDENTURE – Additional Provisions for the Benefit of the Series 2001 Bond Insurer," the Series 2008 Bond Insurer shall be considered to be the holder of the Series 2008A Obligation and shall have the right to direct the Series 2008A Bond Trustee with respect to the actions under the Master Indenture.

The Series 2008A Bond Insurer Covenants, including the security interest granted in Gross Receipts, can be enforced only by the Series 2008A Bond Insurer and may be modified, amended or waived with the prior written consent of the Series 2007A Bond Insurer and without the consent of the Master Trustee, the Series 2008A Bond Trustee, any Related Bond Trustee, any Related Issuer and the holder of the Series 2008A Obligation or any other Obligation or any owner of the Series 2008A Bonds or any other Related Bonds. Notwithstanding anything in the

Ninth Supplemental Master Indenture or the Series 2008A Bond Insurance Policy to the contrary, the Series 2008A Bond Insurer Covenants, including the security interest granted in Gross Receipts, shall only be applicable during the period any series of Series 2008A Bonds are outstanding and the Series 2008A Bond Insurer has not lost its consent right pursuant to the provisions of the related Series 2008A Bond Indenture. Reference is made to the Ninth Supplemental Master Indenture for a full and complete statement of its provisions.

SUMMARY OF CERTAIN PROVISIONS OF THE TENTH SUPPLEMENTAL MASTER INDENTURE

The Tenth Supplemental Master Indenture provides for the issuance of the Series 2008B Obligations, the Series 2008C Obligation and the Series 2008D Obligation.

APPENDIX E

SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE AND LOAN AGREEMENT

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INTRODUCTION

This Appendix E contains the definitions of certain terms used in, and summarizes the provisions of, the Bond Indenture, the Loan Agreement and the Obligation executed and delivered in connection with the Series 2008A Bonds described in the forepart of this Reoffering Circular. Certain other definitions and summaries of certain other provisions of the Bond Indenture and the Loan Agreement have been provided elsewhere in this Reoffering Circular. Reference is hereby made to the Bond Indenture for the definitions of any capitalized term used herein and not otherwise defined herein.

This Reoffering Circular does not discuss interest rates or modes other than the Long Term Interest Rate Period, and is intended to be used only for Series 2008A Bonds that are (i) operating in a Long Term Interest Rate Period and (ii) secured by the Bond Insurance Policy. This Reoffering Circular should not be relied upon in determining whether to purchase Series 2008A Bonds that are not (i) operating in a Long Term Interest Rate Period and (ii) secured by the Bond Insurance Policy.

DEFINITIONS OF CERTAIN TERMS

The following terms shall have the following meanings when used in this Official Statement.

"Act" means the Illinois Finance Authority Act, as from time to time amended.

"Authority" means the Illinois Finance Authority and its successors and assigns.

"Authority Representative" means the person or each alternate designated to act for the Authority by written certificate furnished to the Borrower, the Obligated Group Agent and the Bond Trustee, containing the specimen signature of such person and signed on behalf of the Authority by the Chairman, Vice Chairman or Executive Director of the Authority or any other person authorized by the Authority to act in such capacity or any other official authorized by the Authority.

"Authorized Denominations" means $5,000 or any integral multiple thereof.

"Basic Agreements" means each of the Bond Indenture, the Series 2008A Bonds, the Bond Purchase Agreement, the Tax Agreement and the Borrower Security Instruments.

"Beneficial Owner" means any Person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bond (including any Person holding a Bond through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bond for federal income tax purposes.

"Bond Counsel" means Chapman and Cutler LLP or any other attorney at law or firm of attorneys selected by the Authority and reasonably acceptable to the Bond Trustee and the Obligated Group Agent of nationally recognized standing in matters pertaining to the validity of and the tax-exempt nature of interest on bonds issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America.

"Bond Financed Property" means all real and personal property of the Borrower to be financed or refinanced, in whole or in part, directly or indirectly, out of the proceeds of Bonds.

"Bond Fund" means the fund created pursuant to the terms of the Bond Indenture.

"Bondholder" or *"Holder"* means, as of any time, the registered owner of any Bond as shown in the register kept by the Bond Trustee as bond registrar.

"Bond Indenture" means the Trust Indenture dated as of March 1, 2007, including the Exhibits thereto, between the Authority and the Bond Trustee, as supplemented and amended by the First Supplemental Indenture and as it may from time to time be supplemented or amended, pursuant to which, the Series 2008A Bonds are being reoffered.

"Bond Insurance Policy" means the financial guaranty insurance policy issued by the Bond Insurer, including the Endorsement thereon dated the Delivery Date, insuring the payment when due of the principal of and interest on the Series 2008A Bonds as provided therein.

"Bond Insurer" means initially Ambac Assurance Corporation, a Wisconsin-domiciled stock insurance corporation, or any successor thereto or assignee thereof.

"Bond Purchase Agreement" means the Purchase and Remarketing Agreement dated as April 2, 2008 by and among the Members of the Obligated Group and the Reoffering Agent, providing for the reoffering of the Series 2008A Bonds on the Delivery Date.

"Bond Resolution" means, collectively, the resolution adopted by the Authority on February 13, 2007 authorizing the reoffering of the Series 2007A Bonds and the resolution adopted by the Authority on March 11, 2008 authorizing the conversion of the Series 2007A Bonds and the issuance and delivery of the Series 2008A Bonds.

"Bonds" or *"Series 2008A Bonds"* means the Illinois Finance Authority Revenue Bonds Series 2008A (Edward Hospital Obligated Group), issued pursuant to the First Supplemental Indenture. The Series 2008A Bonds were originally issued as the Series 2007A Bonds and were converted from ARS Bonds to Bonds bearing interest at Long Term Interest Rates pursuant to the First Supplemental Indenture.

"Bond Trustee" means Deutsche Bank National Trust Company, a national banking association organized and existing under the laws of the United States of America, acting in its capacity as trustee for the Series 2008A Bonds, and its successors and assigns.

"Borrower" or *"Edward"* means Edward Hospital, an Illinois not for profit corporation, and any surviving, resulting or transferee corporation.

"Borrower Representative" means the person or each alternate designated to act for the Borrower by written certificate furnished to the Authority and the Bond Trustee, containing the specimen signature of such person and signed on behalf of the Borrower by the Chief Financial Officer, the President, or any Vice President of the Borrower.

"Borrower Security Instruments" means, each of (a) the Loan Agreement, (b) the Master Indenture, (c) the Series 2008A Obligation and (d) such additional or supplemental notes and other instruments as the Borrower, the Obligated Group or any other Person from time to time may enter into in favor of the Bond Trustee for the purpose of securing or supporting the obligations of the Borrower to pay all or any portion of the Loan Payments or for the purpose of securing all or any portion of the Bonds and as shall be identified as a "Borrower Security Instrument" for the purpose of the Bond Indenture by written agreement of the Borrower and the Bond Trustee, each as from time to time in effect.

"Business Day" means any day other than a Saturday, Sunday, or a day on which banks located (a) in the city in which the corporate trust office of the Bond Trustee responsible for the administration of the Bond Indenture is located, (b) in the city in which the office of the Bond Insurer or the Bond Insurer's custodian at which claims under the Bond Insurance Policy are to be paid (initially, New York, New York) is located and (c) in the city in which the corporate trust office of the Master Trustee responsible for the administration of the Master Indenture is located, are required or authorized to remain closed or on which the New York Stock Exchange is closed.

"Closing Date" means the date of the original issuance of the Series 2007A Bonds (March 7, 2007).

"Code" means the Internal Revenue Code of 1986, as from time to time amended, and any regulations promulgated thereunder which are applicable to the Bonds, including without limitation any Treasury Regulations or Temporary or Proposed Regulations, as the same shall from time to time be amended, including (until modified, amended or superseded) Treasury Regulations or Temporary or Proposed Regulations under the Internal Revenue Code of 1954, as amended, as applicable to the Bonds.

"Costs of Collection" means all reasonable attorneys' fees and out-of-pocket expenses incurred by the Bond Trustee under the Bond Indenture and all costs and expenses associated with travel on behalf of the Bond Trustee, which costs and expenses are directly or indirectly related to the Bond Trustee's efforts to collect or enforce the Bonds, the Bond Indenture or the Borrower Security Instruments, or any of the Bond Trustee's rights, remedies, powers, privileges, or discretion against or in respect of the Borrower thereunder (whether or not suit is instituted in connection with any of the foregoing).

"Co-Trustee" means any Co-Trustee appointed by the Bond Trustee pursuant to the provisions of the Bond Indenture.

"Counsel" means an attorney or a firm of attorneys admitted to practice law in the highest court of any state in the United States of America or in the District of Columbia.

"Debt Service Reserve Fund" means the fund created pursuant to the terms of the Bond Indenture.

"Debt Service Reserve Fund Requirement" means initially, $7,000,000, which amount (i) may be satisfied by the delivery of a letter of credit or surety bond meeting the requirements of the Bond Indenture and (ii) is subject to reduction in connection with the partial redemption or defeasance of the Bonds, as set forth in the Bond Indenture.

"Default" means any Event of Default or any event or condition which, with the passage of time or giving of notice or both, would constitute an Event of Default.

"Defeasance Securities" means (i) United States Obligations, and (ii) any other securities approved by the Bond Insurer.

"Delivery Date" means the date of conversion of the Series 2007A Bonds from ARS Rate Bonds to Bonds bearing interest at Long Term Interest Rates and the date of execution, authentication and delivery of the Series 2008A Bonds.

"DTC" means The Depository Trust Company, New York, New York.

"EHFC" means Edward Health and Fitness Center, an Illinois not for profit corporation, and any resulting, transferee or surviving corporation.

"EHSC" means Edward Health Services Corporation, an Illinois not for profit corporation, and any resulting, transferee or surviving corporation.

"EHV" means Edward Health Ventures, an Illinois not for profit corporation, and any resulting, transferee or surviving corporation.

"Eighth Supplemental Indenture" means the Eighth Supplemental Master Trust Indenture dated March 7, 2007, among Edward, as Obligated Group Agent, on behalf of itself and the other Members of the Obligated Group, and the Master Trustee.

"Event of Default" means any of the events listed in the first paragraph under the caption "THE BOND INDENTURE — *Defaults and Remedies*" in this APPENDIX E.

"Favorable Opinion of Bond Counsel" means (a) with respect to any action relating to the Bonds, the occurrence of which requires such an opinion, a written legal opinion of Bond Counsel addressed to the Bond Trustee, Borrower and the Bond Insurer, to the effect that such action is permitted under the Bond Indenture and will not impair the exclusion of interest on the Bonds from gross income for purposes of federal income taxation (subject to customary exceptions).

"Fifth Supplemental Indenture" means the Fifth Supplemental Master Trust Indenture dated as of March 1, 2007, among Edward, as Obligated Group Agent, on behalf of itself and the other Members of the Obligated Group, and the Master Trustee providing for the issuance of the Series 2007A Obligations.

"*First Supplemental Indenture"* means the First Supplemental Trust Indenture dated as of March 1, 2008 between the Authority and the Trustee, and any amendments and supplements thereto.

"*First Supplemental Loan Agreement"* means the First Supplemental Loan Agreement dated as of March 1, 2008 between the Authority and the Borrower, and any amendments and supplements thereto.

"Fitch" means Fitch Ratings, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no

longer perform the functions of a securities rating agency, shall be deemed to refer to any other nationally recognized securities rating agency designated by the Obligated Group Agent by notice to the Authority, and the Bond Trustee.

"Fund" means, with respect to the Bond Indenture, any of the Bond Fund, Debt Service Reserve Fund and the Project Fund created thereunder.

"Independent Architect" means an architect, engineer or firm of architects or engineers selected by the Borrower, not objected to by the Authority and licensed by, or permitted to practice in, the State, which architect, engineer or firm of architects or engineers shall have no interest, direct or indirect, in any Member of the Obligated Group and, in the case of an individual, shall not be a partner, member, director, officer, controlling shareholder or employee of any Member of the Obligated Group and, in the case of a firm, shall not have a partner, member, director, officer or employee who is a partner, member, director, officer, controlling shareholder or employee of any Member of the Obligated Group; it being understood that an arm's-length contract with a Member of the Obligated Group for the performance of architectural or engineering services shall not in and of itself be regarded as creating an interest in or an employee relationship with such entity and that the term Independent Architect may include an architect or engineer or a firm of architects or engineers who otherwise meet the requirements of this definition and who also are under contract to construct the facility which they have designed.

"Independent Counsel" means an attorney or firm of attorneys duly admitted to practice law before the highest court of any State of the United States and who is not a full-time employee of the Authority, the Borrower or any other Member of the Obligated Group.

"Independent CPA Firm" means a licensed CPA firm acting at arms length of the transaction. It may not be the underwriter, bond counsel or financial adviser for the refunding issue. The Independent CPA Firm must carry errors and omissions insurance.

"Interest Payment Date" means each February 1 and August 1, or if any February 1 or August 1 is not a Business Day, the next succeeding Business Day.

"Interest Accrual Date" means, for any Long-Term Interest Rate Period, the first day thereof and, thereafter, each Interest Payment Date during that Long Term Interest Rate Period, other than the last such Interest Payment Date.

"Linden Oaks" means Naperville Psychiatric Ventures d/b/a Linden Oaks Hospital, an Illinois general partnership, and its successors and assigns and any surviving, resulting or transferee partnership, corporation or similar entity.

"Loan Agreement" means the Loan Agreement dated March 1, 2007, as supplemented and amended by the First Supplemental Loan Agreement, each between the Authority and the Borrower, and any amendments and supplements thereto.

"Loan Default" means the occurrence of one of the events described in this APPENDIX E under the caption "THE LOAN AGREEMENT — *Defaults and Remedies*."

"Loan Payment" means a payment by the Borrower pursuant to the Loan Agreement of amounts which correspond to interest or principal and interest on account of debt service on the Bonds, plus related fees and expenses, all in accordance with the provisions of the Loan Agreement.

"Long-Term Interest Rate" means a term, non-variable interest rate established in accordance with the provisions of the Bond Indenture.

"Long-Term Interest Rate Period" means each period during which a Long-Term Interest Rate is in effect.

"Majority of the Bondholders" means the Holders of more than 50% of the aggregate principal amount of Outstanding Bonds under the Bond Indenture.

"Master Indenture" means the Amended and Restated Master Trust Indenture dated as of September 15, 1997, among the Members of the Obligated Group and the Master Trustee, as supplemented and amended by various supplemental indentures from time to time.

"Master Trustee" means The Bank of New York Trust Company, N.A., as successor master trustee or any successor trustee under the Master Indenture.

"Maturity Date" shall have the meaning set forth in the First Supplemental Indenture.

"Maximum Bond Interest Rate" means the lesser of 12% per annum and the Maximum Lawful Rate.

"Maximum Lawful Rate" means the maximum rate of interest on the relevant obligation permitted by applicable law.

"Member," "Member of the Obligated Group" or *"Obligated Group Member"* means the Borrower, EHSC, EHV, EHFC and Linden Oaks or any other Person who is listed on Exhibit E to the Master Indenture after designation as a Member of the Obligated Group pursuant to the terms of the Master Indenture.

"Moody's" means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Obligated Group Agent by notice to the Authority, the Bond Trustee.

"Ninth Supplemental Indenture" means the Ninth Supplemental Master Trust Indenture dated as of March 1, 2008, among Edward, as Obligated Group Agent, on behalf of itself and the other Members of the Obligated Group, and the Master Trustee providing for the issuance of the Series 2008A Obligation in exchange for the Series 2007A Obligations.

"Obligated Group" means the Borrower, EHSC, EHV, EHFC and Linden Oaks, and any other Person which has fulfilled the requirements for entry into the Obligated Group set forth in the Master Indenture and which has not ceased such status pursuant to the provisions thereof.

"Obligated Group Agent" means the Borrower or such other Member as may be designated from time to time as the Obligated Group Agent pursuant to the Master Indenture pursuant to written notice to the Master Trustee and each Related Issuer (as defined in the Master Indenture) executed by the President or Chairman of the Governing Body (as defined in the Master Indenture) of the Borrower or, if the Borrower is no longer a Member of the Obligated Group, of each Member of the Obligated Group.

"Obligated Group Agent Representative" means the person or each alternate designated to act for the Obligated Group Agent by written certificate furnished to the Authority and the Bond Trustee, containing the specimen signature of such person and signed on behalf of the Obligated Group Agent by the Chief Financial Officer, the President or any Vice President of the Obligated Group Agent.

"Obligation" or *"Series 2008A Obligation"* means the Edward Hospital Obligated Group Direct Note Obligation, Series 2008A-1, being issued to the Authority and assigned to the Bond Trustee in exchange for the Series 2007A Obligations, to secure the Borrower's obligations under the Loan Agreement with respect to the Series 2008A Bonds.

"Outstanding Bonds" or *"Bonds outstanding"* means the amount of principal of the Bonds issued under the Bond Indenture which has not at the time been paid, exclusive of (a) Bonds in lieu of which others have been authenticated under the Bond Indenture, (b) principal of any Bond for which provision for payment as required in the Bond Indenture has been made (whether by maturity, call for redemption or otherwise); provided, however, that if the Bonds are to be redeemed, notice of such redemption shall have been duly given pursuant to the Bond Indenture or irrevocable action shall have been taken to call the Bonds for redemption at a stated redemption date, and (c) for purposes of any direction, consent or waiver under the Bond Indenture, Bonds owned by the Authority, the Borrower or any other Obligated Group Member, except as permitted by the Bond Indenture; provided that Bonds paid by payments made under the Bond Insurance Policy shall be deemed to be Outstanding Bonds until the Bond Insurer is reimbursed in full.

"Participant" means, with respect to DTC or another Securities Depository, a member of or participant in DTC or such other Securities Depository, respectively.

"Paying Agent" means the Bond Trustee or any other paying agent appointed in accordance with the provisions of the Bond Indenture.

"Payment Date" means each Interest Payment Date or any other date on which a principal of or interest on any Bond is due and payable for any reason, including without limitation upon any redemption of Bonds pursuant to the provisions of the Bond Indenture.

"Person" means a corporation, association, partnership, limited liability company, joint venture, trust, organization, business, individual or government or any governmental agency or political subdivision thereof.

"Plans and Specifications" means the plans and specifications for the Project which have been prepared by an Independent Architect and approved by the Borrower, together with such modifications and alterations thereto as are made by the Borrower in accordance with the Loan Agreement.

"Principal Office" means, with respect to the Bond Trustee, the address of such Person identified as its notice address in the Bond Indenture or otherwise notified in writing by such Person to the Authority, the Borrower, the Obligated Group Agent and the Bond Insurer.

"Project" means the costs of the acquisition, construction, furnishing and equipping of certain health care facilities of the Borrower which are to be financed, or for which the Borrower will be reimbursed, from proceeds of the Bonds.

"Project Certificate" means the Project Certificate of the Borrower executed and delivered in connection with the issuance of the Series 2007A Bonds, together with the Project Certificate of the Borrower executed and delivered in connection with the conversion of the Series 2007A Bonds from ARS Bonds to Bonds bearing interest at Long Term Interest Rates and the reoffering of the Series 2008A Bonds, including all amendments thereof and supplements thereto.

"Qualified Investments" means:

(A)

(1) Cash (insured at all times by the Federal Deposit Insurance Corporation);

(2) Obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including:

– U.S. treasury obligations

– All direct or fully guaranteed obligations

– Farmers Home Administration

– General Services Administration

– Guaranteed Title XI financing

– Government National Mortgage Association (GNMA)

– State and Local Government Series

Any security used for the defeasance of the Bonds must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to the maturity or earlier redemption of the Bonds (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

(B)

(1) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:

– Export-Import Bank

– Rural Economic Community Development Administration

– U.S. Maritime Administration

– Small Business Administration

– U.S. Department of Housing and Urban Development (PHAs)

– 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:

– Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC)

– Obligations of the Resolution Funding Corporation (REFCORP)

– Senior debt obligations of the Federal Home Loan Bank System

– Senior debt obligations of other Government Sponsored Agencies approved by the Bond Insurer;

(3) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P and maturing not more than 360 calendar days after the date of purchase (ratings on holding companies are not considered as the rating of the bank);

(4) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1+" by S&P, and which matures not more than 270 calendar days after the date of purchase;

(5) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P;

(6) Pre-refunded "Municipal Obligations" defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(A) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's or S&P or any successors thereto; or

(B) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in subparagraph (A)(2) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on the Bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as applicable, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this subparagraph on the maturity date or dates thereof or the specified redemption date or dates specified in the irrevocable instructions referred to above, as applicable;

(7) Bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state rated "Aaa/AAA" or general obligations of any such state with a rating of "A2/A" or higher by both Moody's and S&P;

(8) Investment agreements approved in writing by the Bond Insurer (supported by appropriate opinions of counsel); and

(9) Other forms of investments (including repurchase agreements) approved in writing by the Bond Insurer.

The value of the Qualified Investments shall be determined as follows:

(a) For the purpose of determining the amount in any fund, all Qualified Investments credited to such fund shall be valued at fair market value. The Trustee shall determine the fair market value based on accepted industry standards and from accepted industry providers. Accepted industry providers shall include but are not limited to pricing services provided by Financial Times Interactive Data Corporation, Merrill Lynch, Citigroup Global Markets Inc., Bear Stearns or Lehman Brothers.

(b) Certificates of deposit and bankers' acceptances shall be valued at the face amount thereof, plus accrued interest thereon.

(c) The value of any Qualified Investment not specified above shall be established by prior agreement among the Authority, the Bond Trustee and the Bond Insurer.

"Rating Agency" means, as of any date, each of Moody's, if the Bonds are then rated by Moody's, Fitch, if the Bonds are then rated by Fitch, and S&P, if the Bonds are then rated by S&P.

"Rating Category" means a generic securities rating category, without regard, in the case of a long-term rating category, to any refinement or gradation of such long-term rating category by a numerical modifier or otherwise.

"Rebate Fund" means each Rebate Fund created under the Tax Agreement.

"Record Date" means with respect to any Interest Payment Date in respect to any Long-Term Interest Rate Period, the fifteenth day immediately preceding that Interest Payment Date or, in the event that an Interest Payment Date shall occur less than 15 days after the first day of a Long-Term Interest Rate Period, that first day.

"Reimbursement Amounts" means all amounts owing to the Bond Insurer on account of payments by the Bond Insurer under a Bond Insurance Policy.

"Reoffering Agent" means Citigroup Global Markets, Inc.

"Reserved Rights" means the rights of the Authority to receive payment of expenses, fees and indemnification, including without limitation amounts payable to the Authority under certain provisions of the Loan Agreement, and the rights of the Authority to make determinations and to receive notices.

"Responsible Officer" means, with respect to the Bond Trustee, any officer or authorized representative in its corporate trust office or similar group administering the trusts under the Bond Indenture or any other officer of the Bond Trustee customarily performing functions similar to those performed by any of the above designated officers to whom a particular matter is referred by the Bond Trustee because of such officer's or authorized representative's knowledge of and familiarity with the particular subject.

"Schedule" means the list of acquisition, construction, furnishing and equipping costs to be paid or reimbursed with the proceeds of the Bonds, on deposit in the Project Fund, as set forth in the Project Certificate.

"Securities Act" means the Securities Act of 1933, as amended, and any successor thereto.

"Securities Depository" means DTC or, if applicable, any successor securities depository appointed pursuant to the provisions of the Bond Indenture.

"Securities Exchange Act" means the Securities and Exchange Act of 1934, as amended, and any successor thereto.

"Series 2007A Bonds" means the Authority's $86,100,000 Revenue Bonds, Series 2007A-1 and A-2 (Edward Hospital Obligated Group), which Series 2007A Bonds are being converted to the a Long Term Interest Period on the Delivery Date and will be become the Series 2008A Bonds.

"Seventh Supplemental Indenture" means the Seventh Supplemental Master Trust Indenture dated March 7, 2007, among Edward, as Obligated Group Agent, on behalf of itself and the other Members of the Obligated Group, and the Master Trustee.

"Sixth Supplemental Indenture" means the Sixth Supplemental Master Trust Indenture dated as of March 1, 2007, among Edward, as Obligated Group Agent, on behalf of itself and the other Members of the Obligated Group, and the Master Trustee.

"State" means the State of Illinois.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Obligated Group Agent by notice to the Authority and the Bond Trustee.

"Tax Agreement" means the Tax Exemption Certificate and Agreement among the Authority, the Borrower and the Trustee, executed and delivered in connection with the original issuance of the Series 2007A Bonds, and the Tax Exemption Agreement and Certificate among the Authority, the Borrower and the Trustee, executed and delivered in connection with the conversion of the Series 2007A Bonds from ARS Bonds to Bonds bearing interest at Long Term Interest Rates and the reoffering of the Series 2008A Bonds, including all amendments thereof and supplements thereto.

"Tax-Exempt Organization" means a Person organized under the laws of the United States of America or any state thereof which is an organization described in Section 501(c)(3) of the Code, which is exempt from federal income taxes under Section 501(a) of the Code and which is not a "private foundation" within the meaning of Section 509(a) of the Code, and corresponding provisions of federal income tax laws from time to time in effect.

"Trust Estate" means, with respect to the Bond Indenture, the property and other rights assigned by the Authority to the Bond Trustee in the granting clauses of the Bond Indenture.

"Trust Indenture Act" means the Trust Indenture Act of 1939, as amended, and any successor thereto.

"Uniform Commercial Code" means Illinois Uniform Commercial Code, as amended.

"United States Obligations" means direct general obligations of, or obligations the payment of the principal of and interest on which are unconditionally guaranteed as to full and timely payment of principal and interest by, the United States of America when the obligations are backed by the full faith and credit of the United States, which obligations are noncallable.

"Written Request" means, (i) with reference to the Authority, a request in writing signed by an Authority Representative, (ii) with reference to the Borrower, a request in writing signed by the Borrower Representative, and (iii) with reference to the Obligated Group Agent, a request in writing signed by an Obligated Group Agent Representative.

SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE AND LOAN AGREEMENT

The summaries of the Loan Agreement and the Bond Indenture hereinafter set forth are not complete and reference is hereby made to each of such documents for a full statement of the terms and provisions thereof.

THE BOND INDENTURE

The following is a summary of certain provisions of the Bond Indenture. Reference is made to the Bond Indenture for a complete description thereof. The discussion herein is qualified by such reference.

Pledge and Assignment. In order to secure the payment of the principal of, premium, if any and interest on the Bonds issued under the Bond Indenture and to secure the performance and observance by the Authority of all the covenants expressed in the Bond Indenture and in the Bonds, the Authority has assigned and granted a security interest in the following to the Bond Trustee, and its successors in trust and assigns forever, to the extent provided in the Bond Indenture:

(1) All right, title and interest of the Authority in and to the Loan Agreement and the Obligation, including, but not limited to, the present and continuing right to make claim for, collect, receive and receipt for any of the sums, amounts, income, revenues, issues and profits and any other sums of money payable or receivable under the Loan Agreement (except for Reserved Rights) and the Obligation, to bring actions and proceedings thereunder or for the enforcement thereof, and to do any and all things which the Authority is or may become entitled to do under the Loan Agreement and the Obligation;

(2) All right, title and interest of the Authority in and to all moneys and securities from time to time held by the Bond Trustee under the terms of the Bond Indenture, other than moneys held in the Rebate Fund; and

(3) Any and all other property rights and interests of every kind and nature from time to time after the date of the Bond Indenture by delivery or by writing of any kind granted, bargained, sold, alienated, demised, released, conveyed, assigned, transferred, mortgaged, pledged, hypothecated or otherwise subjected to the Bond Indenture, as and for additional security, by the Borrower or any Member or any other person on their behalf or by the Authority or any other person on its behalf, and the Bond Trustee is authorized by the Bond Indenture to receive any and all such property at any and all times and to hold and apply the same subject to the terms of the Bond Indenture.

The Trust Estate, whether now owned or hereafter acquired, will be held in trust by the Bond Trustee for the equal and proportionate benefit, security and protection of all present and future Holders of the Bonds, from time to time, issued under and secured by the Bond Indenture without privilege, priority or distinction as to the lien or otherwise of any of the Bonds issued under the Bond Indenture over any of the other Bonds issued thereunder, except in the case of funds held under the Bond Indenture for the benefit of particular Holders of Bonds issued thereunder, and for the benefit of the Bond Insurer to the extent provided in the Bond Indenture.

The Bonds Are Limited Obligations. The Bonds, together with all principal and interest thereon, are special, limited obligations of the Authority secured by the Loan Agreement and the Obligation and shall always be payable solely from the revenues and income derived from the Loan Agreement and Obligation (except to the extent paid out of moneys attributable to proceeds of the Bonds, the income from the temporary investment thereof or payments made pursuant to or derived from a mortgage or assignment of leases and rents or any credit enhancement device) and are and shall always be a valid claim of the owners thereof only against the revenues and income derived from the Loan Agreement and the Obligation, which revenues and income shall be used for no other purpose than to pay the principal of and interest on the Bonds, except as may be expressly authorized otherwise in the Bond Indenture, the Bond Resolution and the Loan Agreement.

The Bonds and the obligation to pay principal and interest thereon do not now and shall never constitute an indebtedness or an obligation of the Authority, the State of Illinois or any political subdivision thereof, within the purview of any constitutional or statutory limitation or provision, or a charge against the general credit or taxing powers, if any, of any of them, but shall be secured as aforesaid, and shall be payable solely from the revenues and income derived from the Loan Agreement and the Obligation (except as stated aforesaid). No owner of the Bonds shall have the right to compel the exercise of the taxing power, if any, of the Authority, the State of Illinois or any political subdivision thereof to pay any principal installment of, redemption premium, if any, or interest on the Bonds. The Authority does not have the power to levy taxes for any purposes whatsoever.

Bond Fund. The Bond Indenture creates and establishes with the Bond Trustee a trust fund to be designated the "Edward Hospital Bond Fund" (the "Bond Fund") which shall be used to pay when due the principal of and interest on the Bonds. Moneys shall be deposited in the Bond Fund held under the Bond Indenture from time to time and shall be applied solely as follows:

(a) Loan Payments shall be deposited in the Bond Fund in the amounts required to pay the principal of and interest next coming due on the Bonds.

(b) Sums for the redemption of Bonds shall be deposited in the Bond Fund and shall be applied to such redemptions.

(c) Sums received upon exercise of remedies by the Bond Trustee or the Authority after an Event of Default under the Bond Indenture (except sums received by the Authority pursuant to the Reserved Rights) shall be deposited in the Bond Fund. Such monies shall be applied in accordance with the provisions of the Bond Indenture summarized under the caption "THE BOND INDENTURE — *Application of Moneys*" in this APPENDIX E.

(d) Sums transferred from the Project Fund, which sums shall be deposited into the Bond Fund and used to pay capitalized interest on the Bonds.

(e) Sums transferred from the Debt Service Reserve Fund, which sums shall be deposited into the Bond Fund and used to pay the principal, interest or redemption price on the Bonds.

(f) Investment earnings transferred from amounts on deposit in the other Funds created under the Bond Indenture, which sums shall be deposited into the Bond Fund and used to pay the principal of and interest on the Bonds.

Project Fund. The Bond Indenture creates and establishes with the Bond Trustee a trust fund to be designated the "Edward Hospital Project Fund" (the "Project Fund") which shall be applied as summarized under this subcaption. Any moneys received by the Bond Trustee from any source for the Project shall be deposited in the Project Fund established under the Bond Indenture. The moneys in the Project Fund shall be held in trust by the Bond Trustee and applied to the payment of the costs of the Project. Additionally, moneys on deposit in the Project Fund created under the Bond Indenture shall be used to fund a portion of the interest to accrue on the Bonds (referred to herein as "Capitalized Interest"), in the amounts and on the dates set forth in the Bond Indenture.

Moneys deposited in a Project Fund shall be paid out from time to time by the Bond Trustee in order to pay, or to reimburse the Borrower for payment made, for the costs of the Project, for Capitalized Interest and for such other costs as are permitted pursuant to the provisions of the Bond Indenture, in each case (other than with respect to the payment of Capitalized Interest), within three Business Days after receipt by the Bond Trustee of a Written Request of the Borrower containing the certifications required by the Bond Indenture, together with bills of sale, invoices, fixed asset schedules or other evidence satisfactory to the Bond Trustee that such costs are due and owing or have been incurred and previously paid by the Borrower; provided, however, that upon the occurrence of an event of default under the Bond Indenture or an event which, with notice or the lapse of time, or both, would become an event of default under the Bond Indenture, amounts on deposit in the Project Fund shall be applied to the payment of the principal, or the redemption, of the Bonds unless the Bond Insurer shall permit otherwise. Unless otherwise directed by the Borrower, the Bond Trustee shall transfer to the Bond Fund maintained under the Bond Indenture, on each Interest Payment Date for the Bonds, the amounts set forth in the Bond Indenture for the purpose of paying Capitalized Interest.

Upon the receipt of each Written Request of the Borrower made pursuant to the provisions of the Bond Indenture, the Bond Trustee shall pay the costs of the Project set forth in such Written Request out of moneys in the Project Fund. In making such payments, the Bond Trustee may conclusively rely upon such Written Request and the related attachments, provided that such Written Request and related attachments satisfy the requirements set forth in the Bond Indenture. If for any reason the Borrower should decide, prior to the payment of any item in any such Written Request, not to pay such item, it shall give written notice of such decision to the Bond Trustee, and the Bond Trustee shall not make such payment. The Bond Trustee shall not be liable to the Authority or the Borrower for any payment made pursuant to a Written Request prior to the Bond Trustee's receipt of such written notice.

The Borrower has covenanted with the Authority in the Loan Agreement to deliver to the Bond Trustee and the Authority, within 90 days after the completion of the Project, a certificate of the Borrower certifying: (i) that the Project has been completed and the date that it was completed; (ii) that the Project has been completed in accordance with the Plans and Specifications and the Schedule; (iii) if any item was added, deleted or substituted from the Project, the average reasonably expected economic life of the Project, recalculated as follows: (A) any item which was not originally included in the Schedule but for which a draw was made from the Project Fund shall be included in Schedule, and the Borrower shall specify the reasonably expected economic life to the Borrower of such item, the date on which such item

was placed in service and the original cost thereof; (B) any item which was included originally in the Schedule, but for which no draw was made from the Project Fund, shall be deleted from the Schedule; and (C) all other items shall be assumed to have the economic life and the cost originally assigned to them on the Closing Date, as reflected in the Project Certificate; (iv) that the Project has been fully paid for, and no claim or claims exist against the Authority or the Borrower or against the Project out of which a lien based on furnishing labor or material exists or might, with the passage of time or the giving of notice, ripen; provided, however, there may be excepted from the foregoing statement any claim or claims out of which a lien exists or might, with the passage of time or the giving of notice, ripen in the event that the Borrower intends to contest such claim or claims in accordance with the provisions of the Master Indenture, in which event such claim or claims shall be described; provided that sufficient funds are on deposit in the Project Fund or are available to the Borrower through enumerated bank loans, including letters of credit, state or federal grants (as certified by the Borrower) or other funds of the Borrower for the Project sufficient to make payment of the full amount which might in any event be payable in order to satisfy such claim or claims; and (v) no event of default (or an event which upon the giving of notice or the passage of time, or both, would become an event of default) exists under the Loan Agreement.

If, after payment by the Bond Trustee of all orders tendered to the Bond Trustee under the provisions of the Bond Indenture and after receipt by the Bond Trustee of the certificates and other documents specified in the Bond Indenture, there shall remain any moneys in the Project Fund, the Borrower may (i) elect to retain all or a portion of such moneys in such Project Fund and withdraw such moneys in accordance with the provisions of the Bond Indenture to pay or reimburse the Borrower for payment of the cost of additional "health facility projects" (as defined in the Act) if the Borrower complies with the provisions of the Loan Agreement relating to changes in or amendments to the Project Documents (as defined in the Loan Agreement) and any restrictions on the investment of proceeds contained in the Tax Agreement, (ii) deposit such moneys in the Bond Fund to make the next principal payment on the Bonds as long as such principal payment shall occur within one year from the date of such deposit and thereafter apply the remainder of such moneys to the redemption of the Bonds, or (iii) apply such moneys in any other manner, provided that there shall be delivered to the Bond Trustee and the Authority an opinion of Bond Counsel to the effect that such application will not adversely affect the validity or enforceability of the Bonds or any exemption from federal income taxation to which interest on the Bonds is otherwise entitled.

As soon as practicable after the Borrower has made an election pursuant to (i) or (ii) of the immediately preceding paragraph, the Borrower shall recalculate the average reasonably expected economic life of the Project to (i) make any adjustments required by the Bond Indenture, (ii) include in the Schedule the average reasonably expected economic life of any additional "health facility projects" undertaken with moneys remaining on deposit in the Project Fund at the completion of the Project, and (iii) include in the Schedule the amount of moneys transferred from the Project Fund to the Bond Fund as an asset with an economic life of zero. If any recalculation described in this paragraph or required by the Bond Indenture demonstrates that the average maturity of the Bonds exceeds 120% of the average reasonably expected economic life of the assets financed with the proceeds thereof, the Bond Trustee shall call the Bonds for optional redemption upon compliance by the Borrower with the provisions of the Loan Agreement.

Moneys at any time on deposit in a Project Fund shall, by oral instruction followed promptly by a Written Request of the Obligated Group Agent, be invested or reinvested by the Bond Trustee in

Qualified Investments maturing at such time or times so that the Bond Trustee will be able to pay the costs of the Project. The Bond Trustee and the Authority shall be entitled to rely upon a schedule of anticipated payments of construction and equipment costs approved by the Borrower in scheduling such investments. Any interest or profit on such investments shall be credited to, and any losses on such investments shall be charged against, the Project Fund. The Bond Trustee shall not be obligated to invest any moneys held by it in the Project Fund except as directed by the Obligated Group Agent, but shall as soon as practicable inform the Borrower, the Obligated Group Agent and the Authority of any amounts that remain uninvested but are eligible for investment in Qualified Investments. The Bond Trustee may sell or present for redemption any obligations so purchased whenever it shall be necessary in order to provide moneys to make payments from the Project Fund, and the Bond Trustee shall not be liable or responsible for any loss resulting from such investments made in accordance with the Bond Indenture. Notwithstanding any other provisions of the Bond Indenture, all investments in Qualified Investments and the investment earnings thereon shall be subject to the provisions of the Tax Agreement.

If any moneys remain on deposit in the Project Fund on the third anniversary of the Closing Date and the Project is ongoing but has not been completed or such Project was completed and an election was made to retain moneys in such Project Fund and withdraw such moneys in accordance with the provisions of the Bond Indenture to pay or reimburse the Borrower for payment of the cost of additional "health facility projects" (as defined in the Act), such moneys may remain on deposit in the Project Fund and shall be invested in accordance with the limitations set forth in the Tax Agreement. If moneys remain on deposit in a Project Fund on the third anniversary of the Closing Date, and the Project has been abandoned, the Bond Trustee shall deposit such moneys in the Bond Fund and apply the same to the optional redemption of the Bonds.

Debt Service Reserve Fund. On the Delivery Date, the Bond Trustee established, and will maintain so long as any of the Bonds are outstanding, a separate account to be known as the "Debt Service Reserve Fund" (the "Debt Service Reserve Fund"). On the Delivery Date, the Borrower will deposit into the Debt Service Reserve Fund an irrevocable transferable letter of credit (the "Initial DSRF Credit Facility") in a stated amount equal to the Debt Service Reserve Fund Requirement, issued by JPMorgan Chase Bank, N.A. (the "Initial DSRF Credit Provider"). The Initial DSRF Credit Facility may be drawn upon only to make up any deficiencies in the Bond Fund.

Pursuant to the Loan Agreement, the Borrower has the option to cancel the Initial DSRF Credit Facility, or any other DSRF Credit Facility (as hereinafter defined), and deposit cash and/or Qualified Investments into the Debt Service Reserve Fund in an amount equal to not less than the Debt Service Reserve Fund Requirement.

If Qualified Investments are at any time on deposit in the Debt Service Reserve Fund, such Qualified Investments shall be valued by the Bond Trustee on the first Business Day of February and August in each calendar year (commencing with the first February or August after any such deposit) (a "DSRF Valuation Date") on the basis of fair market value (which valuation shall take into account accrued and unpaid interest). If on any such DSRF Valuation Date, the amount on deposit in the Debt Service Reserve Fund (including such fair market value of Qualified Investments, any uninvested cash and the stated amount of any DSRF Credit Facility then on deposit therein) is less than 90% of the Debt Service Reserve Fund Requirement, the Loan Agreement requires the Borrower to restore the amount on deposit in the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Fund

Requirement in not more than 12 substantially equal monthly installments beginning with the first day of the first month after the month in which such deficiency occurred; provided, however, that to the extent such deficiency is the result of a decline in the market value of Qualified Investments in the Debt Service Reserve Fund, the Loan Agreement requires the Borrower to deposit in the Debt Service Reserve Fund the amount necessary to restore the amount on deposit in the Debt Service Reserve Fund to the Debt Service Reserve Fund Requirement within not more than 180 days following the date on which the Borrower receives notice of such deficiency.

Moneys on deposit in the Debt Service Reserve Fund in excess of the Debt Service Reserve Fund Requirement on any DSRF Valuation Date shall be transferred to the Bond Fund and used to pay interest on the Bonds; provided that excess investment income shall be deposited as provided in Section 506 hereof.

In lieu of maintaining and depositing moneys in the Debt Service Reserve Fund, the Borrower may deliver to the Bond Trustee for deposit into the Debt Service Reserve Fund an irrevocable letter of credit or surety bond policy (a "DSRF Credit Facility") issued by a domestic or foreign bank, insurance company or other financial institution (a "DSRF Credit Provider") whose unsecured long-term debt obligations are rated (i) with respect to any surety bond policy, in the highest rating category (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) by each Rating Agency and (ii) with respect to any irrevocable letter of credit, in one of the two highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) by each Rating Agency, in a face amount equal to all or any portion of the Debt Service Reserve Fund Requirement. Any such DSRF Credit Facility shall (a) permit the Bond Trustee to draw amounts thereunder for deposit in the Debt Service Reserve Fund in amounts which, together with any moneys on deposit in or other DSRF Credit Facility available to fund the Debt Service Reserve Fund, are not less than the Debt Service Reserve Fund Requirement and which may be applied to any purpose for which moneys in the Debt Service Reserve Fund may be applied, (b) contain no restrictions on the ability of the Bond Trustee to receive payment thereunder other than a certification by the Bond Trustee that the funds drawn thereunder are to be used for the purposes set forth in the preceding paragraphs under this caption, (c) have a term of not less than one year and (d) not be secured by a Lien on Property of the Borrower which is senior to any Lien of the Bond Trustee on Property of the Borrower in the event of the occurrence of an event of default under the Bond Indenture. The Initial DSRF Credit Facility and the Initial DSRF Credit Provider satisfy the foregoing requirements. In the event that the credit rating of the DSRF Credit Provider (including the Initial DSRF Credit Provider) issuing a DSRF Credit Facility (including the Initial DSRF Credit Facility) is no longer in compliance with the rating requirements set forth above, the Loan Agreement requires the Borrower to replace such DSRF Credit Facility as soon as practicable, and in any event no later than four months from the date of any such rating downgrade, with (i) cash in the amount necessary to fund the Debt Service Reserve Fund in an amount equal to the Debt Service Reserve Fund Requirement, (ii) one or more substitute DSRF Credit Facilities meeting the requirements of clauses (a) through (d) above in a face amount equal to the amount necessary to fund the Debt Service Reserve Fund in an amount equal to the Debt Service Reserve Fund Requirement (which substitute DSRF Credit Facility shall have a term extending at least to the date of expiration of the DSRF Credit Facility which it is replacing) or (iii) a combination of (i) and (ii). Such substitute DSRF Credit Facility shall provide that the Bond Trustee shall receive payment thereunder prior to any expiration or termination thereof as described below and whenever moneys are required for the purposes for which Debt Service Reserve Fund moneys may be applied.

The Loan Agreement requires that, prior to the expiration date of a DSRF Credit Facility on deposit in the Debt Service Reserve Fund (including the Initial DSRF Credit Facility), the Borrower shall (a) replace such DSRF Credit Facility with another DSRF Credit Facility having a term greater than one year (i) satisfying the requirements of the Bond Indenture summarized under this caption and (ii) in a face amount which, taking into account any moneys and DSRF Credit Facilities then on deposit in the Debt Service Reserve Fund, equals the Debt Service Reserve Fund Requirement, (b) deposit in the Debt Service Reserve Fund cash in the amount necessary to fund the Debt Service Reserve Fund in an amount equal to the Debt Service Reserve Fund Requirement or (c) fund the Debt Service Reserve Fund in an amount equal to the Debt Service Reserve Fund Requirement through a combination of (a) and (b). Such replacement DSRF Credit Facility shall provide that the Bond Trustee shall receive payment thereunder prior to any expiration or termination thereof as described below and whenever moneys are required for the purposes for which Debt Service Reserve Fund moneys may be applied.

The Bond Trustee shall make a drawing on any such DSRF Credit Facility (including the Initial DSRF Credit Facility) (a) whenever moneys are required for the purposes for which Debt Service Reserve Fund moneys may be applied and (b) prior to any expiration or termination thereof; provided, however, that no such drawing need be made if other moneys (including another DSRF Credit Facility) are available in the Debt Service Reserve Fund in the amount of the Debt Service Reserve Fund Requirement. If the Bond Trustee makes a draw on such DSRF Credit Facility or if the value of such DSRF Credit Facility is less than the Debt Service Reserve Fund Requirement, the Bond Trustee shall notify the Borrower of the amount of the deficiency, and the Borrower shall remedy such deficiency by increasing the stated amount of such DSRF Credit Facility and/or by depositing moneys or another DSRF Credit Facility in the Debt Service Reserve Fund to the extent of such deficiency in the manner and at the times provided under the provisions of the Bond Indenture summarized under this caption.

The Bond Trustee shall notify the Borrower in writing, not less than six months prior to, and again three months prior to, the expiration date of a DSRF Credit Facility (including the Initial DSRF Credit Facility) on deposit in the Debt Service Reserve Fund, of such expiration date.

If the Borrower elects to deposit a DSRF Credit Facility in the Debt Service Reserve Fund in lieu of moneys on deposit therein, the Bond Trustee shall transfer all such moneys held therein to the Bond Fund, which funds will be used at the direction of the Borrower to make any principal and/or interest payments on the Bonds occurring within 13 months of the date of transfer and then to optionally redeem Bonds or, if there shall be delivered to the Bond Trustee an opinion of Bond Counsel to the effect that the same will not adversely affect the validity of the Bonds or any exemption for the purposes of federal income taxation to which interest on the Bonds is otherwise entitled, disbursed (i) to pay for costs of other health care facilities qualified under the Act (including the Project) or (ii) for any other lawful corporate purpose of the Obligated Group.

In connection with any redemption or defeasance of less than all outstanding Bonds prior to their respective maturities, the Bond Trustee may, at the request of the Borrower, withdraw moneys then on deposit in the Debt Service Reserve Fund, up to an amount that is in the same proportion to the total amount then on deposit therein as the aggregate principal amount of Bonds then being redeemed or defeased is to the aggregate principal amount of all then-outstanding Bonds to pay, or to provide for the payment of, the principal of, interest on, and/or redemption price of said Bonds to be redeemed or defeased; provided, however, that the amount on deposit in the Debt Service Reserve Fund after such

withdrawal, including the stated amount of any DSRF Credit Facility, shall not be greater than 10% of the aggregate principal amount of all Bonds remaining outstanding. After such redemption or defeasance, the Debt Service Reserve Fund Requirement with respect to the Bonds shall be an amount equal to the amount then on deposit in the Debt Service Reserve Fund.

Investment of Funds. Any moneys held as a part of the Project Fund, the Debt Service Reserve Fund or any Fund other than the Bond Fund held under the Bond Indenture shall be invested or reinvested by the Bond Trustee, to the extent permitted by law, at the written request of and as directed by the Obligated Group Agent, in any Qualified Investments. Any moneys held as a part of any account of the Bond Fund shall be invested or reinvested by the Bond Trustee, at the written direction of the Obligated Group Agent, to the extent permitted by law, in United States Obligations (or money market funds invested solely in United States Obligations) with such maturities as shall be required in order to assure full and timely payment of amounts required to be paid from the Bond Fund, which maturities shall, in any event, extend no more than 30 days from the date of acquisition thereof; provided that any moneys held pursuant to the provisions of the Bond Indenture relating to nonpresentment of Bonds either shall be held uninvested or shall be invested in United States Obligations maturing on the next Business Day.

Prior to the substantial completion of a Project, investment income from the Project Fund and Bond Fund in excess of the requirements of such Funds shall be deposited into the Project Fund. After the completion of a Project, all investment income from the Project Fund and Bond Fund in excess of the requirements of such funds shall be deposited in such Bond Fund and shall be applied (i) first, to make the estimated interest payments on the Bonds occurring within one year of the date of deposit, (ii) second, to make the next required principal payment on the Bonds occurring within one year of the date of deposit and (iii) third, to the optional redemption of the Bonds.

Investment income from the Debt Service Reserve Fund in excess of the requirements of such Fund shall be deposited into the Bond Fund and shall be applied (i) first, to make the estimated interest payments on the Bonds occurring within one year of the date of deposit, (ii) second, to make the next required principal payment on the Bonds occurring within one year of the date of deposit and (iii) third, to the optional redemption of the Bonds.

The Bond Trustee may make any and all such investments through its own bond or investment department or the bond or investment department of any bank or trust company under common control with the Bond Trustee. All such investments shall at all times be a part of the fund or account from which the moneys used to acquire such investments shall have come, and all income and profits on such investments shall be credited to, and losses thereon shall be charged against, such fund. All investments under the Bond Indenture shall be registered in the name of the Bond Trustee, as Bond Trustee under the Bond Indenture. All investments under the Bond Indenture shall be held by or under the control of the Bond Trustee. The Bond Trustee shall sell and reduce to cash a sufficient amount of investments of funds in any account of the Bond Fund held under the Bond Indenture whenever the cash balance in such account of the Bond Fund is insufficient, together with any other funds available therefor, to pay the principal of, premium, if any, and interest on the Bonds when due. The Bond Trustee shall not be liable or responsible for any reduction in value or loss with respect to any investment made in accordance with the instructions received from the Obligated Group Agent.

Payment of Principal and Interest; Performance of Covenants. The Authority covenants under the Bond Indenture that it will promptly pay, or cause to be paid, the principal of, redemption premium (if any) and the interest on the Bonds at the places, on the dates and in the manner provided in the Bond Indenture and in the Bonds, according to the true intent and meaning thereof, but only from the Trust Estate. The Authority further covenants under the Bond Indenture that it will faithfully perform at all times all of its covenants, undertakings and agreements contained in the Bond Indenture, in the Loan Agreement, in the Bonds or in any proceedings of the Authority pertaining thereto. The Authority represents and warrants under the Bond Indenture that it is duly authorized under the laws of the State of Illinois, particularly the Act, to issue the Bonds and to enter into the Bond Indenture and the Loan Agreement and to pledge the Trust Estate in the manner and to the extent set forth in the Bond Indenture; that all action on its part for the issuance of the Bonds initially issued under the Bond Indenture and for the adoption of the Bond Indenture has been duly and effectively taken; and that the Bonds in the hands of the registered owners thereof are and will be valid and enforceable limited obligations of the Authority according to their terms.

The principal of and interest on the Bonds are payable solely from payments or prepayments by the Borrower under the Loan Agreement, by the Borrower or any other Member upon the Obligation and as otherwise provided in the Bond Indenture, the Obligation and the Loan Agreement, and nothing in the Bond Indenture shall be considered as assigning or pledging any other funds or assets of the Authority, except the Obligation and the Loan Agreement.

Moneys to Be Held in Trust. All moneys required to be deposited with or paid to the Bond Trustee for the account of any fund or account referred to in any provision of the Bond Indenture or the Loan Agreement shall be held by the Bond Trustee in trust and shall, while held by the Bond Trustee, constitute part of the Trust Estate and be subject to the lien and security interest created by the Bond Indenture, except as otherwise specifically provided in the Bond Indenture.

Tax Covenants. The Authority agrees and covenants in the Bond Indenture that it has not knowingly engaged and will not knowingly engage in any activities and that it has not knowingly taken and will not knowingly take any action which might result in any interest on the Bonds becoming includable in the gross income of the owners thereof for purposes of federal income taxation. The Authority shall have no responsibility for directing the investment of any moneys, determining the amount of moneys subject to any applicable yield restriction under Section 148 of the Code, or calculating or paying any rebate pursuant to Section 148(f) of the Code. Notwithstanding any provision of the Bond Indenture to the contrary, the Bond Trustee shall not be liable or responsible for any calculation or determination which may be required in connection with or for the purpose of complying with Section 148 of the Code or any applicable Treasury Regulations (the "Arbitrage Rules"), including, without limitation, the calculation of amounts required to be paid to the United States under the provisions of the Arbitrage Rules, the maximum amount which may be invested in "nonpurpose obligations" (as defined in the Code) and the fair market value of any investments made under the Bond Indenture, it being understood and agreed that the sole obligation of the Bond Trustee with respect to investments of funds under the Bond Indenture shall be to invest the moneys received by the Bond Trustee pursuant to the instructions of the Obligated Group Agent given in accordance with the provisions of the Bond Indenture. The Bond Trustee shall have no responsibility for determining whether or not the investments made pursuant to the direction of the Obligated Group Agent or any of the instructions received by the Bond Trustee under the provisions of the Bond Indenture summarized under this

subcaption comply with the requirements of the Arbitrage Rules or the provisions of the Loan Agreement described in this APPENDIX E under the caption "THE LOAN AGREEMENT — *Covenants Relating to the Tax Status of the Bonds*" and shall have no responsibility for monitoring the obligations of the Borrower or the Authority for compliance with the provisions of the Loan Agreement or Bond Indenture with respect to the Arbitrage Rules.

Each of the Authority (to the extent within its control) and the Borrower (in the Loan Agreement) agrees to restrict the use of proceeds of the Bonds in such manner and to such extent as is described in the Tax Agreement to assure that the Bonds will not constitute arbitrage bonds under Section 148 of the Code. Any officer of the Authority having responsibility with respect to the issuance of the Bonds is authorized and directed, alone or in conjunction with any other officer, employee or consultant of the Authority or the Borrower, to give an appropriate certificate on behalf of the Authority, for inclusion in the transcript of proceedings for the Bonds, setting forth the facts, estimates and circumstances and reasonable expectations pertaining to Section 148 of the Code.

Defaults and Remedies. With respect to the Bond Indenture, the occurrence of any one or more of the following events shall constitute an "Event of Default" thereunder:

(a) failure to pay interest on any Bond when due and payable;

(b) failure to pay the principal of any Bond when due and payable, whether at maturity or upon any redemption thereof;

(c) failure by the Authority to observe or perform any other covenant, condition or agreement on its part to be observed or performed in the Bond Indenture or the Bonds for a period of 30 days after written notice of such failure shall have been given to the Borrower and the Authority by the Bond Trustee; provided, however, that if such observance or performance requires work to be done, actions to be taken or conditions to be remedied which by its or their nature cannot reasonably be done, taken or remedied, as the case may be, within such 30-day period, no Event of Default under this subparagraph (c) shall be deemed to have occurred or to exist if and so long as the Authority, the Borrower or the Obligated Group Agent, as the case may be, shall have commenced such work, action or remediation within such 30-day period and provided written notice thereof to the Bond Trustee and shall diligently and continuously prosecute the same to completion;

(d) the occurrence of a Loan Default under the Loan Agreement as described in this APPENDIX E under the caption "THE LOAN AGREEMENT — *Defaults and Remedies*"; or

(e) an event of default shall occur under the Master Indenture.

Within five days after actual knowledge by a Responsible Officer of the Bond Trustee of an Event of Default under subparagraph (a), (b) or (d) above, the Bond Trustee shall give written notice, by registered or certified mail, to the Authority, the Borrower, the Obligated Group Agent, the Bond Insurer, the Master Trustee, and the Bondholders, and upon notice of such Default from the Authority, the Bond Insurer or the owners of at least 50% in aggregate principal amount of Outstanding Bonds given to a

Responsible Officer of the Bond Trustee at its Principal Office, shall give similar notice of any other Event of Default.

Subject to the rights of the Bond Insurer pursuant to the provisions of the Bond Indenture summarized in this APPENDIX E under subparagraph (c)(i) of the caption "THE BOND INDENTURE — *Bond Insurer Covenants*," upon the occurrence of an Event of Default under the Bond Indenture described in subparagraph (a), (b), (d) or (e) above known to a Responsible Officer of the Bond Trustee, the Bond Trustee shall, but only upon the written request of the Bond Insurer (so long as the Bond Insurer has not lost its rights under the Bond Indenture) or a Majority of the Bondholders (with the prior written consent of the Bond Insurer so long as the Bond Insurer has not lost its rights under the Bond Indenture), declare all Bonds then outstanding under the Bond Indenture to be due and payable immediately, and, upon such declaration, all principal and interest accrued thereon shall become immediately due and payable, and there shall be an automatic corresponding acceleration of the Borrower's obligation to make all payments required to be made under the Loan Agreement and the Obligation in an amount sufficient to pay immediately all principal of and accrued and unpaid interest on the Bonds. Interest shall accrue on the Bonds to the date of payment (even if after the date of acceleration).

The provisions of the preceding paragraph, however, are subject to the condition that if, after the principal of the Bonds shall have been so declared to be due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, there shall be deposited with the Bond Trustee a sum sufficient to pay all matured installments of interest upon all the Bonds and the principal of all the Bonds which shall have become due otherwise than by reason of such declaration and such amount as shall be sufficient to cover reasonable compensation and reimbursement of expenses payable to the Bond Trustee, the Bond Insurer, the Authority, and the Paying Agent, and all Events of Default under the Bond Indenture other than nonpayment of the principal of Bonds which shall have become due by such declaration shall have been remedied, then, in every such case, subject to the rights of the Bond Insurer pursuant to the provisions of the Bond Indenture summarized in this APPENDIX E under the caption "THE BOND INDENTURE — *Bond Insurer Covenants*," such Event of Default shall be deemed waived and such declaration and its consequences rescinded or annulled, and the Bond Trustee shall promptly give written notice of such waiver, rescission or annulment to the Authority, the Paying Agent, the Borrower, the Obligated Group Agent, the Master Trustee and the Holders of the Bonds; but no such waiver, rescission or annulment shall extend to or affect any subsequent Event of Default or impair any right or remedy consequent thereon. The provisions of this paragraph are subject to the rights of the Bond Insurer pursuant to the provisions of the Bond Indenture summarized in this APPENDIX E under subparagraph (c)(i) of the caption "THE BOND INDENTURE — *Bond Insurer Covenants*."

Subject to the rights of the Bond Insurer pursuant to the provisions of the Bond Indenture summarized in this APPENDIX E under subparagraph (c)(i) of the caption "THE BOND INDENTURE — *Bond Insurer Covenants*," upon the continuance of an Event of Default, if so requested by the Bond Insurer (unless the Bond Insurer has lost its rights under the Bond Indenture) or a Majority of the Bondholders (with the prior written consent of the Bond Insurer unless the Bond Insurer has lost its rights under the Bond Indenture), and if satisfactory indemnity has been furnished to it, the Bond Trustee shall exercise such of the rights and powers conferred by the Bond Indenture, the Borrower Security Instruments or any other Basic Agreement as the Bond Trustee, being advised by counsel, shall deem most effective to enforce and protect the interests of the Bondholders; provided that the Bond Trustee

may take action with respect to the Loan Agreement only to enforce the rights expressly and specifically assigned to the Bond Trustee under the Granting Clauses of the Bond Indenture.

No remedy under the Bond Indenture is intended to be exclusive, and to the extent permitted by law, each remedy shall be cumulative and in addition to any other remedy under the Bond Indenture now or hereafter existing. No delay or omission to exercise any right or power shall impair such right or power or constitute a waiver of any Default or Event of Default or acquiescence therein; and each such right and power may be exercised as often as deemed expedient. No waiver by the Bond Insurer, the Bond Trustee (with the prior written consent of the Bond Insurer unless the Bond Insurer has lost its rights under the Bond Indenture) or the Bondholders (with the prior written consent of the Bond Insurer unless the Bond Insurer has lost its rights under the Bond Indenture) of any Default or Event of Default shall extend to any subsequent Default or Event of Default. No grace period for a covenant default described in subparagraph (c) above shall be extended for more than 60 days without the prior written consent of the Bond Insurer.

Right of Bondholders to Direct Proceedings. Subject to the rights of the Bond Insurer pursuant to the provisions of the Bond Indenture summarized in this APPENDIX E under subparagraph (c)(i) of the caption "THE BOND INDENTURE — *Bond Insurer Covenants*," but anything else in the Bond Indenture to the contrary notwithstanding, the Bond Insurer (so long as the Bond Insurer has not lost its rights under the Bond Indenture) or a Majority of the Bondholders (with the prior written consent of the Bond Insurer so long as the Bond Insurer has not lost its rights under the Bond Indenture) shall have the right at any time, by an instrument or instruments in writing executed and delivered to the Bond Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Bond Indenture, the Borrower Security Instruments or any other Basic Agreement or for the appointment of a receiver or any other proceedings thereunder; provided that such direction shall be in accordance with applicable law, the Bond Indenture and, if applicable, the Borrower Security Instruments or such other Basic Agreement; and provided further that the Bond Trustee shall be indemnified to its satisfaction.

Application of Moneys. All moneys received by the Bond Trustee pursuant to any right given or action taken under the provisions of the Bond Indenture relating to defaults and remedies (including amounts, if any, on deposit in the funds and accounts created under the Bond Indenture) shall, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and the expenses, liabilities and advances owing to or incurred or made by the Bond Trustee, be deposited in the Bond Fund, and the moneys in the Bond Fund shall be applied as follows:

(a) Unless the principal of all of the Bonds 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 Bonds, in the order of the maturity of the installments of such interest (with interest on overdue installments of such interest, to the extent permitted by law, at the rate of interest borne by the Bonds) 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 any of the Bonds which shall have become due (other than Bonds matured or called for redemption for the payment of which moneys are held pursuant to the provisions of the Bond Indenture), with interest on overdue installments of principal to the extent permitted by law at the rate of interest borne by the Bonds, and, if the amount available shall not be sufficient to pay in full all the Bonds due on any particular date, then to the payment ratably according to the amount of principal due on such date, to the persons entitled thereto without any discrimination or privilege; and

THIRD - To the payment to the persons entitled thereto as the same shall become due of the principal of and interest on the Bonds which may thereafter become due and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with interest then due and owing thereon, payment shall be made ratably according to the amount of interest, principal and premium, if any, due on such date to the persons entitled thereto without any discrimination or privilege.

(b) If the principal of all of the Bonds outstanding under the Bond Indenture shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds, 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 Bonds over any other Bonds, ratably, according to the amounts due, respectively, for principal and interest, to the persons entitled thereto without any discrimination or privilege, with interest on overdue installments of interest or principal, to the extent permitted by law, at the rate of interest borne by the Bonds.

(c) If the principal of all of the Bonds shall have been declared due and payable and if such declaration shall thereafter have been rescinded and annulled, then, subject to the provisions of subparagraph (b) above, in the event that the principal of all Bonds shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of subparagraph (a) above.

(d) Notwithstanding any other provisions of the Bond Indenture, including the provisions making the Bond Insurer a beneficiary of the Bond Indenture, no payment will be made to the Bond Insurer other than by virtue of subrogation until all amounts due to the Bondholders have been paid.

Whenever moneys are to be applied pursuant to the provisions of the Bond Indenture summarized under this subcaption, such moneys shall be applied at such times, and from time to time, as the Bond Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Bond Trustee shall apply such funds, 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 dates shall cease to accrue; provided that upon an acceleration of Bonds, interest shall cease to accrue on the Bonds on and after the date of actual payment. The Bond 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 owner of any

Bonds until the Bonds shall be presented to the Bond Trustee for appropriate endorsement or for cancellation if fully paid.

Remedies Vested in Bond Trustee. Subject to the provisions of the Bond Indenture summarized in this APPENDIX E under the caption "THE BOND INDENTURE — *Bond Insurer Covenants*," all rights of action (including the right to file proof of claims) under the Bond Indenture or under any of the Bonds may be enforced by the Bond Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceeding relating thereto, and any such suit or proceeding instituted by the Bond Trustee shall be brought in its name as Bond Trustee without the necessity of joining as plaintiffs or defendants any Bondholders. Any recovery of judgment shall be for the equal and ratable benefit of the owners of the Bonds.

Rights and Remedies of Bondholders. No Bondholder shall have any right to institute any proceeding for the enforcement of the Bond Indenture or any right or remedy granted by the Bond Indenture unless (i) an Event of Default is continuing, (ii) a Responsible Officer of the Bond Trustee is deemed to have notice or knowledge thereof or has been notified as provided in the Bond Indenture, (iii) a Majority of the Bondholders (subject to the rights of the Bond Insurer under the provisions of the Bond Indenture summarized in this APPENDIX E under subparagraph (c)(i) of the caption "THE BOND INDENTURE — *Bond Insurer Covenants*") shall have made written request to the Bond Trustee and shall have afforded the Bond Trustee reasonable opportunity to exercise its powers or to institute such proceeding in its own name, and have offered to the Bond Trustee indemnity satisfactory to it, and (iv) the Bond Trustee shall have failed or refused to exercise its power or to institute such proceeding. Such notice, request, offer of indemnity and failure or refusal shall at the option of the Bond Trustee be conditions precedent to the execution of the powers and trusts of the Bond Indenture and to any action for the enforcement of the Bond Indenture or of any right or remedy granted by the Bond Indenture. The Bondholders shall have no right to affect or prejudice the lien of the Bond Indenture by their action or to enforce any right under the Bond Indenture except in the manner provided in the Bond Indenture and that proceedings shall be instituted and maintained in the manner provided in the Bond Indenture and for the benefit of the Holders of all Bonds then outstanding. Notwithstanding the foregoing, each Bondholder shall have a right of action to enforce the payment of the principal of and interest on any Bond held by it, at and after the maturity thereof, from the sources and in the manner expressed in the Bond. This paragraph is subject to the provisions of the Bond Indenture summarized in this APPENDIX E under subparagraph (c)(i) of the caption "THE BOND INDENTURE — *Bond Insurer Covenants*."

Waivers of Events of Default. Subject to the rights of the Bond Insurer under the provisions of the Bond Indenture summarized in this APPENDIX E under subparagraph (c)(i) of the caption "THE BOND INDENTURE — *Bond Insurer Covenants*," the Bond Trustee shall waive any Default under the Bond Indenture and its consequences and rescind any declaration of acceleration of principal upon the written request of the Holders of (1) at least a majority in aggregate principal amount of all Outstanding Bonds in respect of which default in the payment of principal or interest, or both, exists or (2) at least a majority in aggregate principal amount of Outstanding Bonds in the case of any other Default; and provided that there shall not be waived or rescinded any Default specified in subparagraph (a) or (b) of the first paragraph of the provisions of the Bond Indenture described under the caption "THE BOND INDENTURE — *Defaults and Remedies*" in this APPENDIX E unless prior to such waiver or rescission, the Borrower or the Obligated Group Agent shall have caused to be paid to the Bond Trustee (i) all arrears of principal and interest on all Outstanding Bonds (other than principal or interest which became due and payable by

declaration of acceleration), with interest at the rate then borne by the Bonds on overdue installments, to the extent permitted by law, and (ii) all expenses of the Bond Trustee in connection with such Default. In case of any such waiver or rescission or in case any proceeding taken by the Bond Trustee on account of any such Default shall have been discontinued or concluded or determined adversely, then and in every such case the Authority, the Bond Trustee and the Bondholders shall be restored to their former positions and rights under the Bond Indenture, but no such waiver or rescission shall extend to any subsequent or other Default or impair any right consequent thereon.

Intervention by Bond Trustee; Remedies of Authority on Event of Default. In any judicial proceeding which the Bond Trustee believes has a substantial bearing on the interests of the Bondholders, the Bond Trustee may intervene on their behalf. Upon the occurrence and continuance of an Event of Default, the Authority shall not be required to take any action which in its opinion might cause it to expend time or money or otherwise incur any liability unless satisfactory indemnity has been furnished to it.

Bond Insurance Payment Provisions. As long as a Bond Insurance Policy is in full force and effect, the Authority, the Bond Trustee and any Paying Agent agree under the Bond Indenture to comply with the following provisions:

(a) At least one (1) Business Day prior to each Interest Payment Date for the Bonds, the Bond Trustee or Paying Agent, if any, will determine whether there will be sufficient funds in the Funds and Accounts held under the Bond Indenture to pay the principal of or interest on the Bonds on such Interest Payment Date. If the Bond Trustee or Paying Agent, if any, determines that there will be insufficient funds in such Funds or Accounts, the Bond Trustee or Paying Agent, if any, shall so notify the Bond Insurer. Such notice shall specify the amount of the anticipated deficiency, the Bonds to which such deficiency is applicable and whether the Bonds will be deficient as to principal or interest, or both. If the Bond Trustee or Paying Agent, if any, has not so notified the Bond Insurer at least one Business Day prior to an Interest Payment Date, the Bond Insurer will make payments of principal or interest due on the Bonds on or before the first Business Day next following the date on which the Bond Insurer received notice of nonpayment from the Bond Trustee or Paying Agent, if any.

(b) The Bond Trustee or Paying Agent, if any, shall, after giving notice to the Bond Insurer as provided in subparagraph (a) above, make available to the Bond Insurer and, at the Bond Insurer's direction, to The Bank of New York, in New York, New York, as insurance trustee for the Bond Insurer or any successor insurance trustee (the "Insurance Trustee"), the registration books maintained by the Bond Trustee or Paying Agent, if any, and all records relating to the Funds and Accounts maintained under the Bond Indenture.

(c) The Bond Trustee or Paying Agent, if any, shall provide the Bond Insurer and the Insurance Trustee with a list of registered owners of the Bonds entitled to receive principal or interest payments from the Bond Insurer under the terms of the Bond Insurance Policy and shall make arrangements with the Insurance Trustee (i) to mail checks or drafts to the registered owners of the Bonds and (ii) to pay the principal of the Bonds surrendered to the Insurance Trustee.

(d) The Bond Trustee or Paying Agent, if any, shall, at the time it provides notice to the Bond Insurer pursuant to subparagraph (a) above, notify the registered owners of the Bonds entitled to receive payment of principal or interest thereon from the Bond Insurer (i) as to the fact of such entitlement, (ii) that the Bond Insurer will remit to them all or a part of the interest payments next coming due upon proof of such owners' entitlement to interest payments and delivery to the Insurance Trustee, in form satisfactory to the Insurance Trustee, of an appropriate assignment of such registered owners' right to payment, (iii) that should they be entitled to receive full payment of principal from the Bond Insurer, they must surrender their Bonds (along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee to permit ownership of the Bonds to be registered in the name of the Bond Insurer) for payment to the Insurance Trustee, and not the Bond Trustee or Paying Agent, if any, and (iv) that should they be entitled to receive partial payment of principal from the Bond Insurer, they must surrender their Bonds for payment thereon first to the Bond Trustee or Paying Agent, if any, who shall note on the Bonds the portion of the principal paid by the Bond Trustee or Paying Agent, if any, and then, along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee, to the Insurance Trustee, which will then pay the unpaid portion of such principal.

(e) In the event that the Bond Trustee or Paying Agent, if any, has notice that any payment of principal of or interest on a Bond which has become Due for Payment (as defined in the Bond Insurance Policy) and which is made to a Holder by or on behalf of the Borrower has been deemed a preferential transfer and theretofore recovered from Holder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Bond Trustee or Paying Agent, if any, shall, at the time the Bond Insurer is notified pursuant to subparagraph (a) above, notify all registered owners that, in the event that any such registered owner's payment is so recovered, such registered owner will be entitled to payment from the Bond Insurer to the extent of such recovery if sufficient funds are not otherwise available, and the Bond Trustee or Paying Agent, if any, shall furnish to the Bond Insurer its records evidencing the payments of principal of and interest on the Bonds which have been made by the Bond Trustee or Paying Agent, if any, and subsequently recovered from registered owners and the dates on which such payments were made.

(f) In addition to those rights granted the Bond Insurer under the Bond Indenture, the Bond Insurer shall, to the extent it makes payment of principal of or interest on Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Bond Insurance Policy, and to evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Bond Trustee or Paying Agent, if any, shall note the Bond Insurer's rights as subrogee on the registration books maintained by the Bond Trustee or Paying Agent, if any, upon receipt from the Bond Insurer of proof of the payment of interest thereon to the registered owners of the Bonds, and (ii) in the case of subrogation as to claims for past due principal, the Bond Trustee or Paying Agent, if any, shall note the Bond Insurer's rights as subrogee on such registration books upon surrender of the Bonds by the registered owners thereof together with proof of the payment of principal thereof.

Bond Insurer Covenants. (a) Notwithstanding any provision of either Bond Indenture other than subparagraph (b) of the provisions of the Bond Indenture summarized in this APPENDIX E under this subcaption "THE BOND INDENTURE — *Bond Insurer Covenants*," the Loan Agreement or the Master

Indenture to the contrary, the Bond Insurer shall, at all times, be deemed to be the exclusive owner of the Bonds and the Obligation for purposes of (i) consenting to the execution and delivery of any amendment, modification, supplement or change of the Bond Indenture, the Loan Agreement, the Master Indenture or the Obligation (except for amendments to the Bond Indenture and the Loan Agreement requiring the consent of the Holders of all the Bonds), (ii) the direction or right to consent to an action or remedy to be undertaken by the Authority, the Master Trustee or the Bond Trustee at the request of the Holders of the Bonds or the Obligation and (iii) if a bankruptcy-related event of default occurs under the Master Indenture, voting with respect to any Member's reorganization or liquidation plan. Notwithstanding any other provision of the Bond Indenture, the Loan Agreement or the Master Indenture, no amendment of the provisions of the Bond Indenture summarized under the captions "THE BOND INDENTURE — *Supplemental Indentures Requiring Consent of Bondholders*" or "— *Amendments to Loan Agreement and Obligation Requiring Consent of Bondholders*" in this APPENDIX E or the provisions of the Bond Indenture relating to Funds, Accounts and the investment of moneys thereunder shall be made without the prior written consent of the Bond Insurer. So long as the Bond Insurance Policy is in full force and effect, the Bond Insurer is not in default of its payment obligation under the Bond Insurance Policy, and the Bond Insurer consents to the foregoing amendments, the consent of the Bondholders shall not be required under the provisions of the Bond Indenture summarized under the captions "THE BOND INDENTURE — *Supplemental Indentures Requiring Consent of Bondholders*" or "THE BOND INDENTURE — A*mendments to Loan Agreement and Obligation Requiring Consent of Bondholders*" in this APPENDIX E or for amendments to the provisions of the Bond Indenture relating to Funds, Accounts and the investment of moneys thereunder, except with respect to amendments to the Bond Indenture and the Loan Agreement requiring the consent of the Holders of all Bonds. Any modification or amendment to the foregoing documents shall be sent to the Rating Agencies.

(b) The rights of the Bond Insurer under the Bond Indenture, the Loan Agreement and the Master Indenture shall remain in full force and effect so long as the Bonds are outstanding, the Bond Insurance Policy is in full force and effect, and the Bond Insurer is not in default of its payment obligations under the Bond Insurance Policy and has not declared bankruptcy or disclaimed any of its obligations thereunder.

(c) Notwithstanding anything in the Bond Indenture to the contrary other than subparagraph (b) of the provisions of the Bond Indenture summarized under this subcaption, the Bond Insurer shall have the following rights:

(i) Upon the occurrence and continuance of an Event of Default under the Bond Indenture, the Bond Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Holders of the Bonds or the Bond Trustee for the benefit of such Holders under the Bond Indenture, including, without limitation, the right to accelerate the principal of the Bonds and the right to annul any declaration of acceleration. Further, the Bond Insurer shall be entitled to approve all waivers of Events of Default. In the event the maturity of any Bonds is accelerated, the Bond Insurer may elect, in its sole discretion, to pay all or a portion of the accelerated principal and interest accrued on such principal to the date of acceleration and the Bond Trustee shall be required to accept such amounts. Upon payment of such accelerated principal and interest accrued to the acceleration date, the Bond Insurer's obligations under the Bond Insurance Policy with respect to the Bonds shall be fully discharged.

(ii) The Bond Insurer shall have the right to direct an accounting at the Borrower's expense, and the Borrower's failure to comply with such direction within 30 days after receipt of written notice of the direction from the Bond Insurer shall be deemed a Default under the Bond Indenture; provided, however, that if compliance cannot occur within such period, then such period will be extended so long as compliance is begun within such period and diligently pursued, but only if such extension would not materially adversely affect the interests of any Bondholder.

(iii) The Bond Trustee shall furnish to the Bond Insurer a copy of any notice to be given to the Bondholders, including, without limitation, notice of any redemption of or defeasance of Bonds, and any certificate, report or other correspondence to be given to such Bondholders pursuant to the Bond Indenture or the Loan Agreement. The Bond Trustee shall notify the Bond Insurer of any failure of the Borrower to provide notices or certificates under either Bond Indenture or the Loan Agreement. Notwithstanding any other provision of the Bond Indenture, the Bond Trustee shall notify the Bond Insurer at any time there are insufficient moneys to make any payment of principal of or interest on the Bonds and upon the occurrence of any Event of Default within five Business Days after the Bond Trustee has a knowledge thereof.

(iv) The Bond Trustee will permit the Bond Insurer to have access to and to make copies of all books and records maintained by the Bond Trustee under the Bond Indenture relating to the Bonds at any reasonable time. The Bond Trustee recognizes the rights granted to the Bond Insurer under the Bond Indenture and agrees to take direction from the Bond Insurer as provided in the Bond Indenture.

(v) No contract shall be entered into nor any action taken by which the rights of the Bond Insurer or security for or sources of payment of the Bonds may be impaired or prejudiced in any material respect, except upon obtaining the prior written consent of the Bond Insurer.

(vi) The Bond Trustee shall give notice to the Bond Insurer of the resignation or removal of the Bond Trustee, and the appointment of, and acceptance of duties by, any successor Bond Trustee shall be subject to the Bond Insurer's consent. The Bond Trustee may be removed at any time, at the request of the Bond Insurer, for any breach of the trust set forth in the Bond Indenture.

(vii) The Bond Trustee shall give notice to the Bond Insurer within five Business Days after a Responsible Officer of the Bond Trustee has actual knowledge of the commencement of any proceeding by or against the Authority or the Borrower under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law ("Insolvency Proceeding"). The Bond Trustee will further give notice to the Bond Insurer, within five Business Days after a Responsible Officer of the Bond Trustee has actual knowledge thereof, of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal of, or interest on, the Bonds. Any reorganization or liquidation plan with respect to the Borrower must be acceptable to the Bond Insurer.

(d) Notwithstanding any other provision of the Bond Indenture, in determining whether the rights of the Bondholders will be adversely affected by any action taken pursuant to the terms and

provisions of the Bond Indenture, the Bond Trustee or Paying Agent shall consider the effect on such Bondholders as if there were no Bond Insurance Policy for the Bonds.

(e) The rights granted to the Bond Insurer under the Bond Indenture to request, consent to or direct any action are rights granted to the Bond Insurer in consideration of its issuance of the Bond Insurance Policy. Any exercise by the Bond Insurer of such rights is merely an exercise of the Bond Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit or on behalf of the Bondholders, nor does such action evidence any position of the Bond Insurer, positive or negative, as to whether Bondholder consent is required in addition to prior written consent of the Bond Insurer.

(f) No amendment pursuant to any provision of the Bond Indenture or the Loan Agreement which expressly recognizes or grants rights in or to the Bond Insurer may be made in any manner which affects such rights without the prior written consent of the Bond Insurer. The Borrower shall pay the Bond Insurer's fee for any consent provided to be given by the Bond Insurer pursuant to the Bond Indenture or the Loan Agreement as long as the Bonds are outstanding, the Bond Insurance Policy is in full force and effect and the Bond Insurer is not in default of its payment obligations under such Bond Insurance Policy.

(g) Except in the case of amendments requiring the approval of the Holders of all Bonds outstanding under the Bond Indenture, any approval or initiation of any action under the Bond Indenture or the Loan Agreement requiring Bondholder consent shall be deemed to require the prior written consent of the Bond Insurer, which consent shall be in lieu of Bondholder consent as long as the Bonds are outstanding, the Bond Insurance Policy is in full force and effect and the Bond Insurer is not in default of its payment obligations under such Bond Insurance Policy.

Substitution of Bond Insurer or Cancellation, Termination, Modification, Amendment, Supplement or Alternate to the Bond Insurance Policy. The Bond Trustee agrees that, it will not accept any substitution of the Bond Insurer as insurer of the Bonds, will not cancel, surrender or terminate the Bond Insurance Policy and will not accept any augmentation, modification, amendment or supplement of the Bond Insurance Policy or any alternate for the Bond Insurance Policy, except as follows: (i) with prior written notice to all Bondholders; (ii) on a date on which all Bonds are already subject to mandatory tender; and (iii) after receiving written evidence from each Rating Agency then rating the Bonds that the long-term ratings on the Bonds will not be reduced or withdrawn.

Supplemental Indentures Not Requiring Consent of Bondholders. The Authority and the Bond Trustee may without consent of, or notice to, any of the Bondholders, enter into an indenture or indentures supplemental to the Bond Indenture for any one or more of the following purposes:

(a) to cure any ambiguity or formal defect or omission in the Bond Indenture;

(b) to grant to or confer upon the Authority or the Bond Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authorities that may lawfully be granted to or conferred upon the Authority, the Bondholders or the Bond Trustee;

(c) to subject to the Bond Indenture additional revenues, properties or collateral;

(d) to modify, amend or supplement the Bond Indenture or any indenture supplemental thereto in such manner as to permit the qualification of the Bond Indenture and any indenture supplemental thereto under the Trust Indenture Act or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of any of the states of the United States of America;

(e) to evidence the appointment of a separate or Co-Trustee or the succession of a new Bond Trustee under the Bond Indenture;

(f) to correct any description of, or to reflect changes in, any of the properties comprising the Trust Estate;

(g) to make any revisions of the Bond Indenture required by a Rating Agency in order to obtain or maintain an investment grade rating on the Bonds;

(h) to make any revisions to the Bond Indenture necessary in connection with the delivery of a substitute bond insurance policy;

(i) to provide for an uncertificated system of registering the Bonds or to provide for changes to or from the book-entry system;

(j) to provide for the refunding or advance refunding of any of the Bonds, including the right to establish and administer an escrow fund and to take related action in connection therewith;

(k) to modify, amend or supplement the Bond Indenture in such manner as to permit continued compliance with the Tax Agreement;

(l) to effect any other change in the Bond Indenture which the Bond Trustee has determined does not materially adversely affect the interests of any Bondholder; or

(m) to provide for changes in the components of the Project to the extent permitted by the Bond Indenture.

The Bond Trustee shall give prior written notice of a proposed amendment to the Bond Indenture to any Rating Agency maintaining a rating on any of the Bonds, but such notice shall not be a condition to the effectiveness of such amendment.

Supplemental Indentures Requiring Consent of Bondholders. Exclusive of supplemental indentures permitted by the provisions of the Bond Indenture summarized under the caption "THE BOND INDENTURE — *Supplemental Indentures Not Requiring Consent of Bondholders*" in this APPENDIX E, and subject to the provisions of the Bond Indenture summarized under this subcaption, the owners of not less than a majority in aggregate principal amount of the Outstanding Bonds shall have the right, from time to time, subject to the rights of the Bond Insurer summarized in subparagraph (a) under the caption "THE BOND INDENTURE — *Bond Insurer Covenants*" in this APPENDIX E, to consent to the execution by the Authority and the Bond Trustee of such other indenture or indentures supplemental to the Bond Indenture

as shall be deemed necessary and desirable for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Bond Indenture or in any supplemental indenture thereto; provided, however, that nothing under this subcaption or in the provisions of the Bond Indenture summarized under the caption "THE BOND INDENTURE — *Supplemental Indentures Not Requiring Consent of Bondholders*" in this APPENDIX E shall permit, or be construed as permitting, without the consent of the owners of all Bonds Outstanding (for purposes of this consent, the Bond Trustee shall look to the actual owners of the Bonds and not the Bond Insurer), (a) an extension of the maturity of the principal of, or the interest on, any Bonds issued under the Bond Indenture, or (b) a reduction in the principal amount of, or redemption premium on, any Bonds or the rate of interest thereon, or (c) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (d) a reduction in the aggregate principal amount of Bonds required for consent to such supplemental indentures or any modifications or waivers of the provisions of the Bond Indenture or the Loan Agreement, or (e) the creation of any lien ranking prior to or on a parity with the lien of the Bond Indenture on the Trust Estate or any part thereof, except as expressly permitted by the Bond Indenture, or (f) the deprivation of the owner of any Outstanding Bonds of the lien created by the Bond Indenture on the Trust Estate, or (g) an extension of the date for making any scheduled mandatory redemption payment.

If at any time the Authority shall request the Bond Trustee to enter into an indenture supplemental to the Bond Indenture for any of the purposes summarized under this subcaption, the Bond Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such supplemental indenture to be given to the Bond Insurer and to the Bondholders in the same manner as provided in the Bond Indenture for the giving of notices of redemption; provided that prior to the delivery of such notice, the Bond Trustee may require that an opinion of Bond Counsel be furnished to the effect that the supplemental indenture complies with the provisions of the Bond Indenture and, with respect to the Bonds, will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes. Such notice shall briefly set forth the nature of the proposed supplemental indenture and shall state that copies thereof are on file at the Principal Office of the Bond Trustee for inspection by all Bondholders and the Bond Insurer. If, within 60 days or such longer period as shall be prescribed by the Authority following such notice, the Bond Insurer or the owners of not less than a majority in aggregate principal amount of the Bonds Outstanding, subject to the rights of the Bond Insurer summarized in subparagraph (a) under the caption "THE BOND INDENTURE — *Bond Insurer Covenants*" in this APPENDIX E, at the time of the execution of such supplemental indenture shall have consented to the execution thereof, no Bondholder shall have any right to object to any of the provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Bond Trustee or the Authority from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such supplemental indenture as permitted and provided by the provisions of the Bond Indenture summarized under this subcaption, the Bond Indenture shall be and be deemed to be modified and amended in accordance therewith.

The Bond Trustee shall give prior written notice of a proposed amendment to the Bond Indenture to any Rating Agency maintaining a rating on any of the Bonds, but such notice shall not be a condition to the effectiveness of such amendment.

Additional Provisions Relating to the Execution of Supplements and Amendments to the Bond Indenture. Anything in the Bond Indenture to the contrary notwithstanding, so long as an Event of Default has not occurred and is continuing under the Bond Indenture a supplemental indenture shall not

become effective unless and until the Obligated Group Agent shall have consented to the execution and delivery thereof.

The Bond Trustee shall be entitled to receive, and shall be fully protected in relying upon, the opinion of any counsel approved by it, who may be counsel for the Authority, as conclusive evidence that a proposed supplemental indenture complies with the provisions of the Bond Indenture, and that it is proper for the Bond Trustee, under the provisions of the Bond Indenture, to join in the execution of such supplemental indenture.

Notwithstanding anything contained elsewhere in either Bond Indenture, the rights and obligations of the Borrower, the Authority, the Bond Trustee and the Holders of the Bonds, and the terms and provisions of the Bonds and the Bond Indenture, any other Basic Agreement or any supplemental agreement may be modified or altered in any respect with the consent of the Borrower, the Obligated Group Agent, the Authority, the Bond Trustee, the Bond Insurer (so long as the Bond Insurer is not in default under the Bond Insurance Policy) and the Holders of all of the Bonds then outstanding.

The Bond Trustee shall not be obligated to sign any amendment or supplement to the Bond Indenture or to any Bonds if the amendment or supplement, in the judgment of the Bond Trustee, could adversely affect the rights, duties, liabilities, protections, privileges, indemnities or immunities of the Bond Trustee. In signing an amendment or supplement to the Bond Indenture, the Bond Trustee (subject to certain provisions of the Bond Indenture) shall be fully protected in relying on an opinion of Bond Counsel stating that such amendment or supplement is authorized by the Bond Indenture and will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds.

Amendments to the Loan Agreement and Obligation Not Requiring Consent of Bondholders; Waivers. The Authority and the Borrower may, with the prior written consent of the Bond Trustee, the Obligated Group Agent and the Bond Insurer, amend or modify the Loan Agreement or the Obligation in any manner not inconsistent with the terms and provisions of the Bond Indenture for any one or more of the following purposes: (a) to cure any ambiguity or formal defect in the Loan Agreement or the Obligation; (b) to grant to or confer upon the Authority or Bond Trustee, for the benefit of the Bondholders, any additional rights, remedies, powers or authorities that lawfully may be granted to or conferred upon the Authority or the Bond Trustee; (c) to amend or modify the Loan Agreement or the Obligation 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 Bonds; (d) to make any revisions to the Loan Agreement that shall be necessary in connection with the Borrower or the Authority delivering a substitute bond insurance policy; (e) to modify, amend or supplement the Loan Agreement or the Obligation or any supplement thereto in such manner as the Bond Trustee and the Borrower 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 Bonds; (f) to provide for the appointment of a successor Securities Depository; (g) to provide for the availability of certificated Bonds; (h) to provide for changes in the components of the Project to the extent provided for in the Bond Indenture; and (i) to make any other change which does not, in the opinion of the Bond Trustee, have a material adverse effect upon the interests of the Bondholders. In addition, the Bond Trustee may, subject to the rights of the Bond Insurer under subparagraph (a) of the provisions of the Bond Indenture

summarized in this APPENDIX E under the caption "THE BOND INDENTURE — *Bond Insurer Covenants*," grant such waivers of compliance by the Borrower with the provisions of the Loan Agreement as the Bond Trustee may deem necessary or desirable to effectuate the purposes of and intent of the Loan Agreement and which, in the opinion of the Bond Trustee, do not have a material adverse effect upon the interests of the Bondholders; provided that the Bond Trustee shall file with the Authority any and all such waivers granted by the Bond Trustee within three (3) Business Days thereof.

Amendments to the Loan Agreement and Obligation Requiring Consent of Bondholders. Except for the amendments, changes or modifications summarized under the caption "THE BOND INDENTURE — *Amendments to the Loan Agreement and Obligation Not Requiring Consent of Bondholders*" in this APPENDIX E, neither the Authority nor any Bond Trustee shall consent to any other amendment, change or modification of the Loan Agreement or the Obligation without the written consent of the Holders of not less than a majority in aggregate principal amount of the Outstanding Bonds, subject to the rights of the Bond Insurer summarized in subparagraph (a) under the caption "THE BOND INDENTURE — *Bond Insurer Covenants*" in this APPENDIX E, provided that the prior written consent of the Bond Insurer (so long as the Bond Insurer is not in default under the Bond Insurance Policy) and the Holders of all Bonds Outstanding is required for any amendment, change or modification of the Loan Agreement or the Obligation that would permit the termination or cancellation of the Loan Agreement or the Obligation or a reduction in or postponement of the payments under the Loan Agreement or the Obligation or any change in the provisions relating to payment thereunder except as provided in the provisions of the Bond Indenture summarized under the caption "THE BOND INDENTURE — *Bond Trustee Authorized to Vote Master Indenture Obligations; Exercise of Remedies; Substitution of Obligations*" in this APPENDIX E. Subject to the specific exceptions described above, if at any time the Authority and the Obligated Group Agent shall request the consent of the Bond Trustee to any such proposed amendment, change or modification of the Loan Agreement or the Obligation, the Bond Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of such proposed amendment, change or modification to be given in the same manner as provided by the provisions of the Bond Indenture summarized under the caption "THE BOND INDENTURE — *Supplemental Indentures Requiring Consent of Bondholders*" in this APPENDIX E with respect to supplemental indentures; provided that prior to the delivery of such notice or request, the Bond Trustee or the Authority may require that an opinion of Bond Counsel be furnished to the effect that such amendment, change or modification complies with the provisions of the Bond Indenture and will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file at the Principal Office of the Bond Trustee for inspection by all Bondholders and the Bond Insurer.

Supplements to the Master Indenture. Subject to the rights of the Bond Insurer summarized in subparagraph (a) under the caption "THE BOND INDENTURE — *Bond Insurer Covenants*" in this APPENDIX E, the Bond Trustee, as the registered owner of the Obligations issued under the Master Indenture, shall be authorized to consent to any supplement to the Master Indenture as may be required by the Master Indenture, without any notice to, or consent of, the Bondholders for any one or more of the following purposes: (a) to add to the covenants and agreements of the Obligated Group Members contained therein other covenants and agreements thereafter to be observed or to surrender, restrict or limit any right or power therein reserved to or conferred upon any Obligated Group Member; (b) to make such provisions for the purpose of curing any ambiguity, or curing, correcting or supplementing any defective provision, contained in the Master Indenture, or in regard to matters or questions arising under

the Master Indenture, as the Obligated Group Members and the Master Trustee may deem necessary or desirable and not inconsistent therewith and which shall not materially and adversely affect the interest of the holders of the Obligations (as defined in the Master Indenture); or (c) to grant additional rights and powers to the Master Trustee.

The Bond Trustee, as the registered owner of the Obligation, is authorized under the Bond Indenture to consent to any supplement to the Master Indenture, as provided in the provisions of the Master Indenture described in APPENDIX C and appearing in the second paragraph under the caption "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE — Supplemental Master Indentures," only upon the consent (evidenced as provided in the Bond Indenture) of the owners of not less than a majority of the outstanding principal amount of the Bonds, subject to the rights of the Bond Insurer summarized in subparagraph (a) under the caption "THE BOND INDENTURE — *Bond Insurer Covenants*" in this APPENDIX E; provided, however, that the Bond Trustee shall not consent to any supplement to the Master Indenture which would extend the maturity of the Obligation or reduce the rate of interest thereon or extend the time for payment thereof or reduce the amount payable thereon unless corresponding changes are being made to the provisions of the Bonds pursuant to a supplemental indenture authorized pursuant to the provisions of the Bond Indenture summarized under the caption "THE BOND INDENTURE — *Supplemental Indentures Requiring Consent of Bondholders*" in this APPENDIX E.

Bond Trustee Authorized to Vote the Obligation; Exercise of Remedies; Substitution of the Obligation. Except as provided below or summarized in subparagraph (a) under the caption "THE BOND INDENTURE — *Bond Insurer Covenants*" in this APPENDIX E, the Bond Trustee, as assignee under the Bond Indenture of the Obligation, shall be entitled to vote the Obligation or the indebtedness represented thereby in connection with any proposed amendment, change, modification, waiver or consent (hereinafter in this subcaption referred to as an "amendment") to or in respect of the Master Indenture. The Bond Trustee may agree to any such amendment, without obtaining the consent of or the provision of notice to the owners of the Bonds, if the Bond Trustee determines that the effect of such amendment is not materially adverse to the interests of the owners of the Bonds. If the Bond Trustee cannot make such determination, the Bond Trustee shall solicit the consent of the owners of the Bonds to such amendment, subject to the rights of the Bond Insurer summarized in subparagraph (a) under the caption "THE BOND INDENTURE — *Bond Insurer Covenants*" in this APPENDIX E. The Bond Trustee shall consent to such amendment if the Holders of at least a majority in principal amount of then Outstanding Bonds consent to such amendment, subject to the rights of the Bond Insurer summarized in subparagraph (a) under the caption "THE BOND INDENTURE — *Bond Insurer Covenants*" in this APPENDIX E; provided that (i) no such consent shall be given to an amendment which affects the rights of some but less than all the Outstanding Bonds without the consent of the Holders of a majority in aggregate principal amount of the Bonds affected, subject to the rights of the Bond Insurer summarized in subparagraph (a) under the caption "THE BOND INDENTURE — *Bond Insurer Covenants*" in this APPENDIX E, and (ii) no such consent shall be given to an amendment which alters the time, amounts, currency or payment terms of the Obligation without the consent of the Holders of all Outstanding Bonds.

The Bond Trustee is authorized and directed by the terms of the Bond Indenture to accept substitute promissory notes (the "Substitute Obligations") in substitution for the Obligation, which Substitute Obligations must provide for the full and timely repayment of the Bonds on substantially the same repayment terms as the original Obligation and must be executed and delivered to the Bond Trustee by an entity or a group of entities of which the Borrower is a part, upon receipt of: (i) the written request

of the Obligated Group Agent; (ii) an opinion of Bond Counsel to the effect that the substitution of the Substitute Obligations for the Obligation complies with the terms of the Bond Indenture and, with respect to the Bonds, will not cause the interest on the Bonds to become includable in the gross income of the owners thereof for federal tax purposes; (iii) an opinion of counsel to the Obligated Group Agent to the effect that the Substitute Obligation is a valid and binding obligation of the obligor or obligors thereunder; and (iv) the prior written consent of the Bond Insurer.

Defeasance of Lien of Bond Indenture. Subject to the provisions of the Bond Indenture summarized under the caption "THE BOND INDENTURE — *Bond Insurer Covenants*" in this APPENDIX E, when the Authority has paid or has been deemed to have paid, within the meaning of the Bond Indenture, to the Holders of all of the Bonds the principal and interest due or to become due thereon at the times and in the manner stipulated therein and in the Bond Indenture, all Reimbursement Amounts have been paid to the Bond Insurer, and all other obligations owing to the Bond Trustee under the Bond Indenture and the Loan Agreement have been paid or provided for, the lien of the Bond Indenture on the Trust Estate shall terminate. Upon the written request of the Authority or the Obligated Group Agent, the Bond Trustee shall, upon the termination of the lien of the Bond Indenture, promptly execute and deliver to the Authority, with a copy to the Obligated Group Agent and the Borrower, an appropriate discharge of the Bond Indenture, except that the Bond Trustee shall continue to hold in trust amounts held for the payment of the principal of, premium, if any, and interest on any Bonds not presented for payment when the principal thereof became due, either at maturity or on the date fixed for redemption thereof, or otherwise, all in accordance with the provisions of the Bond Indenture.

Outstanding Bonds under the Bond Indenture shall be deemed to have been paid within the meaning of the defeasance provisions of the Bond Indenture if the Bond Trustee shall have paid to the Holders of the Bonds, or shall be holding in trust for and shall have irrevocably committed to the payment of such Outstanding Bonds, moneys sufficient for the payment of all principal of and interest on the Bonds to the date of maturity or redemption, as the case may be; provided that if any of the Bonds are deemed to have been paid prior to the earlier of the redemption or the maturity thereof, the Bond Trustee, the Bond Insurer, the Borrower and the Authority shall have received an opinion of Bond Counsel that such payment and the holding thereof by the Bond Trustee shall not in and of itself cause interest on the Bonds to be included in gross income for federal income tax purposes; and provided, further, that if any the Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been duly given to the Bondholders and the Borrower or irrevocable provision satisfactory to the Bond Trustee shall have been duly made for the giving of such notice; and provided, further, that Bonds paid by payments made under a Bond Insurance Policy shall be deemed to be Outstanding Bonds until the Bond Insurer is paid all Reimbursement Amounts. Any investments of such moneys may be made only in Defeasance Securities that mature in an amount and at such time so that sufficient cash will be available to pay the principal or redemption price of the Bonds when due, as confirmed in writing by the Bond Trustee to the Bond Insurer, and any such moneys that are not invested shall at all times be insured by the Federal Deposit Insurance Corporation.

Outstanding Bonds under the Bond Indenture also shall be deemed to have been paid for the purposes of the defeasance provisions of the Bond Indenture if the Bond Trustee shall be holding in trust for and shall have irrevocably committed to the payment of such Outstanding Bonds cash (which shall at all times be insured by the Federal Deposit Insurance Corporation) and/or Defeasance Securities the payments on which when due, without reinvestment, will provide moneys which, together with moneys,

if any, so held and so committed, shall be sufficient for the payment of all principal of and interest and premium, if any, on the Bonds to the date of maturity or redemption, as the case may be; provided that if any of the Bonds are deemed to have been paid prior to the earlier of the redemption or the maturity thereof, the Bond Trustee, the Authority, the Borrower and the Bond Insurer shall have received (i) an opinion of Bond Counsel that upon the creation of such escrow the Bonds would no longer be Outstanding under the Bond Indenture, (ii) an escrow deposit agreement in form and substance acceptable to the Bond Insurer, (iii) a certificate of discharge of the Bond Trustee with respect to the Bonds and (iv) unless there is a gross defeasance, a report in form and substance acceptable to the Bond Insurer, the Bond Trustee and the Obligated Group Agent of a firm of certified public accountants or such other experts experienced in the preparation of similar reports acceptable to the Bond Insurer (a "Verification"), the Bond Trustee and the Obligated Group Agent verifying that the payments on such Defeasance Securities, if paid when due and without reinvestment, will, together with any moneys so deposited, be sufficient for the payment of all principal of and interest on the Bonds to the date of maturity or redemption, as the case may be; and provided, further, that if any the Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been duly given or irrevocable provision satisfactory to the Bond Trustee shall have been duly made for the giving of such notice. The Bond Insurer shall be provided with final drafts of such documents not less than five Business Days prior to the date of the proposed defeasance.

Any moneys held by the Bond Trustee in the manner provided by the provisions of the Bond Indenture summarized under this subcaption shall be invested by the Bond Trustee in the manner provided by the provisions of the Bond Indenture summarized under the caption "THE BOND INDENTURE — *Investment of Funds*" in this APPENDIX E (but only to the extent that such investments are available) only in Defeasance Securities which do not contain provisions permitting redemption at the option of the issuer, the maturities or redemption dates, without premium, of which shall coincide as nearly as practicable with, but not be later than, the time or times at which said moneys will be required for the aforesaid purposes. The making of any such investments or the sale or other liquidation thereof shall not be subject to the control of the Authority or the Borrower, and the Bond Trustee shall have no responsibility for any losses resulting from such investment.

Notwithstanding the foregoing, if Bonds are being advance refunded, moneys to accomplish such advance refunding shall be invested only in Defeasance Securities with maturity dates on or prior to the date on which the Bonds are to be redeemed or mature, or there shall be delivered to the Bond Trustee written confirmation from each Rating Agency then providing a rating on the Bonds that its rating on the Bonds will not be reduced or withdrawn as a result of such advance refunding.

Notwithstanding anything in the Bond Indenture to the contrary, in the event that the principal and/or interest due on any Bonds shall be paid by the Bond Insurer pursuant to the Bond Insurance Policy, the Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Borrower, and the assignment and pledge of the Trust Estate and all covenants, agreements and other obligations of the Borrower to the applicable registered owners shall continue to exist and shall run to the benefit of the Bond Insurer, and the Bond Insurer shall be subrogated to the rights of such registered owners.

After all of the Outstanding Bonds under the Bond Indenture shall be deemed to have been paid and all other amounts required to be paid under the Bond Indenture shall have been paid, then upon the

termination of the Bond Indenture any amounts in the Bond Fund shall be paid first to the Bond Trustee and then to the Authority to the extent necessary to repay any unpaid obligations owing to the Bond Trustee and/or the Authority under the Bond Indenture and the Loan Agreement, and then to the Bond Insurer to the extent necessary to pay any Reimbursement Amounts owing to the Bond Insurer, and thereafter the remainder, if any, shall be paid to the Borrower.

Additionally, if provision for payment of a Bond is made and the interest rate on such Bond may change or be reset in accordance with the provisions of the Bond Indenture during the period between the date that funds and/or Defeasance Securities are deposited with the Bond Trustee and the date that the Bonds are purchased, redeemed or otherwise paid, then the amount of such funds and/or Defeasance Securities (taking into account the proceeds thereof) to be deposited with the Bond Trustee shall be sufficient to pay the principal of and interest on such Bond when due (whether such due date be by reason of maturity or upon redemption or otherwise) and purchase price for such Bond if tendered for purchase prior to its due date assuming that such Bond bore interest at the Maximum Bond Interest Rate during such period. After payment of such Bond, if, as a result of any such interest rate assumption, excess funds remain on deposit with the Bond Trustee, subject to compliance with the provisions of the Bond Indenture, the Code and the Tax Agreement, such funds shall be returned to the Borrower.

Notwithstanding anything to the contrary in the Bond Indenture, upon the provision for payment of the Bonds or a portion thereof as specified above, the optional redemption provisions of the Bond Indenture allowing the Bonds to be called prior to maturity upon proper notice (notwithstanding provision for the payment of the Bonds having been made through a date after the first optional redemption date provided for in the Bond Indenture) shall remain available to the Authority, upon direction of the Obligated Group Agent, unless, in connection with making the deposit to effectuate any such optional redemption, the Authority, at the direction of the Obligated Group Agent, shall have irrevocably elected to waive any future right to call the Bonds or portions thereof for redemption prior to maturity. Notwithstanding anything to the contrary in the Bond Indenture, upon the provision for payment of the Bonds or a portion thereof prior to the maturity thereof as specified above under this subcaption, the Authority, upon direction of the Obligated Group Agent, may elect to pay the Bonds on the respective maturity dates therefor unless, in connection with making such payment, the Authority, at the direction of the Obligated Group Agent, shall have irrevocably elected to waive such right to provide for the payment thereof on the maturity date. No such redemption or restructuring shall occur, however, unless the Obligated Group Agent shall deliver on behalf of the Authority to the Bond Trustee (a) Defeasance Securities and/or cash sufficient to discharge the Bonds (or portion thereof) on the redemption or maturity date or dates selected, (b) a Verification verifying that such Defeasance Securities, together with the expected earnings thereon, and/or cash will be sufficient to provide for the payment of the Bonds to the redemption or maturity dates, with a copy addressed to the Bond Insurer, and (c) with respect to Bonds, an opinion of Bond Counsel to the effect that such earlier redemption or restructuring will not result in the loss of any exemption for purposes of federal income taxation to which interest on the Bonds would otherwise be entitled, with a copy addressed to the Bond Insurer. The Bond Trustee will give written notice of any such redemption or restructuring to the owners of the Bonds affected thereby.

Further Assurance. The Authority, at the written request of the Bond Trustee, will from time to time execute, deliver and record and file such instruments as may be reasonably required to confirm, perfect or maintain the security interests created by the Bond Indenture and the transfer, assignment and grant of rights under the Bond Indenture; provided, however, that the Authority shall not be required to

take any such action if and for so long as it, upon advice of counsel, reasonably believes that such action would expose it to any liability or expense for which it has not been indemnified to its satisfaction by the Borrower.

THE LOAN AGREEMENT

The following is a summary of certain provisions of the Loan Agreement. Reference is made to the Loan Agreement for a complete description thereof. The discussion herein is qualified by such reference.

General. On the Closing Date, the Borrower entered into the Loan Agreement with the Authority with respect to the Series 2007A Bonds, pursuant to which the Authority lent the proceeds from the sale of the Bonds to the Borrower in return for the Series 2007A Obligations of the Obligated Group. The Obligation issued by the Obligated Group in substitution for the Series 2007A Obligations will be in an aggregate principal amount equal to the aggregate principal amount of the Series 2008A Bonds and will provide for payment of principal and interest thereon sufficient to pay the principal and interest on the Bonds.

The Loan Agreement has been assigned by the Authority to the Bond Trustee pursuant to the Bond Indenture, and the Bond Trustee will have the right under to enforce the covenants and obligations of the Borrower contained in the Loan Agreement (except for the Reserved Rights). The Obligated Group will make payments on the Obligation directly to the Bond Trustee.

Provision for Payment of Loan Payments. The Borrower agrees under the Loan Agreement to make Loan Payments under the Loan Agreement in such amounts as shall be sufficient to make all payments of principal of and interest on the Bonds when due and payable. The Borrower agrees under the Loan Agreement to make the foregoing payments to the Bond Trustee no later than five Business Days prior to the date that the principal of and interest on the Bonds is due and payable by the Bond Trustee to the Holders thereof.

The Borrower shall secure the repayment of the loan made pursuant to the Loan Agreement by issuing and delivering the Obligation to the Bond Trustee. The Borrower shall receive credit against its payment obligations under the Loan Agreement for payments made under the Obligation.

Any moneys on deposit in the Bond Indenture from funds provided by the Borrower pursuant to the Obligation or otherwise deposited in the Bond Fund shall be credited against the obligation of the Borrower to pay the principal of and interest on the Bonds.

Assignment of Authority's Rights. As security for the payment for the Bonds issued under the Bond Indenture, the Authority will assign to the Bond Trustee all the Authority's rights in the Loan Agreement (except the Authority's Reserved Rights) pursuant to the Bond Indenture. The Borrower consents to such assignment and agrees to make payment of all sums assigned by the Authority directly to the Bond Trustee without defense or set-offs by reason of any dispute between the Borrower and the Authority or the Borrower and the Bond Trustee.

Obligations Unconditional. The Borrower's obligations under the Loan Agreement and the Borrower's obligations under the Obligation are continuing, unconditional and absolute, are independent of and separate from any obligations of the Authority, and may not be diminished or deferred for any reason whatsoever, irrespective of the doing of any act or the omission thereof by the Authority or the Bond Trustee, irrespective of the existence of any other circumstances which might otherwise constitute a legal or equitable defense or discharge of the obligations of the Borrower thereunder, including without limitation (i) any matters of abatement, setoff, counterclaim, recoupment, defense or other right the Borrower may have against the Authority or the Bond Trustee, suppliers of any portion of the Bond Financed Property or anyone for any reason whatsoever; (ii) compliance with specifications, conditions, design, operation, disrepair or fitness for use of, or any damage to or loss or destruction of any portion of the Bond Financed Property, any condemnation or sale in anticipation of condemnation of all or any portion of the Bond Financed Property, or any interruption or cessation in the use or possession thereof by the Borrower, for any reason whatsoever; (iii) any insolvency, bankruptcy, reorganization or similar proceedings by or against the Borrower; (iv) any failure of any supplier to deliver any portion of the Bond Financed Property for any reason whatsoever, except as otherwise provided in the Loan Agreement; (v) any acts or circumstances that may constitute failure of consideration, sale, loss, destruction or condemnation of or damage to the Bond Financed Property; or (vi) any change in the tax or other laws of the United States of America or of the State or any political subdivision of either or any failure of the Authority to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or in connection with the Loan Agreement. The Borrower waives, to the extent permitted by applicable law, any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender the Loan Agreement, except in accordance with the express terms of the Loan Agreement. It is the intention of the parties to the Loan Agreement that the payments on the Obligation shall be made to the Bond Trustee without diminution of any kind.

Master Indenture Covenants. The Borrower agrees under the Loan Agreement to perform the covenants applicable to it contained in the Master Indenture or any successor agreement thereto while the Master Indenture or any successor agreement is in effect.

Covenants Relating to the Tax Status of the Bonds. The Borrower and the Authority covenant under the Loan Agreement that each will not take (or fail to take) any action or permit (or fail to permit) any action to be taken on its behalf, or cause or permit any circumstance within its control to arise or continue, if such action or circumstance, or its reasonable expectation on the date of issuance of the Bonds, would cause the interest on the Bonds to be includable in the gross income of owners thereof for federal income tax purposes. In furtherance of the foregoing, the Borrower agrees under the Loan Agreement that it will take no action or suffer any action to be taken by others which will alter, change or destroy its status as a Tax-Exempt Organization.

Any provisions in the Loan Agreement, a Tax Agreement or the Bond Indenture to the contrary notwithstanding, the Borrower covenants under the Loan Agreement that, as long as any of the Bonds remain outstanding, and with respect to investment of moneys on deposit in the various funds established by the Bond Indenture, whether such moneys were derived from the proceeds of the Bonds or from any other source, no use will be made of such moneys which would cause the Bonds to be classified as "arbitrage bonds" within the meaning of Section 148 of the Code, and the Borrower further covenants to comply with the requirements of Section 148 of the Code and any regulations promulgated thereunder.

The Borrower agrees under the Loan Agreement that it will not take any action or fail to take any action with respect to the purchase of other obligations of the Authority that may result in constituting the Bonds "arbitrage bonds" and that neither it nor any related person (as defined in Section 144(a)(3) or Section 147(a) of the Code) shall, pursuant to an arrangement, formal or informal, purchase obligations of the Authority in an amount related to the amount of the Obligation. The Authority covenants that it will impose a substantially similar limitation with respect to the purchase of obligations of the Authority on all borrowers from the Authority which are borrowing to finance health care facilities.

The Borrower acknowledges under the Loan Agreement that, in the event of an examination by the Internal Revenue Service of the federal income tax exemption for interest paid on the Bonds, the Authority is likely to be treated as a "taxpayer" in such examination, and the Borrower agrees that it will respond, and will direct the Authority to respond, to any inquiries from the Internal Revenue Service in connection with such examination. The Authority covenants under the Loan Agreement that it will, to the extent legally permissible, cooperate with the Borrower, at the Borrower's expense and at its direction, in connection with such examination, and the Borrower agrees under the Loan Agreement to indemnify the Authority against any liability arising from such examination.

Use of Properties. The Borrower covenants under the Loan Agreement that it will use the Bond Financed Property only in furtherance of the lawful corporate purposes of the Borrower and its affiliates and only for purposes permitted by the Act. The Borrower further agrees that it will not use the Bond Financed Property or any part thereof in a manner which is prohibited by the Establishment of Religion Clause of the First Amendment to the Constitution of the United States of America and the decisions of the United States Supreme Court interpreting the same or by any comparable provisions of the Constitution of the State and the decisions of the Supreme Court of the State interpreting the same. The Borrower agrees in the Loan Agreement that it will comply with the restriction stated in the preceding sentence, notwithstanding the payment in full of the Obligation and the termination of the Loan Agreement. The foregoing restrictions shall not be construed to prevent the Borrower from (i) maintaining a chapel not financed with the proceeds of the Bonds for the use of patients, employees and visitors as part of its health care facilities or (ii) implementing pastoral care programs. The foregoing restrictions shall not apply to any building or structure now or hereafter constituting a part of its health care facilities that is not part of the Bond Financed Property. The Borrower further agrees under the Loan Agreement that it will not use the Bond Financed Property, or permit the Bond Financed Property to be used, in such manner as would cause the interest on the Bonds to be includable in gross income for federal income tax purposes.

Rates and Charges. The Borrower covenants and agrees under the Loan Agreement to charge such fees and rates for its health care facilities and services and to exercise such skill and diligence so as to provide income from its property that are sufficient, together with other available funds, to pay promptly all expenses of operation, maintenance and repair of its property, all amounts owing on the Obligation and all other payments required to be made by the Borrower under the Loan Agreement. The Borrower further covenants and agrees that it will, from time to time and as often as necessary, to the extent permitted by law, revise its rates, fees and charges in such manner or take such other action as may be necessary or proper to comply with the provisions of the Loan Agreement summarized under this subcaption. The provisions of the Loan Agreement summarized in this paragraph shall not be construed to prohibit the Borrower from serving indigent patients to the extent required for the Borrower to continue its qualification as a Tax-Exempt Organization or from serving indigent patients or any other class or

classes of patients without charge or at reduced rates as long as the provision of such service does not prevent the Borrower from satisfying the other requirements summarized under this paragraph.

Financial Statements; Additional Information. The Borrower covenants under the Loan Agreement that it will (i) 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, the business and affairs of the Borrower in accordance with generally accepted principles of accounting consistently applied; provided, however, that the method of recording entries in the books of records and accounts may be changed to reflect any changes in generally accepted accounting principles in effect as long as any such change is reflected in the notes accompanying the consolidated financial statements of EHSC for the year in which such change is made, (ii) furnish the materials and notices required to be delivered to the Master Trustee under the Master Indenture to the Authority, the Bond Trustee and the Bond Insurer, (iii) furnish such additional information to the Authority, the Bond Trustee or the Bond Insurer as it may reasonably request, (iv) provide to the Bond Insurer any notices it provides to other parties pursuant to the Master Continuing Disclosure Agreement and (v) at any reasonable time, permit the Bond Insurer to (a) discuss the affairs, finances and accounts of the Borrower or any information that the Bond Insurer may reasonably request regarding the security for the Bonds, (b) have access to the Project and (c) make copies of all books and records of the Borrower relating to the Bonds.

Maintenance of Corporate Existence and Qualification. Unless the Borrower complies with the following provisions of this paragraph, the Borrower agrees under the Loan Agreement that as long as any Bonds are outstanding it will maintain its existence, will not dissolve, liquidate or otherwise dispose of all or substantially all of its assets, and will not consolidate with or merge into another entity or permit one or more other entities to consolidate with or merge into it. Any dissolution, liquidation, disposition, consolidation or merger affecting the Borrower shall be subject to the following conditions set forth in the Loan Agreement: (a) the Borrower provides a certificate to the Authority and the Bond Trustee, in form and substance satisfactory to such parties, to the effect that no Loan Default exists under the Loan Agreement or the Bond Indenture and that no Loan Default will be caused by the dissolution, liquidation, disposition, consolidation or merger; (b) the entity surviving the dissolution, liquidation, disposition, consolidation or merger, if other than the Borrower, assumes in writing and without condition or qualification the obligations of the Borrower under each of the Basic Agreements to which the Borrower is a party; (c) the Borrower or the entity surviving the dissolution, liquidation, disposition, consolidation or merger, within ten (10) days after execution thereof, furnishes to the Authority and the Bond Trustee a true and complete copy of the instrument of dissolution, liquidation, disposition, consolidation or merger; (d) neither the validity nor the enforceability of the Bonds, the Bond Indenture or any agreements to which the Borrower is a party is adversely affected by the dissolution, liquidation, disposition, consolidation or merger; (e) the exclusion of the interest on the Bonds from gross income for federal income tax purposes is not adversely affected by the dissolution, liquidation, disposition, consolidation or merger, and the provisions of the Act, the Bond Indenture and the Basic Agreements are complied with concerning the dissolution, liquidation, disposition, consolidation or merger; (f) no rating on the Bonds, if the Bonds are then rated, is reduced or withdrawn as a result of the dissolution, liquidation, disposition, consolidation or merger; provided, however, that this condition need not be satisfied if an Affiliate (as defined in APPENDIX C to this Official Statement) of the Borrower merges into the Borrower; (g) any successor to the Borrower shall be qualified to do business in the State and shall continue to be qualified to do business in the State throughout the term of the Loan Agreement; (h) the Project continues to be as described in the Loan Agreement; and (i) the Authority has executed a certificate acknowledging receipt

of all documents, information and materials required to be delivered to be delivered to it pursuant to the provisions of the Loan Agreement summarized in this paragraph.

As of the effective date of the dissolution, liquidation, disposition, consolidation or merger, the Borrower (at its cost) shall furnish to the Authority and the Bond Trustee (i) an opinion of Bond Counsel, in form and substance satisfactory to such parties, as to items (d) and (e) of the foregoing paragraph, and (ii) an opinion of Independent Counsel, in form and substance satisfactory to such parties, as to the legal, valid and binding nature of item (c) of the foregoing paragraph.

Compliance with Laws. The Borrower shall, through the term of the Loan Agreement and at no expense to the Authority, promptly comply or cause compliance with all applicable laws, ordinances, orders, rules, regulations and requirements of duly constituted public authorities which may be applicable to the Bond Financed Property or to the repair and alteration thereof, or to the use or manner of use of such Bond Financed Property, including, but not limited to, the Americans with Disabilities Act, Illinois Accessibility Code, all Federal, State and local environmental, health and safety laws, rules, regulations and orders applicable to or pertaining to such Bond Financed Property, Federal Worker Adjustment and Retraining Notification Act and Illinois Prevailing Wage Act.

Recording and Maintenance of Liens. The Borrower will, at its own expense, take all necessary action to maintain and preserve the liens and security interest of the Loan Agreement, the Bond Indenture, the Master Indenture, the Obligation and any other relevant documents (collectively, the "Documents") so long as any principal or interest on the Bonds remains unpaid. The Borrower will, forthwith after the execution and delivery of the Documents and thereafter from time to time, cause the Documents, including any amendments thereof and supplements thereto, and any financing statements in respect thereof to be filed, registered and recorded in such manner and such places as may be required by law in order to publish notice of and fully to perfect and protect (i) the lien and security interest thereof upon the Trust Estate, and (ii) the lien and security interest therein granted to the Bond Trustee or the owners of the Bonds, if any, to the rights, if any, of the Authority, if any, assigned under the Documents, and from time to time will perform or cause to be performed any other act as provided by law and will execute or cause to be executed any and all continuation statements and further instruments necessary for such publication, perfection and protection. Except to the extent it is exempt therefrom, the Borrower will pay or cause to be paid all filing, registration and recording fees incident to such filing, registration and recording, and all expenses incident to the preparation, execution and acknowledgment of such instruments of further assurance, and all federal or state fees and other similar fees, duties, imposts, assessments and charges arising out of or in connection with the execution and delivery of any Documents and such instruments of further assurance. The Authority shall have no responsibility for the preparation, filing or recording of any instrument, document or financing statement or for the maintenance of any security interest intended to be perfected thereby. The Authority will execute such instruments provided to it by the Borrower as may be reasonably necessary in connection with such filing or recording.

Accreditation and Licensure. The Borrower warrants under the Loan Agreement that its existing hospital facilities are currently accredited by the Joint Commission on Accreditation of Healthcare Organizations and that all of its health care facilities have all material State and local licenses and permits currently required for the occupation and operation thereof. The Borrower will obtain and maintain all such licenses and permits required for its operations and for the occupation and operation of its health care facilities, including the health care facilities comprising the Bond Financed Property. The Borrower

will use its best efforts to maintain such or similar accreditation for its existing hospital facilities as long as it is operated by the Borrower.

Government Grants. The Borrower covenants under the Loan Agreement to comply with all of the terms and provisions of any government grants and the laws and regulations under which they are made that it receives which, if not complied with, could result in the creation of a Lien against its property that does not constitute a Permitted Encumbrance.

Sale, Lease or Other Transfer of the Bond Financed Property. The Borrower covenants and agrees under the Loan Agreement that it will not sell, lease or otherwise dispose of, directly or indirectly, in whole or in part, any of the Bond Financed Property unless the conditions set forth in the Tax Agreement are satisfied.

Prepayment of the Loan and the Obligation. At the option of the Borrower, at the direction of the Obligated Group Agent, and after giving at least 35 days' written notice by United States mail to the Authority, the Bond Insurer and the Bond Trustee (or such lesser period of notice as may be acceptable to the Bond Trustee), the Borrower may prepay all or a portion of the loan made to the Borrower pursuant to the Loan Agreement by paying to the Bond Trustee then applicable optional redemption price of all or a portion of the Bonds or by paying to the Bond Trustee an amount (or securities meeting the requirements of the Bond Indenture summarized under the caption "THE BOND INDENTURE — *Defeasance of Lien of Bond Indenture*" in this APPENDIX E) sufficient to defease all or any portion of the Bonds under the provisions of the Bond Indenture summarized under the caption "THE BOND INDENTURE — *Defeasance of Lien of Bond Indenture*" in this APPENDIX E, or to redeem any Bonds otherwise subject to redemption under the Bond Indenture. If any Bonds are to be called for redemption in connection with such prepayment, irrevocable written instructions to the Bond Trustee to call the Bonds for redemption shall be provided by the Borrower with the written notice described above. Upon prepayment of the full amount of the loan made to the Borrower pursuant to the Loan Agreement and payment of all amounts due to the Bond Insurer under the Bond Indenture, the Loan Agreement will terminate, except for certain obligations and covenants in the Loan Agreement which will continue in perpetuity including, among others, those covenants summarized under the caption "THE LOAN AGREEMENT — *Covenants Relating to the Tax Status of the Bonds*" in this APPENDIX E.

Deposit to Bond Fund for Compliance with Maturity Limitation. If any recalculation of the average reasonably expected economic life of the assets financed with the proceeds of the Bonds demonstrates that the average maturity of the Bonds exceeds 120% of the average reasonably expected economic life of the assets financed with the proceeds of the Bonds, the Borrower covenants and agrees under the Loan Agreement to deposit in the Bond Fund, as a prepayment of the Obligation, an amount determined by the Borrower to be sufficient, in the opinion of Bond Counsel, to cause the average maturity of the Bonds to be no more than 120% of the average reasonably expected economic life of the assets financed with the proceeds of the Bonds. Any such deposit to the Bond Fund shall be made at such time as will permit the Bond Trustee to give proper notice of redemption pursuant to the provisions of the Bond Indenture.

Loan Term. The Borrower's obligations under the Loan Agreement will commence on the date of the execution and delivery of the Loan Agreement and will terminate after payment in full of (i) all principal of and interest on the Bonds or the provision for the payment thereof shall have been made

pursuant to the Bond Indenture; (ii) all fees, charges and indemnities and expenses of the Authority and the Bond Trustee, if any, have been fully paid or provision made for such payment (the payment of such amounts shall be evidenced by a written certificate of the Borrower that it has fully paid or provided for the payment of such fees, charges and indemnities and expenses); and (iii) all other amounts due under the Loan Agreement, the Bond Indenture and the Obligation have been fully paid or provision made for such payment; provided, however, that certain covenants and obligations set forth in the Loan Agreement, including, among others, those covenants summarized under the caption "THE LOAN AGREEMENT — *Covenants Relating to the Tax Status of the Bonds*" in this APPENDIX E shall survive the termination of the Loan Agreement and the payment in full of the amounts due thereunder and on the Obligation.

Changes in or Amendments to Project Documents. The Borrower, at the direction of the Obligated Group Agent, may make, authorize or permit such changes in or amendments to the Project Documents (as defined in the Loan Agreement) for the Project as the Borrower may reasonably determine are necessary or desirable; provided, however, that no such change or amendment shall be made to the Schedule (as defined in the Loan Agreement) or any other portion of such Project Documents which relates to the designation of what is included in the Project unless (a) the Borrower has given written notice to the Authority (unless such change or amendment is in the form of a change order which does not change the nature of the Project), (b) such change or amendment will not cause the weighted average maturity of the Bonds to exceed 120% of the weighted average of the reasonably expected economic life of the property financed with the proceeds of the Bonds, unless the Borrower first certifies to the Bond Trustee and the Authority in a written statement that it expects to be able to shorten the average maturity of the Bonds to not more than 120% of the average reasonably expected economic life of the property financed with the Bonds pursuant to the provisions of the Loan Agreement described in this APPENDIX E under the caption "THE LOAN AGREEMENT — *Deposit to Bond Fund for Compliance with Maturity Limitation,*" and (c) such change or amendment will not, when aggregated with all prior changes or amendments to the Schedule or other Project Documents, cause the total estimated cost of the Project to exceed the amount on deposit in the Project Fund plus (i) a reasonable estimate of the investment income thereon and on other funds held by the Bond Trustee and available for the Project, (ii) funds held by the Borrower and committed by the Borrower for the completion of the Project and (iii) the amount committed to the Borrower to the Project through enumerated bank loans (including letters of credit) and federal or State grants. The Borrower may rely on a certificate of the Bond Trustee as to the amounts available or to be available in the Project Fund to complete the Project as aforesaid.

No such change or amendment shall be made which would (i) result in a Project being used for any purpose prohibited by the provisions of the Loan Agreement described in this APPENDIX E under the caption "THE LOAN AGREEMENT — *Use of Properties*," (ii) violate or conflict with the terms of any approvals or findings of non-reviewability concerning a Project by the Illinois Health Facilities Planning Board, (iii) result in a Project or any portion thereof not being located on Land owned by the Borrower and referred to in the TEFRA notice or (iv) violate or conflict with any provision of the Project Certificate or the Tax Agreement unless the Borrower provides to the Authority and the Bond Trustee an opinion of Bond Counsel that a waiver of any such violation or conflict by the Authority and the Bond Trustee, or an amendment to the Project Certificate or the Tax Agreement made in order to cure any such violation or conflict, will not adversely affect the validity or enforceability of the Bonds or any exemption from federal income taxation to which interest on the Bonds would otherwise be entitled. A copy of each such change in or amendment to any Project Documents shall be filed promptly with the Authority (unless the right to delivery thereof is waived by the Authority) and the Bond Trustee.

Agreement to Complete the Project. The Borrower agrees under the Loan Agreement to cause the Project to be completed in accordance with the Plans and Specifications and the Schedule (subject to the provisions of the Loan Agreement described in this APPENDIX E under the caption "THE LOAN AGREEMENT — *Change in or Amendments to Project Documents*") and, with reasonable dispatch, to provide all moneys necessary to complete such Project and to acquire or otherwise provide all equipment and furnishings necessary for the operation of such Project as "health facilities" under the Act.

In the event the money in a Project Fund available for payment of the costs of the Project shall not be sufficient to make such payment in full, the Borrower agrees to pay directly, or to deposit moneys in such Project Fund for the payment of, such costs of completing such Project as may be in excess of the moneys available therefor in the Project Fund. THE AUTHORITY DOES NOT MAKE ANY WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, THAT THE MONEYS WHICH WILL BE DEPOSITED INTO THE PROJECT FUNDS, AND WHICH UNDER THE PROVISIONS OF THE LOAN AGREEMENT WILL BE AVAILABLE FOR PAYMENT OF THE COSTS OF THE PROJECT, WILL BE SUFFICIENT TO PAY ALL OF THE COSTS WHICH WILL BE INCURRED IN CONNECTION THEREWITH. The Borrower agrees that if, after exhaustion of the moneys in a Project Fund, the Borrower should pay, or deposit monies in the Project Fund for the payment of, any portion of the costs of the Project, it shall not be entitled to any reimbursement therefor from the Authority, the Bond Trustee or the owners of the Bonds, nor shall it be entitled to any diminution of the amounts payable under the Loan Agreement.

Operation of the Project Fund; Completion Certificate. The Borrower agrees in the Loan Agreement that moneys on deposit in the Project Fund shall be disbursed by the Bond Trustee only in accordance with the terms of the Bond Indenture. At such time as it is necessary to have any certificate of need for the Project revalidated for whatever reason, the Borrower shall deliver to the Authority written notice of such event and shall summarize in such notice the reasons for such revalidation. Upon receiving any such revalidation, the Borrower shall provide a copy thereof to the Bond Trustee. The Borrower agrees to notify the Authority and the Bond Trustee if it receives notice of any violation of any certificate of need for the Project. The Borrower covenants to deliver to the Bond Trustee, within 90 days after the completion of the Project, the statements, certificates, reports and other documents described in the Bond Indenture, including without limitation a recalculation of the average reasonably expected economic life of such Project if required by the provisions of the Bond Indenture. The Borrower agrees that if, after payment by the Bond Trustee of all amounts requested pursuant to Written Requests theretofore tendered to the Bond Trustee and after receipt by the Bond Trustee of all of statements and certificates required to be delivered to the Bond Trustee, there shall remain any moneys in the Project Fund, such moneys may be used as provided in the Bond Indenture; provided that the Borrower delivers to the Bond Trustee the recalculation of the average reasonably expected economic life of the Project required by the Bond Indenture.

Application of Certain Gifts. The Borrower acknowledges under the Loan Agreement that it may receive Restricted Gifts (as hereinafter defined) from time to time. Subject to the provisions of the next paragraph under this subcaption, the Borrower covenants and agrees under the Loan Agreement that, if and when the Borrower receives any Restricted Gifts, the Borrower will transfer the Excess (as hereinafter defined), if any, to the Bond Trustee for the redemption of the Bonds, in accordance with the terms of the Bond Indenture (the "Redemption"); provided, however, that, in connection with such Redemption, the Borrower may direct the Bond Trustee to deposit the Excess into the Bond Fund and invest such Excess at a rate not in excess of the Yield (as defined in the Tax Agreement) on the Bonds,

until such time as the Bonds may be redeemed at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date. The amount of any Restricted Gifts to be so transferred on any date to the Bond Trustee for the Redemption of the Bonds, as applicable, shall be equal to the excess, if any, of (a) the aggregate amount of Restricted Gifts received by the Borrower as of such date over (b) the aggregate amount of moneys not obtained through the issuance of the Bonds, as applicable, which the Borrower has theretofore applied, or intends to apply based on then-current estimates, to payment of costs of the Project (the "Excess"). The proceeds of any such Restricted Gifts related to the Project need not be applied to the Redemption of the Bonds until the aggregate amount thereof held by the Borrower at any time and not previously so applied is at least $100,000.

The Borrower may apply the proceeds of Restricted Gifts in a manner that varies from the requirements set forth above under this subcaption if the Borrower delivers to the Authority and the Bond Trustee an opinion of Bond Counsel to the effect that such application will not adversely affect the validity of the Bonds or the exemption of the interest on the Bonds from federal income taxation under the Code.

As used under this subcaption, the term "Restricted Gifts" means all gifts, grants, donations, bequests or other charitable contributions or below market rate loans, regardless of the form or the source thereof, the proceeds of which, when received by the Borrower, are or will be restricted to, or are intended and segregated by the Borrower to be used for, the payment of costs of all or a portion of the Project.

Restoration of Debt Service Reserve Fund. If at any time the amount on deposit in the Debt Service Reserve Fund (including such fair market value of Qualified Investments, any uninvested cash and the stated amount of any DSRF Credit Facility then on deposit therein) established by the Bond Indenture is less than 90% of the Debt Service Reserve Fund Requirement, the Borrower shall restore the amount on deposit in the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Fund Requirement in not more than 12 substantially equal monthly payments beginning on the first day of the month after the month in which such deficiency occurs. The Borrower will also pay the Bond Trustee the sum of any such deficiency in the Debt Service Reserve Fund following any valuation thereof pursuant to the provisions of the Bond Indenture within 180 days following receipt of notice from the Bond Trustee of such deficiency. In lieu of making such payment, the Borrower may deliver to the Bond Trustee Qualified Investments having a value at least equal to the amount of such deficiency.

In the event that the credit rating of a DSRF Credit Facility Provider (including the Initial DSRF Credit Facility Provider), issuing a DSRF Credit Facility (including the Initial DSRF Credit Facility) on deposit in the Debt Service Reserve Fund is no longer in compliance with the rating requirements set forth in the Bond Indenture, the Borrower shall replace such DSRF Credit Facility (including the Initial DSRF Credit Facility) as soon as practicable, and in any event no later than four months from the date of any such rating downgrade with (i) cash in the amount necessary to fund the Debt Service Reserve Fund in an amount equal to the Debt Service Reserve Fund Requirement, (ii) one or more substitute DSRF Credit Facilities meeting the requirements of the Bond Indenture in a face amount equal to the amount necessary to fund the Debt Service Reserve Fund in an amount equal to the Debt Service Reserve Fund Requirement (which substitute DSRF Credit Facility shall have a term extending at least to the date of expiration of the DSRF Credit Facility which it is replacing) or (iii) a combination of (i) and (ii).

Prior to the expiration date of a DSRF Credit Facility on deposit in the Debt Service Reserve Fund (including the Initial DSRF Credit Facility), the Borrower shall (a) replace such DSRF Credit Facility with another DSRF Credit Facility having a term greater than one year (i) satisfying the requirements of the Bond Indenture and (ii) in a face amount which, taking into account any moneys and DSRF Credit Facilities then on deposit in the Debt Service Reserve Fund, equals the Debt Service Reserve Fund Requirement, (b) deposit in the Debt Service Reserve Fund cash in the amount necessary to fund the Debt Service Reserve Fund in an amount equal to the Debt Service Reserve Fund Requirement or (c) fund the Debt Service Reserve Fund in an amount equal to the Debt Service Reserve Fund Requirement through a combination of (a) and (b).

The Corporation may cancel the Initial DSRF Credit Facility, or any other DSRF Credit Facility, and deposit cash and/or Qualified Investments into the Debt Service Reserve Fund in an amount equal to not less than the Debt Service Reserve Fund Requirement.

Defaults and Remedies. Under the Loan Agreement, if any of the following events occurs, it is defined as and declared to be and to constitute a "Loan Default":

(a) failure by the Borrower to pay any Loan Payment or other payment required to be paid under the Loan Agreement on or before the date on which such Loan Payment is due and payable;

(b) failure by the Borrower to observe and perform any covenant, condition or agreement on its part to be observed or performed under the Loan Agreement other than the failure referred to in subparagraph (a) above or the Tax Agreement for a period of 30 days after written notice specifying such failure and requesting that it be remedied, is given to the party in default by the Authority or the Bond Trustee, unless the Authority and the Bond Trustee shall agree in writing to an extension of such time prior to its expiration, which extension shall be approved by the Bond Insurer; provided, however, that if the failure stated in the notice is correctable but cannot be corrected within the applicable period, the Authority and the Bond Trustee will not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the party in default within the applicable period and diligently pursued until such failure is corrected;

(c) the filing by the Borrower of a petition seeking relief for itself under Title 11 of the United States Code, as now constituted or hereafter amended, or the filing by the Borrower of an answer consenting to, admitting the material allegations of or otherwise not controverting, or the failure of the Borrower to timely controvert, a petition filed against it seeking relief under Title 11 of the United States Code, as now constituted or hereafter amended, or the filing of such petition or answer by the Borrower or the failure of the Borrower to timely controvert such a petition, with respect to relief under the provisions of any other now existing or future applicable bankruptcy, insolvency or other similar law of the United States of America or any state thereof;

(d) the entry of an order for relief, which is not stayed, against the Borrower under Title 11 of the United States Code, as now constituted or hereafter amended, or the entry of an order, judgment or decree by operation of law or by a court having jurisdiction, which is not stayed, adjudging the Borrower a bankrupt or insolvent under, or ordering relief against the

Borrower under, or approving as properly filed a petition seeking relief against the Borrower under, the provisions of any other now existing or future applicable bankruptcy or insolvency or other similar law of the United States of America or any state thereof, or appointing a receiver, liquidator, assignee, sequestrator, trustee or custodian of the Borrower or all or any of substantial portion of the property of the Borrower, or ordering the reorganization, winding up or liquidation of the affairs of the Borrower, or the expiration of 60 days after the filing of any involuntary petition against the Borrower seeking any of the relief specified under this subcaption without the petition being dismissed prior to that time;

(e) a Default shall occur under the Bond Indenture;

(f) a default under the Master Indenture shall have occurred, which default is not cured or waived and extends beyond any period of grace with respect thereto; or

(g) failure by the Borrower to provide an accounting at its expense to the Bond Insurer within 30 days after receipt of a written notice from the Bond Insurer directing the Borrower to do so; provided, however, that if the Borrower cannot comply with such direction within such 30-day period, such period shall be extended by the Bond Trustee as long as the Borrower shall begin to comply with such direction within the initial 30-day period and shall diligently pursue completion of such accounting unless the Bond Insurer determines that such extension would materially adversely affect the Bondholders.

Subparagraph (b) of the foregoing paragraph is subject to the following limitation: If by reason of force majeure, the Borrower is unable in whole or in part to carry out the agreements on its part contained in the Loan Agreement, the Borrower shall not be deemed in default during the continuance of such inability. The term "force majeure" as used in the Loan Agreement shall mean, without limitation, the following: acts of God; strikes, lockouts or other industrial disturbances; Acts of public enemies; orders or restraints of any kind of the government of the United States of America or of the State or any of their departments, agencies or officials, or any civil or military authority; insurrections; riots; landslides; earthquakes; fires; storms; droughts; floods; explosions; or breakage of or accident to machinery, transmission pipes or canals. The Borrower agrees under the Loan Agreement to give the Authority, the Bond Trustee, the Master Trustee and the Bond Insurer, promptly upon its becoming aware of the existence thereof, written notice of (i) any event referred to in subparagraph (c) or (d) above or (ii) the occurrence of any other event or condition which constitutes or which, with the giving of notice or the passage of time, or both will constitute, a Loan Default.

Whenever any Loan Default shall have occurred and be continuing under the Loan Agreement, the Authority and the Bond Trustee shall, in addition to any other remedies provided in the Loan Agreement or by law, have the right, at their option, but with the prior written consent of the Bond Insurer, or at the direction of the Bond Insurer, in either case so long as the Bond Insurer is not in default under the Bond Insurance Policy, without any further demand or notice, to take one or any combination of the following remedial steps: (a) declare all amounts due under the Obligation to be immediately due and payable, and upon written notice to the Borrower the same shall become immediately due and payable without further notice or demand; or (b) take whatever other action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due under the Loan Agreement or to enforce any other rights of the Bond Trustee or the Authority under the Loan Agreement

or as the holder of the Obligation. Notwithstanding the foregoing, any declaration of acceleration pursuant to the preceding clause (a) shall be rescinded upon rescission of any declaration of acceleration of the Bonds pursuant to the provisions of the Bond Indenture. Any moneys collected by the Authority or the Bond Trustee pursuant to the provisions of the Loan Agreement shall be applied in accordance with the provisions of the Bond Indenture summarized in this APPENDIX E under the caption "THE BOND INDENTURE — *Application of Moneys*."

No remedy conferred upon or reserved to the Authority or the Bond Trustee in the Loan Agreement is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Loan Agreement and the Bond Indenture or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right, remedy or power accruing upon any Loan Default shall impair any such right, remedy or power or shall be construed to be a waiver thereof, but any such right, remedy or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority or the Bond Trustee to exercise any remedy reserved to it or them under the provisions of the Loan Agreement summarized under this subcaption, neither the Bond Trustee nor the Authority shall be required to give any notice, other than such notice as may be expressly required by the provisions of the Loan Agreement summarized under this subcaption.

Amendments, Changes and Modifications to the Loan Agreement. Subject to the terms, conditions and provisions of the Bond Indenture, the Authority and the Borrower, with the prior written consent of the Bond Trustee and the Bond Insurer, may from time to time enter into supplements and amendments to the Loan Agreement. An executed copy of any such amendment, change or modification shall be filed with the Bond Trustee. The Bond Trustee may, with the prior written consent of the Bond Insurer, grant such waivers of compliance by the Borrower with provisions of the Loan Agreement which the Bond Trustee deems necessary or desirable to effectuate the purposes or intent of the Loan Agreement and which, in the opinion of the Bond Trustee, do not have a material adverse effect on the interests of the Bondholders, provided that the Bond Trustee shall file with the Authority any and all such waivers granted by the Bond Trustee within three Business Days thereof.

Right of Others to Perform the Borrower's Covenants. If the Borrower shall fail to make any payment or perform any act required to be performed under the Loan Agreement, then and in each such case the Authority or the Bond Trustee may (but shall not be obligated to) remedy such default for the account of the Borrower and make advances for that purpose. No such performance or advance shall operate to refinance the obligations of the Borrower, and any sums so advanced by the Authority or the Bond Trustee shall be immediately due from the Borrower to the party advancing the same (which party may immediately take any action available at law or in equity to enforce repayment of the same) and shall bear interest at the Bond Trustee's designated "prime rate" plus 2% from the date of the advance until repaid. The Authority and the Bond Trustee shall have the right to enter the Bond Financed Property in order to effectuate the purposes of the provisions of the Loan Agreement described under this subcaption.

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APPENDIX F

FORM OF BOND COUNSEL OPINION

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APPENDIX F

FORM OF BOND COUNSEL OPINION

[Letterhead of Chapman and Cutler LLP]

[Dated Date of Conversion]

Illinois Finance Authority
Chicago, Illinois

Citigroup Global Markets Inc.
New York, New York

Deutsche Bank National Trust Company,
as Trustee
Chicago, Illinois

Ambac Assurance Corporation
New York, New York

Edward Hospital
Naperville, Illinois

Re: Illinois Finance Authority Revenue Bonds
(Edward Hospital Obligated Group), Series 2008A

Ladies and Gentlemen:

We have acted as bond counsel in connection with the original issuance by the Illinois Finance Authority (the "Authority") of (i) $49,525,000 in aggregate principal amount of Illinois Finance Authority Revenue Bonds, Series 2007A-1 (Edward Hospital Obligated Group) (the "Series 2007A-1 Bonds"), and (ii) $36,575,000 in aggregate principal amount of Illinois Finance Authority Revenue Bonds, Series 2007A-2 (Edward Hospital Obligated Group) (the "Series 2007A-2 Bonds" and, together with the Series 2007A-1 Bonds, the "Series 2007A Bonds"). The Series 2007A Bonds were issued under the provisions of the Illinois Finance Authority Act, as amended (the "Act"), and under and pursuant to the Trust Indenture dated as of March 1, 2007 (the "Original Bond Indenture"), between the Authority and Deutsche Bank National Trust Company, as bond trustee (the "Bond Trustee").

The proceeds from the sale of the Series 2007A Bonds were loaned to Edward Hospital, an Illinois not for profit corporation ("Edward"), pursuant to the Loan Agreement dated as of March 1, 2007 (the "Original Loan Agreement"), between the Authority and Edward. In order to provide further security for the repayment of the Series 2007A Bonds, Edward, as Obligated Group Agent (as defined in the hereinafter defined Master Indenture), issued and delivered to the Authority, and the Authority assigned to the Bond Trustee all of its right, title and interest in and to, the $49,525,000 Edward Hospital Obligated Group Direct Note Obligation, Series 2007A-1,

and the $36,575,000 Edward Hospital Obligated Group Direct Note Obligation, Series 2007A-2 (collectively, the "Series 2007A Obligations"). The Series 2007A Obligations were issued pursuant to the Fifth Supplemental Master Trust Indenture dated as of March 1, 2007 (the "Fifth Supplemental Master Indenture"), supplementing and amending the Amended and Restated Master Trust Indenture dated as of September 15, 1997 (as supplemented and amended, the "Master Indenture"), among Edward, Naperville Psychiatric Ventures d/b/a Linden Oaks Hospital, an Illinois general partnership ("Linden Oaks"), Edward Health Services Corporation, an Illinois not for profit corporation ("EHSC"), Edward Health Ventures, an Illinois not for profit corporation ("Ventures"), and Edward Health and Fitness Center, an Illinois not for profit corporation ("Fitness" and, together with Edward, Linden Oaks, EHSC and Ventures, the "Obligated Group" or the "Members of the Obligated Group"), and The Bank of New York Trust Company, N.A., as successor master trustee (the "Master Trustee").

Ambac Assurance Corporation (the "Bond Insurer") has delivered its financial guaranty insurance policy (the "Original Bond Insurance Policy") insuring the timely payment of the principal of and interest on the Series 2007A Bonds in the manner and upon the conditions described therein. In connection with the Conversion described below, the Bond Insurer has executed and delivered the Endorsement to the Original Bond Insurance Policy (the "Endorsement," and together with the Original Bond Insurance Policy, the "Bond Insurance Policy").

Pursuant to Sections 308(f)(ii)(A) and 309(a) of the Original Bond Indenture, Edward, as Obligated Group Agent, has elected to convert the interest rate on the outstanding Series 2007A Bonds from the ARS Rate to the Long Term Interest Rate for a Long Term Interest Rate Period ending on January 31, 2040 (the day immediately preceding the Maturity Date of the Series 2007A Bonds), and directed that such conversion (the "Conversion") occur on April 9, 2008 (the "Conversion Date"). Concurrently with the Conversion, Edward is required, pursuant to Section 309(a) of the Original Bond Indenture, to deliver a Favorable Opinion of Bond Counsel (subject to customary exceptions) to the effect that the Conversion is permitted under the Original Bond Indenture and will not adversely affect the exclusion of interest on the Series 2007A Bonds from gross income for purposes of federal income taxation.

Edward has requested that we deliver a Favorable Opinion of Bond Counsel responsive to the requirements of Section 309(a) of the Original Bond Indenture.

In connection with the Conversion, there has been executed and delivered (i) the First Supplemental Trust Indenture dated as of March 1, 2008 (the "First Supplemental Indenture," and together with the Original Bond Indenture, the "Bond Indenture"), between the Authority and the Trustee, amending the Original Bond Indenture and providing for, among other matters, the Conversion of the Series 2007A Bonds, (ii) the First Supplemental Loan Agreement dated as of March 1, 2008 (the "First Supplemental Loan Agreement," and together with the Original Loan Agreement, the "Loan Agreement") between Edward and the Authority, amending the Original Loan Agreement and providing for, among other matters, the Conversion of the Series 2007A Bonds, (iii) the Purchase and Remarketing Agreement dated April 2, 2008 (the "Purchase Agreement") among the Members of the Obligated Group and Citigroup Global Markets, Inc., as the purchaser thereof, providing for the reoffering of the Series 2007A Bonds in a Long Term

Interest Rate Period, (iv) the Tax Exemption Certificate and Agreement dated the date of Conversion (the "Tax Agreement") among the Authority, Edward and the Trustee, which places certain restrictions on the investment of moneys held in the funds established by the Bond Indenture and which, under certain circumstances, would require the transfer of certain moneys held in such funds to a Rebate Fund created under the Tax Agreement, and (v) the Ninth Supplemental Master Trust Indenture dated as of March 1, 2008 (the "Ninth Supplemental Master Indenture") among the Members of the Obligated Group and the Master Trustee, providing for the issuance and delivery of the $86,100,000 Edward Hospital Obligated Group Direct Note Obligation, Series 2008A-1 (the "Series 2008A-1 Obligation"), in substitution for the Series 2007A Obligations.

In connection with the Conversion and pursuant to the terms of the First Supplemental Indenture, the Series 2007A Bonds will be cancelled and replaced with new revenue bonds denominated as the "Illinois Finance Authority Revenue Bonds (Edward Hospital Obligated Group), Series 2008A." Such converted Series 2007A Bonds are referred to herein as the "Series 2008A Bonds."

Additionally, in connection with the Conversion and the sale and remarketing of the Series 2008A Bonds in the Long Term Interest Rate Period, the Members of the Obligated Group have delivered that certain Reoffering Circular dated April 2, 2008 (the "Reoffering Circular").

As bond counsel, we have examined the following:

(a) certified copies of the proceedings of the Authority authorizing or approving, among other things, the execution and delivery of the First Supplemental Indenture, the First Supplemental Loan Agreement, the Tax Agreement and the Reoffering Circular;

(b) certified copies of the Articles of Incorporation of the Members of the Obligated Group (other than Linden Oaks), as amended, and the Bylaws of such Members, as amended, and a certified copy of the Second Amended and Restated Agreement of Partnership of Linden Oaks, as amended;

(c) certificates of the Secretary of State of the State of Illinois relative to the good standing of the Members of the Obligated Group (other than Linden Oaks) in the State of Illinois;

(d) certified copies of the corporate proceedings of the Board of Directors of each of the Members of the Obligated Group (other than Linden Oaks) and of the general partners of Linden Oaks authorizing or approving, among other things, the execution and delivery of the First Supplemental Indenture, the First Supplemental Loan Agreement, the Purchase Agreement, the Ninth Supplemental Master Indenture, the Series 2008A-1 Obligation, the Tax Agreement and the Reoffering Circular;

(e) the executed Series 2008A-1 Obligation and Reoffering Circular, and executed counterparts of the First Supplemental Indenture, the First Supplemental Loan

Agreement, the Purchase Agreement, the Ninth Supplemental Master Indenture and the Tax Agreement;

(f) a specimen Series 2008A Bond;

(g) executed opinions, each dated the date hereof, of McDermott Will & Emery LLP, special counsel to the Members of the Obligated Group; and Burke Burns & Pinelli, Ltd., special counsel to the Authority;

(h) the Bond Insurance Policy; and

(i) such other documents and showings and related matters of law as we have deemed necessary in order to enable us to render this opinion.

Based upon the foregoing and in reliance upon the matters hereinafter referred to, we are of the opinion that:

1. The First Supplemental Indenture, the First Supplemental Loan Agreement and the Tax Agreement have been duly authorized by all necessary action on the part of the Authority, have been duly executed and delivered by authorized officers of the Authority and, assuming the due authorization, execution and delivery thereof by the other parties thereto, constitute the legal, valid and binding obligations of the Authority enforceable against the Authority in accordance with their respective terms, except to the extent limited by bankruptcy, reorganization or other similar laws affecting creditors' rights generally and by the availability of equitable remedies, and except to the extent that the enforcement of the indemnification provisions of the Loan Agreement may be limited by federal or state securities laws. The Series 2008A-1 Obligation has been pledged and assigned by the Authority to the Bond Trustee pursuant to the Bond Indenture as security for the Series 2008A Bonds.

2. The Series 2008A Bonds have been duly authorized by all necessary action on the part of the Authority, have been duly executed by authorized officers of the Authority, authenticated by the Bond Trustee and reoffered by the Authority and constitute the legal, valid and binding limited obligations of the Authority enforceable in accordance with their terms, except to the extent limited by bankruptcy, reorganization or other similar laws affecting the enforcement of creditors' rights generally and by the availability of equitable remedies. The Series 2008A Bonds are entitled to the benefits and security of the Bond Indenture.

3. The Conversion of the Series 2007A Bonds on the Conversion Date to a Long Term Interest Rate Period ending on January 31, 2040, is permitted under the Bond Indenture.

4. Subject to compliance by the Authority and Edward with certain covenants, under present law, interest on the Series 2008A Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations. Interest on the Series 2008A Bonds is taken into account, however, in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Failure to comply with

certain of such Authority and Edward covenants could cause the interest on the Series 2008A Bonds to be includable in gross income for federal income tax purposes retroactively to the date of the reoffering of the Series 2008A Bonds. Ownership of the Series 2008A Bonds may result in other federal tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Series 2008A Bonds. Interest on the Series 2008A Bonds is not exempt from present Illinois income taxation. Ownership of the Series 2008A Bonds may result in other state and local tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Series 2008A Bonds.

In rendering this opinion, we have relied upon the opinion of McDermott Will & Emery LLP, special counsel to the Members of the Obligated Group, referred to in paragraph (g) above, with respect to, among other things, (i) the status of Edward as an organization described in Section 501(c)(3) of the Code that is exempt from federal income taxation under Section 501(a) of the Code, (ii) the validity and binding effect upon and enforceability against Edward of the First Supplemental Loan Agreement and the Tax Agreement, subject to the exceptions set forth in said opinion, and (ii) the validity and binding effect upon and enforceability against the Members of the Obligated Group of the Ninth Supplemental Master Indenture, the Purchase Agreement and the Series 2008A-1 Obligation, subject to the exceptions set forth in said opinion. In rendering the opinions in paragraph 4 hereof, we have relied upon certificates of even date herewith of Edward with respect to certain material facts within Edward's knowledge relating to the application of the proceeds of the Series 2008A Bonds. In rendering this opinion, we have relied upon certifications of the Authority with respect to certain material facts within the knowledge of the Authority.

Our opinion represents our legal judgment based upon our review of the law and the facts that we deem relevant to render such opinion and is not a guaranty of a result. This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

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APPENDIX G

SPECIMEN BOND INSURANCE POLICY

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Ambac

Financial Guaranty Insurance Policy

Ambac Assurance Corporation
One State Street Plaza, 15th Floor
New York, New York 10004
Telephone: (212) 668-0340

Obligor:

Policy Number:

Obligations:

Premium:

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

President

AMBAC ASSURANCE CORPORATION CORPORATE SEAL WISCONSIN

Secretary

Effective Date:

Authorized Representative

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Authorized Officer of Insurance Trustee

Form No.: 2B-0012 (1/01)

Ambac

Ambac Assurance Corporation
One State Street Plaza, 15th Floor
New York, New York 10004
Telephone: (212) 668-0340

Endorsement

Policy for:

ILLINOIS FINANCE AUTHORITY

Attached to and forming part of Policy No.:

26213BE

Effective Date of Endorsement:

April 9, 2008

The Policy to which this Endorsement is attached and of which it forms a part is hereby amended as follows:

The definition of the term "Obligations" is amended to read as follows:

"Revenue Bonds, Series 2008A (Edward Hospital Obligated Group) maturing on February 1, 2040, with an Original Issue Date of March 7, 2007 and a Conversion Date of April 9, 2008."

Nothing herein contained shall be held to vary, alter, waive or extend any of the terms, conditions, provisions, agreements or limitations of the above-mentioned Policy other than as above stated.

Nothing herein contained shall be held to vary, alter, waive or extend any of the terms, conditions, provisions, agreements or limitations of the above mentioned Policy other than as above stated.

In Witness Whereof, Ambac has caused this Endorsement to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

Ambac Assurance Corporation

President

Secretary

Authorized Representative

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ILLINOIS FINANCE AUTHORITY • REVENUE BONDS, SERIES 2008A (EDWARD HOSPITAL OBLIGATED GROUP)

EDWARD

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