

In the opinion of Bond Counsel, interest on the Series 2008A Bonds is excludable from gross income for purposes of federal income tax, assuming continuing compliance with the requirements of the federal tax laws. Interest on the Series 2008A Bonds will not be a preference item for purposes of either individual or corporate federal alternative minimum tax; however, interest paid to corporate holders of the Series 2008A Bonds may be subject to alternative minimum tax under circumstances described under "TAX EXEMPTION" herein. Under the laws of the Commonwealth of Pennsylvania, the Series 2008A Bonds are exempt from personal property taxes in Pennsylvania, and interest on the Series 2008A Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax. For a more complete discussion, see "TAX EXEMPTION" herein.



\$200,530,000
GENERAL AUTHORITY OF SOUTHCENTRAL PENNSYLVANIA
Revenue Bonds, Series 2008A
(WellSpan Health Obligated Group)

Dated: Date of Delivery

Due: As shown on the inside cover page

The General Authority of Southcentral Pennsylvania (the "Issuer") is issuing its Revenue Bonds, Series 2008A (WellSpan Health Obligated Group) (the "Series 2008A Bonds"), pursuant to a Trust Indenture dated as of November 1, 2008 (the "Trust Indenture"), with Manufacturers and Traders Trust Company, as Trustee. The Series 2008A Bonds are payable solely from, and secured equally by, payments to be received by the Issuer pursuant to a Loan Agreement dated as of November 1, 2008 (the "Loan Agreement") among the Issuer, York Hospital, The Gettysburg Hospital (together with York Hospital, the "Members of the Obligated Group" or the "Members") and WellSpan Properties, Inc. ("WPI") and a Series 2008A Master Note issued by the Members of the Obligated Group under a Master Trust Indenture dated as of June 15, 2001, as amended and supplemented, and as further supplemented by a Supplemental Master Indenture No. 9 dated as of November 1, 2008 (as supplemented, the "Master Indenture"), between the Members of the Obligated Group and Manufacturers and Traders Trust Company, as Master Trustee.

The Series 2008A Bonds are issuable as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company or DTC, New York, New York. Individual purchases of the Series 2008A Bonds will be made in book-entry form only. Principal and of and interest and premium, if any, on the Series 2008A Bonds will be payable by the Trustee for the Series 2008A Bonds to the registered owners, which will be Cede & Co., as long as DTC is the Securities Depository. Subsequent disbursements of principal, premium and interest will be made by Participants in DTC to the Beneficial Owners of the Series 2008A Bonds.

The Series 2008A Bonds will be issued in denominations of \$5,000 or any integral multiple thereof. Interest on the Series 2008A Bonds will be payable on each June 1 and December 1, beginning on December 1, 2008.

The Series 2008A Bonds are subject to optional, extraordinary optional and mandatory redemption prior to maturity.

The Series 2008A Bonds are special, limited obligations of the Issuer and are payable solely from payments made by the Members of the Obligated Group and WPI and received by the Issuer under the Loan Agreement, from payments made by the Members of the Obligated Group on the Series 2008A Master Note and from certain funds held under the Trust Indenture, all as more fully described herein.

Neither the credit nor the taxing power of the Commonwealth of Pennsylvania or of any political subdivision of the Commonwealth is pledged for payment of the principal or redemption price of, or interest on the Series 2008A Bonds, nor shall the Series 2008A Bonds be or be deemed an obligation of the Commonwealth of Pennsylvania or of any political subdivision of the Commonwealth. The Issuer has no taxing power.

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

**PRINCIPAL AMOUNTS, MATURITIES, INTEREST
 RATES, YIELDS AND PRICES**
 (see inside cover page)

DAC Bond[®]

The Series 2008A Bonds are offered by the Underwriter, subject to prior sale, to withdrawal or modification of the offer without any notice, and to the approval of legality of the Series 2008A Bonds by Ballard Spahr Andrews & Ingersoll, LLP, Bond Counsel to the Issuer. Certain legal matters will be passed upon for the Issuer by its counsel, Countess Gilbert Andrews, P.C. Certain legal matters will be passed upon for the Members and WPI by their special counsel, Ballard Spahr Andrews & Ingersoll, LLP and by their Vice President and General Counsel, Glen D. Moffett, Esq., and for the Underwriter by its counsel, Foley & Lardner LLP. It is expected that the Series 2008A Bonds in definitive form will be available for delivery to DTC in New York, New York, on or about November 12, 2008.

Citi

The date of this Official Statement is October 29, 2008;
 Restated November 4, 2008.

**PRINCIPAL AMOUNTS, MATURITIES, INTEREST
RATES, YIELDS AND PRICES**

\$200,530,000

**General Authority of Southcentral Pennsylvania
Revenue Bonds, Series 2008A
(WellSpan Health Obligated Group)**

\$71,445,000 Serial Bonds

<u>Maturity (June 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP No.[†]</u>
2009	\$3,000,000	3.000%	2.850%	100.080	84129NFI3
2009	3,025,000	4.000	2.850	100.624	84129NFK0
2010	6,185,000	5.000	4.100	101.338	84129NFL8
2011	310,000	4.250	4.500	99.401	84129NFM6
2011	6,435,000	5.000	4.500	101.190	84129NFN4
2012	440,000	4.500	4.800	99.028	84129NFP9
2012	6,355,000	5.250	4.800	101.450	84129NFQ7
2013	390,000	4.500	5.000	97.983	84129NFR5
2013	6,415,000	5.250	5.000	101.003	84129NFS3
2014	6,525,000	5.250	5.150	100.474	84129NFT1
2015	6,975,000	5.500	5.360	100.761	84129NFU8
2016	7,915,000	6.000	5.600	102.432	84129NFV6
2017	8,460,000	6.000	5.750	101.666	84129NFW4
2018	9,015,000	5.625	5.850	98.367	84129NFX2

\$77,320,000 6.000% Term Bonds Due June 1, 2025, Yield 6.410%; Price 95.850, CUSIP No. 84129NFY0[†]

\$51,765,000 6.000% Term Bonds Due June 1, 2029, Yield 6.500%; Price 94.368, CUSIP No. 84129NGA1[†]

[†] Copyright 2008, American Bankers Association. CUSIP data herein is provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP number is provided for convenience and reference only.

No dealer, broker, salesperson or other person has been authorized by the Issuer, the Members of the Obligated Group, WPI or Citigroup Global Markets Inc. (the “Underwriter”) to give any information or to make any representations with respect to the Series 2008A Bonds, other than those in this Official Statement, 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 Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of the Series 2008A Bonds by any person in any state in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth under the captions “**THE ISSUER**” and “**LITIGATION – The Issuer**” has been furnished by the Issuer. The information set forth in **APPENDIX F** has been furnished by DTC. All other information in this Official Statement has been obtained from the Members of the Obligated Group, WPI and other sources that are believed to be reliable, but is not to be construed as a representation of the Underwriter. The information and expressions of opinion in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement, nor any sale made hereunder, shall under any circumstances create any implication that there has been no change in the affairs of the Issuer, DTC, the Members of the Obligated Group or WPI since the date of this Official Statement.

THE UNDERWRITER HAS PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT: THE UNDERWRITER HAS REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF, ITS RESPONSIBILITIES TO INVESTORS UNDER FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITER DOES NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

THE SERIES 2008A BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, NOR HAS THE TRUST INDENTURE OR THE MASTER INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE SERIES 2008A BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF THE SECURITIES LAWS OF THE STATES, IF ANY, IN WHICH THE SERIES 2008A BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN CERTAIN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF.

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

CAUTIONARY STATEMENTS REGARDING PROJECTIONS, ESTIMATES AND OTHER
FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

Certain statements included or incorporated by reference in this Official Statement constitute projections or estimates of future events, generally known as forward-looking statements. These statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget” or other similar words. These forward-looking statements include, among others, the information under the caption “**BONDHOLDERS’ RISKS**” in the forepart of this Official Statement and the information under the captions “**SERVICE AREA, UTILIZATION AND COMPETITION – Service Area**” and “**MANAGEMENT DISCUSSION AND ANALYSIS**” in **APPENDIX A** to this Official Statement.

The achievement of certain results or other expectations contained in these forward-looking statements involves known and unknown risks, uncertainties and other factors which may cause actual results, performances or achievements described to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. The Members of the Obligated Group and WPI do not plan to issue any updates or revisions to those forward-looking statements if or when changes in their expectations, or events, conditions or circumstances on which these statements are based occur.

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OFFICIAL STATEMENT

\$200,530,000

**General Authority of Southcentral Pennsylvania
Revenue Bonds, Series 2008A
(WellSpan Health Obligated Group)**

INTRODUCTORY STATEMENT

This Official Statement is provided to furnish prospective investors with information concerning the offering by the General Authority of Southcentral Pennsylvania (the “Issuer”) of \$200,530,000 aggregate principal amount of its Revenue Bonds, Series 2008A (WellSpan Health Obligated Group) (the “Series 2008A Bonds”). The Series 2008A Bonds are being issued pursuant to a Trust Indenture (the “Trust Indenture”) dated as of November 1, 2008 between the Issuer and Manufacturers and Traders Trust Company, as trustee (the “Trustee”).

The Issuer

The Issuer is a body corporate and politic organized by the Board of Commissioners of the County of York, Pennsylvania, pursuant to the Pennsylvania Municipality Authorities Act, as amended (the “Act”). The Series 2008A Bonds are being issued pursuant to the Act and resolutions adopted by the Issuer.

The Members, WellSpan Properties, Inc. and the Obligated Group

The proceeds of the Series 2008A Bonds will be loaned by the Issuer to York Hospital and The Gettysburg Hospital (together, the “Members of the Obligated Group” or the “Members”) and WellSpan Properties, Inc. (“WPI”), each a Pennsylvania nonprofit corporation, pursuant to a Loan Agreement dated as of November 1, 2008 (the “Loan Agreement”) among the Issuer, the Members of the Obligated Group and WPI.

The Obligated Group was established pursuant to the Master Trust Indenture dated as of June 15, 2001, as amended and supplemented (the “Master Indenture”), between the Members of the Obligated Group and Manufacturers and Traders Trust Company, as trustee (the “Master Trustee”). The Master Indenture provides for the issuance from time to time of debt obligations (the “Master Notes”) by the Members of the Obligated Group. York Hospital and The Gettysburg Hospital are currently the only Members of the Obligated Group.

York Hospital is located in York, Pennsylvania. The Gettysburg Hospital is located in Gettysburg, Pennsylvania, approximately 30 miles west of York Hospital. Each is exempt from federal income taxes by virtue of being an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”). York Hospital owns and operates a regional referral center and the largest acute care facility in York County, licensed to operate 558 acute care beds. The Gettysburg Hospital owns and operates a community hospital that provides comprehensive health care to residents of Adams County and Northern Maryland and is licensed to operate 76 acute care beds and 19 sub-acute care beds.

WPI is located in York, Pennsylvania. WPI is exempt from federal income taxes by virtue of being an organization described in Section 501(c)(3) of the Code. WPI owns various healthcare related facilities in York and Adams Counties, Pennsylvania.

See **APPENDIX A** for additional information on the Obligated Group and WPI. See **APPENDIX B** for audited consolidated financial statements of WellSpan Health, the parent company of the Members and WPI.

Purpose of the Series 2008A Bonds

The proceeds of the Series 2008A Bonds will be used (i) to current refund all or a portion of certain bonds outstanding issued for the benefit of the Members and WPI, (ii) repay all or a portion of certain Sayre loans used to benefit the Members and WPI and (iii) to pay certain expenses incurred in connection with the issuance of the Series 2008A Bonds. See the information under the captions “**PLAN OF FINANCE**” and “**ESTIMATED SOURCES AND USES OF FUNDS.**”

Source of Payment and Security for the Series 2008A Bonds

The Series 2008A Bonds are not general obligations of the Issuer and are not backed by its general credit.

The Series 2008A Bonds will be secured under and pursuant to the Trust Indenture and the Loan Agreement. Under the Loan Agreement, the Members and WPI will be obligated to make payments that are fixed as to time of payment and amount so as to enable the Issuer to pay the principal or redemption price of and interest on all Series 2008A Bonds as and when due. The Issuer will assign the Loan Agreement and its right to receive loan payments thereunder to the Trustee as security for the payment of the Series 2008A Bonds.

The obligations of the Members under the Loan Agreement will be secured by a Master Note (the “Series 2008A Master Note”) issued in a principal amount equal to the aggregate principal amount of the Series 2008A Bonds. The Series 2008A Master Note will be issued under and pursuant to the Master Trust Indenture, as supplemented by a Supplemental Master Trust Indenture No. 9 dated as of November 1, 2008.

Pursuant to the Master Indenture, the Series 2008A Master Note will be secured on a parity with any existing and future Master Notes by a lien on and security interest in the Gross Receipts of the Obligated Group and any future Members of the Obligated Group for the equal and ratable benefit of the holders of all Master Notes. “Gross Receipts” means all receipts, revenues, income and other moneys received by or on behalf of a Member of the Obligated Group, including revenues derived from the ownership or operation of property of a Member of the Obligated Group, insurance and condemnation proceeds with respect to such property or any portion thereof, and all rights to receive the same, whether in the form of accounts, accounts receivable, contract rights or other rights, and the proceeds of such rights, whether now owned or held or hereafter coming into existence, with certain exclusions as described in the Master Indenture.

The Series 2008A Master Note also will be secured by the moneys and investments, if any, from time to time on deposit in the funds established pursuant to the Master Indenture, and any and all other property conveyed, pledged, assigned or transferred as additional security under the Master Indenture by any Member of the Obligated Group to the Master Trustee.

The Members have issued other Master Notes under the Master Indenture that will be outstanding on the date of the issuance of the Series 2008A Bonds to secure their obligations to repay loans made to them from the proceeds of other revenue bonds. The aggregate principal amount of such outstanding Master Notes and guarantees secured by the Gross Receipts of the Members on a basis of parity with the Series 2008A Master Note is \$429,688,000 (as of June 30, 2008). The Members will issue additional Master Notes (together with the Series 2008A Master Note, the “Series 2008 Master Notes”) on the date of delivery of the Series 2008A Bonds, as described herein under the caption, “**PLAN OF FINANCE.**”

The Series 2008A Bonds are not secured by a debt service reserve fund.

For more detailed information regarding the security for the Series 2008A Bonds, and risk factors related thereto, see the material under the captions “**SECURITY FOR THE SERIES 2008A BONDS**” and “**BONDHOLDERS’ RISKS.**”

Concerning this Official Statement

This Official Statement includes the cover page and the Appendices. The descriptions and summaries of the various legal documents described in this Official Statement do not purport to be comprehensive or definitive. Reference is made to each such legal document for the complete details of its terms and conditions. See **APPENDIX C** for definitions of capitalized terms and summaries of certain provisions of the Master Indenture, the Trust Indenture and the Loan Agreement.

THE ISSUER

General

The Issuer is a body corporate and politic created pursuant to a resolution of the Board of Commissioners of the County of York (the "County"), under an Act of the General Assembly of the Commonwealth of Pennsylvania approved May 2, 1945, P.L. 382, as amended and recodified by Act No. 22 of June 18, 2001, as amended (known as the Pennsylvania Municipality Authorities Act) (the "Act"). The Issuer may finance projects acquired, constructed or improved for hospital purposes.

The liability of the Issuer with respect to the Series 2008A Bonds is limited to the amounts received or receivable from the Members and WPI pursuant to the Loan Agreement and from the Members pursuant to the Series 2008A Master Note, and amounts held in the funds established under the Master Indenture and Trust Indenture (except the Rebate Fund) and all income and receipts derived therefrom.

THE SERIES 2008A BONDS WILL BE LIMITED OBLIGATIONS OF THE ISSUER AND NOT A DEBT OF YORK COUNTY, THE COMMONWEALTH OF PENNSYLVANIA OR ANY POLITICAL SUBDIVISION, AGENCY OR INSTRUMENTALITY THEREOF OTHER THAN THE ISSUER. NEITHER THE GENERAL CREDIT OF THE ISSUER NOR THE CREDIT OR THE TAXING POWER OF YORK COUNTY, THE COMMONWEALTH OF PENNSYLVANIA OR ANY POLITICAL SUBDIVISION, AGENCY OR INSTRUMENTALITY THEREOF IS PLEDGED FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2008A BONDS. THE ISSUER HAS NO TAXING POWER.

Members of the Issuer

The governing body of the Issuer is a Board consisting of seven members appointed by the County Commissioners of the County of York. Members of the Board are appointed for staggered five-year terms and may be reappointed, but they may not be County Commissioners. The present members of the Board are:

<u>Members</u>	<u>Position</u>	<u>Term Expires</u>	<u>Occupation</u>
Terrence L. Hormel	Chairman	December 31, 2012	Businessman
James W. Hogg	Vice Chairman	December 31, 2010	Businessman
J. Donald Butcher	Secretary	December 31, 2009	Businessman
Robert E. Delp	Assistant Secretary	December 31, 2012	Businessman
Albert Spinner	Treasurer	December 31, 2011	Businessman
James Phipps	Member	December 31, 2009	Retired
Richard L. Reinhardt	Member	December 31, 2008	Businessman

Non-Member

Darrell W. Auterson	Assistant Secretary	N/A	President, York County Economic Development Corporation
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The Issuer is empowered to issue, has issued and expects in the future to issue revenue bonds for other ventures unrelated to the Obligated Group and WPI. Each of such series of revenue bonds will be payable from and secured by the revenues and/or assets of such ventures and will not be payable from or secured by amounts held in

the funds established under the Trust Indenture, the income and receipts therefrom or amounts paid or payable by the Obligated Group, WPI or other future members of the Obligated Group under the Loan Agreement or the Master Indenture, as applicable, or the Gross Receipts of the Obligated Group. The Issuer may also from time to time enter into refinancing transactions for obligations previously issued. The Issuer has never been in default under any of its obligations.

Other than the description of the Issuer provided herein and under the subcaption “**INTRODUCTORY STATEMENT-The Issuer**” and the information with respect to the Issuer under “**LITIGATION**” herein, the Issuer has not prepared or reviewed and expresses no opinion with respect to the accuracy or completeness of any of the information set forth in this Official Statement.

PLAN OF FINANCE

The Series 2008A Bonds

The proceeds of the Series 2008A Bonds will be used, together with the proceeds of the Series 2008 Variable Rate Bonds described below, (i) to current refund all or a portion of the following bonds: (a) \$17,000,000 aggregate principal amount of the Adams County Industrial Development Authority Variable Rate Demand Bonds (WellSpan Properties) Series 2002, (b) \$36,155,000 aggregate principal amount of the Authority’s Revenue Bonds, Series 2005A (WellSpan Health Obligated Group), (c) \$89,635,000 aggregate principal amount of the Authority’s Revenue Bonds, Series 2005B (WellSpan Health Obligated Group), (d) \$40,775,000 aggregate principal amount of the Authority’s Revenue Bonds, Series 2005C (WellSpan Health Obligated Group), (e) \$40,725,000 aggregate principal amount of the Authority’s Revenue Bonds, Series 2005D (WellSpan Health Obligated Group), (f) \$70,000,000 aggregate principal amount of the Authority’s Revenue Bonds, Series 2007A (WellSpan Health Obligated Group) and (g) \$70,000,000 aggregate principal amount of the Authority’s Revenue Bonds, Series 2007B (WellSpan Health Obligated Group) (collectively, the “Refunded Bonds”), (ii) to repay all or a portion of various loans from the Health Care Facilities Authority of Sayre with an aggregate outstanding principal amount of \$49,482,000 as of June 30, 2008 (collectively, the “Sayre Loans”) and (iii) to pay certain expenses incurred in connection with the issuance of the Series 2008A Bonds.

Concurrent Financings

It is anticipated that the Authority will issue three series of variable rate revenue bonds (the “Series 2008 Variable Rate Bonds”) for the benefit of the Members and WPI concurrently with the issuance of the Series 2008A Bonds. The proceeds of the Series 2008A Variable Rate Bonds will be used (i) to current refund the outstanding portion of the Refunded Bonds that are not refunded with the proceeds of the Series 2008A Bonds, (ii) to obtain credit enhancement on the Series 2008 Variable Rate Bonds and (iii) to pay certain expenses incurred in connection with the issuance of the Series 2008 Variable Rate Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated proceeds of the Series 2008A Bonds (exclusive of investment earnings) and the estimated uses of such funds are shown below:

Sources of Funds

Principal Amount of Series 2008A Bonds	\$200,530,000
Original Issue Discount	(6,285,400)
Original Issue Premium	<u>754,542</u>
TOTAL SOURCES	<u>\$194,999,143</u>

Uses of Funds

Refunding of Refunded Bonds	\$144,240,000
Repayment of Sayre Loans	48,578,761
Costs of Issuance*	<u>2,180,382</u>
TOTAL USES	<u>\$194,999,143</u>

* Includes Underwriter's discount, certain fees and expenses of various legal counsel and accountants, the Trustee, the Master Trustee and the rating agencies, and the cost of printing.

Note: Numbers may not total due to rounding.

THE SERIES 2008A BONDS

The following is a summary of certain provisions of the Series 2008A Bonds. Terms not otherwise defined in the following summary have the meanings assigned thereto in **APPENDIX C** hereto. So long as DTC acts as securities depository for the Bonds, as described under the caption "**BOOK-ENTRY ONLY SYSTEM**" herein, all references herein to "Bondholder" or "Bondholders" and to "owners" and "holders" of Bonds shall be deemed to refer to Cede & Co., as nominee for DTC, and not to DTC Participants, Indirect Participants or Beneficial Owners (as said terms are hereinafter defined).

General

The Series 2008A Bonds will be issued in the aggregate principal amount described on the cover page of this Official Statement and will be issued in the denomination of \$5,000 or any integral multiple thereof ("Authorized Denominations"). The Series 2008A Bonds will be dated the date of delivery, will bear interest from such date and will be payable on each June 1 and December 1 commencing December 1, 2008. Interest on the Series 2008A Bonds shall accrue on the basis of a year of 360 days with twelve 30-day months.

The Depository Trust Company, or DTC, will act as the initial securities depository for the Series 2008A Bonds. Ownership interests in the Series 2008A Bonds may be purchased in book-entry form only. See the information herein under the caption, "**BOOK-ENTRY ONLY SYSTEM.**" The information under this caption, "**THE SERIES 2008A BONDS**" is subject in its entirety to the provisions described below under the caption, "**BOOK-ENTRY ONLY SYSTEM**" while the Series 2008A Bonds are in the book-entry only system.

Payment of Principal and Interest

The Series 2008A Bonds will be issued as fully registered bonds without coupons, and when issued, will be registered in the name of Cede & Co., as nominee of DTC. Individual purchases of interests in the Series 2008A Bonds will be made in book-entry form only, in Authorized Denominations as described herein under the caption, "**THE SERIES 2008A BONDS – General.**" Purchasers of such interests will not receive certificates representing

their interests in the Series 2008A Bonds. For a description of matters pertaining to transfers and exchanges while in the book-entry only system, see the information herein under the caption, “**BOOK-ENTRY ONLY SYSTEM.**”

So long as Cede & Co. is the registered owner of the Series 2008A Bonds, the Trustee will pay interest on the Series 2008A Bonds to DTC, which will remit interest payments to the Beneficial Owners of the Series 2008A Bonds. See the information under the caption, “**BOOK-ENTRY ONLY SYSTEM.**”

Principal of and premium, if any, and interest on the Series 2008A Bonds will be paid by the Trustee by check mailed to the respective Holders thereof on the applicable Record Date at their addresses as they appear as of the close of business on the applicable Record Date in the books kept by the Trustee, as bond registrar. The Record Date for any Interest Payment Date is the fifteenth day of the calendar month immediately preceding such Interest Payment Date.

In the case of any Holder of Series 2008A Bonds in an aggregate principal amount in excess of \$1,000,000 as shown on the bond register maintained by the Trustee who, prior to the Record Date for such Series 2008A Bonds next preceding any Interest Payment Date, shall have provided the Trustee with written wire transfer instructions, interest payable on such Series 2008A Bonds shall be paid in accordance with the wire transfer instructions provided by the Holder of such Series 2008A Bond.

Redemption Provisions

Mandatory Sinking Fund Redemption. The Series 2008A Bonds maturing on June 1, 2025 are subject to mandatory sinking fund redemption in part, by lot, on June 1 in the years and amounts set forth below at a redemption price equal to 100% of the principal amount of the Series 2008A Bonds being redeemed plus accrued interest to the date of redemption:

<u>Year</u> <u>(June 1)</u>	<u>Amount</u>
2019	\$10,520,000
2020	11,250,000
2021	8,650,000
2022	8,045,000
2023	12,090,000
2024	13,015,000
2025*	13,750,000

*Maturity.

The Series 2008A Bonds maturing on June 1, 2029 are subject to mandatory sinking fund redemption in part, by lot, on June 1 in the years and amounts set forth below at a redemption price equal to 100% of the principal amount of the Series 2008A Bonds being redeemed plus accrued interest to the date of redemption:

<u>Year</u> <u>(June 1)</u>	<u>Amount</u>
2026	\$11,860,000
2027	12,560,000
2028	13,225,000
2029*	14,120,000

*Maturity.

Optional Redemption. The Series 2008A Bonds maturing on June 1, 2025 are subject to optional redemption by the Issuer, at the written direction of the Members and WPI, in whole or in part, at any time on or after June 1, 2018, in such order of maturity as the Issuer may choose at the direction of the Members and WPI, and

within a maturity by lot as selected by the Trustee, at a redemption price equal to the principal amount thereof to be redeemed, plus accrued but unpaid interest to the redemption date.

The Series 2008A Bonds maturing on June 1, 2029 are subject to optional redemption by the Issuer, at the written direction of the Members and WPI, in whole or in part, at any time on or after December 1, 2018, in such order of maturity as the Issuer may choose at the direction of the Members and WPI, and within a maturity by lot as selected by the Trustee, at a redemption price equal to the principal amount thereof to be redeemed, plus accrued but unpaid interest to the redemption date.

Extraordinary Optional Redemption. The Series 2008A Bonds (or portions of any such Series 2008A Bonds) are subject to extraordinary optional redemption in whole or in part at any time in the event of any damage to, or destruction or condemnation of, any part of the Facilities to the extent that the proceeds of any insurance or condemnation award relating thereto are not applied to the repair, reconstruction or restoration of the Facilities and the Members and WPI elect to use such unapplied proceeds for optional redemption. Any amounts deposited in the Bond Fund representing proceeds of insurance or condemnation awards will be used by the Trustee at the written direction of the Members and WPI to redeem Series 2008A Bonds on the earliest possible date after giving the required notice of redemption. If called for such redemption, the Series 2008A Bonds may be redeemed at a redemption price equal to the principal amount of each such Series 2008A Bond to be redeemed, without premium, plus accrued interest thereon to the redemption date.

Defeasance of Trust Indenture Not a Termination of Redemption Rights. No defeasance of the Trust Indenture or deposit of funds for the payment of particular Series 2008A Bonds at maturity or upon mandatory sinking fund redemption will terminate or otherwise limit the Issuer's or Members' or WPI's other redemption rights (optional, extraordinary or mandatory), unless the Issuer, upon direction of the Members and WPI, expressly waives such rights in a writing filed with the Trustee.

Notice of Redemption. In the event any of the Series 2008A Bonds are called for redemption, the Trustee will give notice, in the name of the Issuer, of the redemption of such Series 2008A Bonds, which notice must (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 Office of the Trustee) and, if less than all of the Series 2008A Bonds are to be redeemed, the numbers of the Series 2008A Bonds, and the portions of the Series 2008A Bonds, so to be redeemed, (ii) state any condition to such redemption, and (iii) state that on the redemption date, and upon the satisfaction of any such condition, the Series 2008A Bonds to be redeemed will cease to bear interest. CUSIP number identification will accompany all redemption notices. Such notice may set forth any additional information relating to such redemption.

Such notice will be given by mail, postage prepaid, at least 30 days but not more than 60 days prior to the date fixed for redemption to each Holder of Series 2008A Bonds to be redeemed at its address shown on the registration books kept by the Trustee; provided, however, that failure to give such notice to any Holder or any defect in such notice will not affect the validity of the proceedings for the redemption of any of the other Series 2008A Bonds. The Trustee will 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, will not affect the validity of any proceedings for the redemption of any of the Series 2008A Bonds.

Any Series 2008A Bonds and portions of Series 2008A Bonds which have been duly selected for redemption and which are paid in accordance with the Trust Indenture will cease to bear interest on the specified redemption date.

With respect to any optional redemption of Series 2008A Bonds, if at the time of mailing such notice of redemption, there shall not have been deposited with the Trustee moneys sufficient to redeem all the Series 2008A Bonds called for redemption, such notice may state that the redemption is conditional, that is, subject to the deposit of the redemption moneys with the Trustee not later than the opening of business on the redemption date, and such notice will be of no effect unless such moneys are so deposited.

Redemption of Portion of Series 2008A Bonds. The Series 2008A Bonds will be redeemed only in Authorized Denominations. If less than all of the Series 2008A Bonds are called for redemption, the Members and WPI will select the maturities of the Series 2008A Bonds to be redeemed and the Trustee will select the portions thereof within a maturity in such manner as the Trustee in its discretion may deem fair and appropriate, and the remaining Series 2008A Bonds that have not been so called for redemption will be in Authorized Denominations.

So long as the only owner of the Series 2008A Bonds is DTC, such selection will, however, be made by DTC. If a portion of a Series 2008A Bond is called for redemption, a new Series 2008A Bond in the principal amount equal to the unredeemed portion thereof will be issued to the Holder upon surrender thereof.

Purchase in Lieu of Redemption. Pursuant to the Trust Indenture, the Issuer irrevocably grants to the Members and WPI the option to purchase, at any time and from time to time, any Series 2008A Bond which is to be redeemed pursuant to the optional redemption provisions of the Trust Indenture on the dates of such redemption and at a purchase price equal to the redemption price therefor. In order for the Members and WPI to exercise such option, the Members and WPI must notify the Trustee not less than five Business Days prior to the proposed redemption date that amounts available to pay the redemption price of such Series 2008A Bonds are to be applied to purchase such Series 2008A Bonds in lieu of redemption. No notice other than the notice of redemption need be given in connection with any such purchase in lieu of redemption. On the day fixed for redemption, the Trustee will purchase the Series 2008A Bonds to be redeemed in lieu of such redemption and, following such purchase, the Trustee will cause such Series 2008A Bonds to be registered in the name of or upon direction of the Members and WPI and deliver them to or as directed by the Members and WPI. No purchase of Series 2008A Bonds pursuant to these provisions will operate to extinguish the indebtedness of the Issuer evidenced thereby.

BOOK-ENTRY ONLY SYSTEM

General

The Depository Trust Company, or DTC, New York, New York, will act as securities depository for the Series 2008A Bonds. The Series 2008A Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered bond certificate will be issued for the Series 2008A Bonds in the aggregate principal amount of such Series 2008A Bonds and will be deposited with DTC. For additional information regarding DTC and its book-entry only system, see **APPENDIX F** hereto.

Limitations

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

Because DTC is treated as the registered owner of the Series 2008A Bonds for substantially all purposes under the Trust Indenture, Beneficial Owners may have a restricted ability to influence in a timely fashion remedial action or the giving or withholding of requested consents or other directions. In addition, because the identity of Beneficial Owners is unknown to the Issuer, DTC and the Trustee, it may be difficult to transmit information of potential interest to Beneficial Owners in an effective and timely manner. Beneficial Owners should make appropriate arrangements with their broker or dealer regarding distribution of information regarding the Series 2008A Bonds that may be transmitted by or through DTC.

Under the Trust Indenture, payments made by the Trustee to DTC or its nominee shall satisfy the Issuer's obligations under the Trust Indenture, the Members' and WPI's obligations under the Loan Agreement and the Members' obligations under the Series 2008A Master Note, as applicable, to the extent of the payments so made.

Neither the Issuer, the Members, WPI nor the Trustee shall have any responsibility or obligation with respect to:

- 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 Bonds;
- the delivery to any DTC Participant or Indirect Participant or any other Person, other than a Holder, as shown in the bond register, of any notice with respect to any Series 2008A Bond including, without limitation, any notice of redemption with respect to any Series 2008A Bond;
- the payment to any DTC Participant or Indirect Participant or any other Person, other than a Holder, as shown in the bond register, of any amount with respect to the principal of, premium, if any, or interest on, or the redemption price of, any Series 2008A Bond; and
- the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Series 2008A Bonds.

Prior to any discontinuation of the book-entry only system with respect to the Series 2008A Bonds as hereinabove described, the Issuer and the 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:

- the payment of interest on the Series 2008A Bonds or the redemption price of a Series 2008A Bond;
- giving notices of redemption and other matters with respect to the Series 2008A Bonds;
- registering transfers of the Series 2008A Bonds;
- the selection of Series 2008A Bonds for redemption.

SECURITY FOR THE SERIES 2008A BONDS

General

The Series 2008A Bonds are special, limited obligations of the Issuer payable solely from payments made by the Members of the Obligated Group and WPI and received by the Issuer under the Loan Agreement, from payments made by the Members on the Series 2008A Master Note and from certain funds held under the Trust Indenture.

Issuer Not Generally Liable on the Series 2008A Bonds

Neither the credit nor the taxing power of the Commonwealth of Pennsylvania or of any political subdivision of the Commonwealth is pledged for payment of the principal or redemption price of, or interest on the Series 2008A Bonds, nor shall the Series 2008A Bonds be or be deemed an obligation of the Commonwealth of Pennsylvania or any political subdivision of the Commonwealth. The Issuer has no taxing power.

The Loan Agreement

The Loan Agreement provides that the Members and WPI shall repay the loan of the proceeds of the Series 2008A Bonds by making payments to the Trustee in amounts sufficient to pay the principal of, premium, if any, and interest on the Series 2008A Bonds when due. The Loan Agreement is the unsecured general obligation of the Members and WPI. The Issuer will pledge and assign certain of its rights, including the right to receive loan payments under the Loan Agreement, to the Trustee as security for the Series 2008A Bonds.

The Series 2008A Master Note and the Master Indenture

Pursuant to the Master Indenture, the Members will issue the Series 2008A Master Note to the Issuer, which will assign it (except for its rights to certain fees and indemnification payments) to the Trustee, as the assignee of the Issuer, to evidence and secure the Members' payment obligations under the Loan Agreement. The Series 2008A Master Note will be issued in a principal amount equal to the original aggregate principal amount of the Series 2008A Bonds. Payments under the Series 2008A Master Note are scheduled to be made at the times and in the amounts required to pay debt service on the Series 2008A Bonds and will be credited against the applicable loan payment obligations of the Members and WPI under the Loan Agreement.

The Series 2008A Master Note will constitute the joint and several obligation of the Obligated Group, and any future Members of the Obligated Group, and will be payable in all events, notwithstanding the expiration, invalidity or termination of the Loan Agreement. At the time of issuance of the Series 2008A Bonds, York Hospital and The Gettysburg Hospital will be the only Members of the Obligated Group, and will be the sole entities obligated for repayment of the Series 2008A Master Note.

The Master Indenture permits other entities, under certain conditions, to become Members of the Obligated Group, and to have additional Master Notes issued thereunder on behalf of such Members. The Master Indenture further permits any affiliate of any Member or Members of the Obligated Group, which satisfies certain conditions, to become a Restricted Affiliate (collectively, the "Combined Group"). Restricted Affiliates will agree to transfer monies to the Obligated Group to make payments on the Master Notes under certain circumstances and to the extent such transfers would not violate applicable federal and state law. Any future Members of the Combined Group must agree to comply with all covenants and agreements set forth in the Master Indenture and for the payment of all Master Notes and other Master Indenture obligations, including the Series 2008A Master Note to the extent provided in the Master Indenture. The Master Indenture also permits Members to withdraw from the Obligated Group, and Restricted Affiliates to withdraw from the Combined Group, upon compliance with certain specified conditions. Upon any such withdrawal, the withdrawing Member will no longer be obligated or liable with respect to the Series 2008A Master Note. As of the date of issuance of the Series 2008A Bonds, there will be no Restricted Affiliates.

The Combined Group has agreed, under the Master Indenture, to subject themselves to certain operational and financial restrictions contained therein. Each entity that becomes a Member of the Combined Group hereafter will covenant to comply with such restrictions as well. The operational and financial restrictions contained in the Master Indenture relate primarily to debt service coverage requirements, the incurrence of additional indebtedness, directly or by guaranteeing the debt of others, the ability to transfer assets, including both tangible and intangible assets, the ability to create additional liens and the ability to effect mergers and consolidations.

The Series 2008A Master Note is secured as an "Obligation" under, and as that term is defined in, a Loan and Trust Agreement dated as of June 1, 1993, as amended and supplemented (the "1993 Agreement") between the York County Hospital Authority and the Members, and is entitled to the benefits of the 1993 Agreement. The 1993 Agreement permits indebtedness which satisfies debt incurrence tests included therein to be secured thereunder as an "Obligation" and as parity debt. The Series 2008A Master Note will be issued under the Master Indenture as a Master Note and will also be an "Obligation" under the 1993 Agreement, secured on a parity with all "Obligations" issued thereunder, including Master Notes that will be outstanding on the date of issuance of the Series 2008A Bonds.

The Series 2008A Master Note and all other Master Notes, as "Obligations" under the 1993 Agreement, will be secured by the Gross Receipts of the Obligated Group, which are required by the 1993 Agreement to be paid to the trustee under the 1993 Agreement (the "1993 trustee") upon the occurrence and continuance of an event of default thereunder. The Master Indenture provides that so long as the 1993 Agreement is in effect, upon an Event of Default under the Master Indenture, the Obligated Group's Gross Receipts will be held by the 1993 trustee and remedies will be enforced by the 1993 trustee for the benefit of the holders of Obligations secured under the 1993 Agreement. In addition, an event of default under the 1993 Agreement will be an Event of Default under the Master Indenture.

Security and Enforceability

Bankruptcy. In the event either Member or WPI files for protection from creditors under the United States Bankruptcy Code, the rights and remedies of the Holders of the Series 2008A Bonds would be subject to various provisions of the United States Bankruptcy Code. If a Member or WPI were to commence a proceeding in bankruptcy, payments made by that Member or WPI during the 90-day period immediately preceding such commencement (or, under certain circumstances, during the preceding one-year period) may be voided as preferential transfers to the extent such payments allow the recipients thereof to receive more than they would have received in the event of the liquidation of such Member or WPI. Security interests and other liens granted by such Member or WPI to the Trustee or the Master Trustee and perfected during such preference period may also be voided as preferential transfers to the extent such security interest or other lien secures obligations that arose prior to the date of such grant or perfection.

A bankruptcy filing would operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against such Member or WPI and its property and as an automatic stay of any act or proceeding to enforce a lien upon or to otherwise exercise control over its property as well as various other actions to enforce, maintain or enhance the rights of the Trustee and the Master Trustee. If the bankruptcy court so ordered, the property of such Member or WPI, including such Member's Gross Receipts and the proceeds thereof, could be used for the financial rehabilitation of such Member or WPI despite any security interest of the Trustee or the Master Trustee therein. The rights of the Trustee and the Master Trustee to enforce their respective interests and other liens could be delayed during the pendency of the rehabilitation proceeding.

Such Member or WPI could also file a plan for the adjustment of its debts in any such proceeding which could include provisions modifying or altering the rights of creditors generally, or any class of them, secured or unsecured. The plan, when confirmed by a court, binds all creditors who had notice or knowledge of the plan and, with certain exceptions, discharges all claims against the debtor to the extent provided for in the plan. No plan may be confirmed unless certain conditions are met, among which are conditions that the plan be feasible and that it shall have been accepted by each class of claims impaired thereunder. Each class of claims has accepted the plan if at least two-thirds in dollar amount and more than one-half in number of the class cast votes in its favor. Even if the plan is not so accepted, it may be confirmed if the court finds that the plan is fair and equitable with respect to each class of non-accepting creditors impaired thereunder and does not discriminate unfairly. Any such plan could adversely affect the Owners and Beneficial Owners of the Series 2008A Bonds.

In the event of bankruptcy of a Member or WPI, there is no assurance that certain covenants, including tax covenants, contained in the Trust Indenture, the Loan Agreement or the Master Indenture and certain other documents would survive. Accordingly, such Member or WPI, as debtor in possession, or a bankruptcy trustee could take action which might adversely affect the exclusion of interest on the Series 2008A Bonds from gross income for federal income tax purposes.

In addition, the bankruptcy of a health plan or physician group that is a party to a significant managed care arrangement with one or more Members, or that of any significant contract payor obligated to any one or more Members, could have material adverse effects on the Obligated Group.

Enforceability of the Master Indenture, the 1993 Agreement, the Loan Agreement and the Series 2008A Master Note. The legal right and practical ability of the Trustee to enforce rights and remedies under the Loan Agreement, of the Master Trustee to enforce its rights and remedies under the Master Indenture and the Series 2008A Master Note and of the 1993 trustee to enforce its rights and remedies under the 1993 Agreement may be limited by laws relating to bankruptcy, insolvency, reorganization, fraudulent conveyance or moratorium and by other similar laws affecting creditors' rights. The state of insolvency, fraudulent conveyance and bankruptcy laws relating to the enforceability of guaranties or obligations issued by one corporation in favor of another corporation's creditors or of a corporation's obligation to make debt service payments on behalf of another corporation is unsettled. In particular, such obligations may be voidable under the Federal Bankruptcy Code or applicable state fraudulent conveyance laws if the obligation is incurred without "fair" and/or "fairly equivalent" consideration to the obligor and the incurrence of the obligation renders the corporation insolvent. The standards for determining the fairness of consideration and the manner of determining insolvency are not clear and may vary under the Federal Bankruptcy Code, state fraudulent conveyance statutes and applicable cases. Consequently, the Trustee's, the

Master Trustee's and the 1993 trustee's ability to enforce the rights and remedies under the Loan Agreement, the Master Indenture, the Series 2008A Master Note and the 1993 Agreement against any Member or WPI that would be rendered insolvent thereby could be subject to challenge. In addition, enforcement of such rights and remedies will depend upon the exercise of various remedies specified by such documents, which, in many instances, may require judicial actions that are subject to discretion and delay, that otherwise may not be readily available or that may be limited by certain legal principles, including fraudulent conveyance or moratorium and other similar laws.

These limitations on the enforceability of the obligations of the Members on the Series 2008A Master Note also apply to their obligations on all Master Notes. If the obligation of a Member to make payment on a Master Note is not enforceable, and payment is not made on such Master Note when due in full, then Events of Default will arise under the Master Indenture.

A Member may not be required to make payments on or provide amounts for the payment of a Master Note, including the Series 2008A Master Note, issued by or for the benefit of another entity if and to the extent that any such payment or transfer would render such Member insolvent or would conflict with or not be permitted by or would be subject to recovery for the benefit of other creditors of such Member under applicable fraudulent conveyance, bankruptcy, insolvency, moratorium or other similar laws affecting the enforcement of creditors' rights. There is no clear precedent in the law as to whether payments on Master Notes (including the Series 2008A Master Note) by a Member may be voided by a trustee in bankruptcy in the event such Member filed for bankruptcy protection and a trustee was appointed, or by third party creditors in an action brought pursuant to state fraudulent conveyance statutes. Under the United States Bankruptcy Code, a trustee in bankruptcy and, under state fraudulent conveyance statutes, 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 state fraudulent conveyance statutes, or the guarantor is undercapitalized. Under such principles, the obligor on a Master Note (including the Series 2008A Master Note) that secures related bonds (including the Series 2008A Bonds) not issued for the direct benefit of such obligor may be considered a guarantor.

Application by courts of the tests of "insolvency," "reasonably equivalent value" and "fair consideration" has resulted in a conflicting body of case law. If a judicial action were brought to compel a Member to make a payment on a Master Note (including the Series 2008A Master Note), a court might not enforce such payment in the event it is determined that sufficient consideration for the Member's obligation was not received, or that the incurrence of such obligation has rendered or will render the Member insolvent, or the Member is or will thereby become undercapitalized.

In addition, state courts have common law authority and authority under state statutes to terminate the existence of a not-for-profit or nonprofit corporation or undertake supervision of its affairs on various grounds, including a finding that the not-for-profit or nonprofit 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 action may arise on the court's own motion or pursuant to a petition of the state attorney general or other persons who have interests different from those of the general public, pursuant to the common law and statutory power to enforce charitable trusts and to see to the application of their funds to their intended charitable uses.

ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth, for each fiscal year ending June 30, the amounts required to be made available for the payment of principal and interest due on the Series 2008A Bonds, the Series 2008 Variable Rate Bonds, the payment of principal and interest on other long-term indebtedness and the aggregate debt service, after giving effect to the refunding of the Refunded Bonds and payment of the Sayre Loans.

DEBT SERVICE REQUIREMENTS

Fiscal Year Ending June 30	Series 2008A Principal	Series 2008A Interest	Series 2008 Variable Rate Bonds ¹	Principal and Interest on Other Long Term Indebtedness ²	Aggregate Debt Service
2009	\$ 6,025,000	\$ 6,370,118	\$ 3,845,745	\$ 1,312,057	\$ 17,552,920
2010	6,185,000	11,312,831	6,903,624	3,723,353	28,124,809
2011	6,745,000	11,003,581	6,903,624	3,694,870	28,347,075
2012	6,795,000	10,668,656	7,029,857	3,706,618	28,200,131
2013	6,805,000	10,315,219	6,890,928	3,692,847	27,703,994
2014	6,525,000	9,960,881	6,903,624	3,713,039	27,102,544
2015	6,975,000	9,618,319	6,903,624	3,684,390	27,181,333
2016	7,915,000	9,234,694	6,897,458	3,706,802	27,753,953
2017	8,460,000	8,759,794	7,023,690	3,695,362	27,938,846
2018	9,015,000	8,252,194	6,903,624	3,719,544	27,890,362
2019	10,520,000	7,745,100	6,903,624	3,717,839	28,886,563
2020	11,250,000	7,113,900	6,897,457	3,689,451	28,950,809
2021	8,650,000	6,438,900	6,890,928	3,702,613	25,682,441
2022	8,045,000	5,919,900	6,903,624	3,712,309	24,580,833
2023	12,090,000	5,437,200	7,036,386	--	24,563,586
2024	13,015,000	4,711,800	6,897,458	--	24,624,258
2025	13,750,000	3,930,900	6,890,928	--	24,571,828
2026	11,860,000	3,105,900	6,903,624	--	21,869,524
2027	12,560,000	2,394,300	6,903,624	--	21,857,924
2028	13,225,000	1,640,700	7,029,857	--	21,895,557
2029	14,120,000	847,200	6,890,928	--	21,858,128
2030	--	--	20,488,754	--	20,488,754
2031	--	--	20,461,684	--	20,461,684
2032	--	--	20,517,080	--	20,517,080
2033	--	--	20,545,066	--	20,545,066
2034	--	--	20,513,923	--	20,513,923
2035	--	--	101,460,119	--	101,460,119
2036	--	--	22,089,702	--	22,089,702
2037	--	--	22,185,658	--	22,185,658
TOTAL	\$200,530,000	\$144,782,087	\$390,616,224	\$49,471,093	\$785,399,404

(1) Assumes an interest rate of 3.27%, the 20-year average of SIFMA as of November 1, 2008.

(2) Outstanding amount as of November 1, 2008. Assumes a bond rate swap rate of 5.54%.

Note: Numbers in certain columns and rows may not total due to rounding.

BONDHOLDERS' RISKS

The purchase of the Series 2008A Bonds involves investment risks that are discussed throughout this Official Statement. Prospective purchasers of the Series 2008A Bonds should evaluate all of the information presented in this Official Statement. This section on Bondholders' Risks focuses primarily on the general risks associated with hospital or health system operations; whereas **APPENDIX A** describes the Obligated Group specifically. These should be read together.

General

The Series 2008A Bonds are payable solely from the Trust Estate. No representation or assurance can be made that revenues will be realized by the Obligated Group and WPI in amounts sufficient to make the payments under the Loan Agreement or the Series 2008A Master Note (with respect to the Obligated Group only) and thus, to pay principal of, redemption premium and interest on the Series 2008A Bonds. Future economic and other conditions, including inflation, demand for health care services, the ability of the Members, any future members of

the Obligated Group and WPI to provide the services required or requested by patients, physicians' confidence in the Members and any future members of the Obligated Group, economic developments in their respective service areas, employee relations and unionization, competition, the level of rates or charges, increased costs, availability of professional liability insurance, hazard losses, third-party reimbursement and changes in governmental regulation may adversely affect revenues and expenses and, consequently, payment of amounts due on or with respect to the Series 2008A Bonds.

The practical realization of any rights upon any default under the Loan Agreement and the Master Indenture will depend upon the exercise of various remedies specified in these instruments, as restricted by federal and state laws. The federal bankruptcy laws may have an adverse effect on the ability of the Trustee and the Holders of the Series 2008A Bonds and the Master Trustee to enforce their claim to liens granted by the Trust Indenture or the Master Indenture.

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

The Master Indenture contains few limitations or conditions upon transactions involving Members of the Obligated Group. A governmental agency may determine that a transaction may have violated applicable laws and may proceed to enjoin the transaction or impose civil or criminal penalties, notwithstanding the fact that the transaction may have been permitted by the Master Indenture. Violations of these laws may have a material adverse effect on the operations and financial condition of the Obligated Group.

Certain of the factors that could affect the Series 2008A Bonds and the future financial condition of the Obligated Group are described below. This discussion of risk factors is not, and is not intended to be, exhaustive.

Impact of Market Turmoil

The current economic turmoil has had and will continue to have negative repercussions upon the United States and global economies. In recent months, this turmoil has particularly impacted the financial sector, prompting a number of banks and other financial institutions to seek additional capital, to merge, and, in some cases, to cease operating. These events collectively have led to a scarcity of credit, lack of confidence in the financial sector, volatility in the financial markets, fluctuations in interest rates, reduced economic activity, increased business failures and increased consumer and business bankruptcies. In addition, as investor confidence has waned, investments previously recognized as stable, such as tax-exempt money market funds (which are one of the largest purchasers of tax-exempt bonds), have experienced significant withdrawals.

The United States Congress recently passed and the President of the United States signed on October 3, 2008, the Emergency Economic Stabilization Act of 2008, which authorizes the United States Secretary of the Treasury to purchase up to \$700 billion of mortgage debt and other securities from financial institutions and to take other actions for the purpose of stabilizing the financial markets. Other agencies of the United States government, as well as foreign governments, have taken various actions that are ostensibly designed to enhance liquidity, improve the performance and efficiency of credit markets and generally stabilize the financial markets. It is unclear whether these legislative, regulatory and other governmental actions will have the positive effect that is intended.

If the current economic turmoil continues and the economy further weakens, health care providers could be materially and adversely impacted in a number of ways, including reduced investment income, reduced access to the credit markets, difficulties in obtaining new liquidity facilities or extensions of existing liquidity facilities, significant draws on internal liquidity due to difficulties with remarketing existing variable rate bonds and commercial paper, and increased borrowing costs, any of which may negatively impact the operations or financial

condition of a provider. For a discussion of the effects of these factors on WellSpan Health, the Obligated Group and WPI, see **APPENDIX A – “MANAGEMENT DISCUSSION AND ANALYSIS.”**

Nonprofit Healthcare Environment

The Members and WPI are Pennsylvania non-profit corporations, exempt from federal income taxation as organizations described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. As nonprofit tax-exempt organizations, the Members and WPI are subject to federal, state and local laws, regulations, rulings and court decisions relating to their organization and operation, including their operation for charitable purposes. At the same time, the Members conduct large-scale complex business transactions and are major employers in their respective geographic area. There can often be a tension between the rules designed to regulate a wide range of charitable organizations and the day-to-day operations of a complex healthcare organization.

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 attorney generals, 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. Since 2004, three Congressional Committees have conducted hearings and other proceedings inquiring into various practices of nonprofit hospitals and health care providers. The House Committee on Energy and Commerce (the “House Committee”) launched a nationwide investigation of hospital billing and collection practices and prices charged to uninsured patients. Twenty large hospital and healthcare systems were requested by the House Committee to provide detailed historical charge and billing practice information for acute care services.

The Senate Finance Committee (the “Senate Committee”) also conducted hearings on required reforms to the nonprofit sector and released staff discussion drafts on proposals for reform in the area of tax-exempt organizations, including a proposal for a five-year review of tax-exempt status by the IRS. The IRS has requested information from a number of nonprofit hospitals and healthcare organizations regarding their charitable activities, patient billing and joint venture activities. Such hearings have continued in 2008. It is uncertain if any of the staff proposals will be adopted by the entire Senate Committee or if the Senate Committee will recommend legislative changes as a result of the hearing.

The House Committee on Ways and Means has held several hearings to examine the tax-exempt sector, hospital tax exemptions and the use of tax-preferred bond financings.

It is uncertain whether any of these Committees will pursue further investigations or will recommend legislative changes as a result of these inquiries. To date, the Members have not been a party to these hearings.

Internal Revenue Service Examination of Compensation Practices. In August 2004, the IRS announced a new 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. To date, the Members and WPI have not been contacted by the IRS in connection with this enforcement effort.

Litigation Relating to Billing and Collection Practices. Lawsuits have been filed alleging, among other things, that hospitals have failed to fulfill their obligations to provide charity care to uninsured

patients and have overcharged uninsured patients. Many of these cases have since been dismissed by the courts but a number of cases are still pending in various courts around the country with inconsistent results. While it is not possible to make general predictions, some hospitals and health systems have entered into substantial settlements. To date, the Members and WPI have not been named as defendants in any such lawsuits.

Challenges to Real Property Tax Exemptions. Recently, the real property tax exemptions afforded to certain nonprofit healthcare providers by state and local taxing authorities have been challenged on the grounds that the healthcare providers were not engaged in charitable activities. These challenges have been based on a variety of grounds, including allegations of aggressive billing and collection practices and excessive financial margins. Several of these disputes have been determined in favor of the taxing authorities or have resulted in settlements. While the Members are not aware of any current challenge to the tax exemption afforded to any of their respective material real property, there can be no assurance that these types of challenges will not occur in the future.

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

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 Members considers the likelihood of such a dramatic change in the law to be remote; nevertheless, 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.

Patient Service Revenues

Patient service revenues realized by the Members are derived from a variety of sources and will vary among the individual facilities owned and operated by the Members.

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

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

Medicare and Medicaid Programs

Approximately 27% and 1% of the combined net patient service revenue of the Members for the fiscal year ended June 30, 2008 were derived from the Medicare program and Medicaid programs, respectively. See the information in **APPENDIX A** under the caption, “**FINANCIAL AND OPERATING INFORMATION – Sources of Patient Service Revenues.**” Medicare and Medicaid are the commonly used names for reimbursement or

payment programs governed by certain provisions of the federal Social Security Act. Medicare is an exclusively federal program, and Medicaid is a combined federal and state program. Medicare provides certain health care benefits to beneficiaries who are 65 years of age or older, blind, disabled or qualify for the End Stage Renal Disease Program. Medicare Part A covers inpatient hospital services, skilled nursing care and some home health care, and Medicare Part B covers physician services and some supplies. Medicaid is designed to pay providers for care given to the medically indigent and others who receive federal aid. Medicaid is funded by federal and state appropriations and administered by the various states.

Medicare

Medicare is a federal governmental health insurance system under which physicians, hospitals and other health care providers are reimbursed or paid directly for services provided to eligible elderly and disabled persons. Medicare is administered by the Centers for Medicare and Medicaid Services, or CMS, of the federal Department of Health and Human Services. In order to achieve and maintain Medicare certification, a health care provider must meet CMS's "Conditions of Participation" on an ongoing basis, as determined by the state in which the provider is located and/or The Joint Commission. The federal government frequently revises the laws, regulations, and policies governing Medicare eligibility, coverage, payment, and participation under the Medicare program. At this time, it is not known whether future changes to such laws, regulations, or policies will have a material adverse financial effect on the Members.

The Members depend significantly on Medicare as a source of revenue. Because of this dependence, changes in the Medicare program may have a material effect on the Members. Future reductions in Medicare reimbursement, or increases in Medicare reimbursement in amounts less than increases in the costs of providing care, may have a material adverse financial effect on the Obligated Group.

A substantial portion of the Medicare revenues of the Members is derived from payments made for services rendered to Medicare beneficiaries under a prospective payment system, or PPS. Under a prospective payment system, the amount paid to the provider for an episode of care is established by federal regulation and is not related to the provider's charges or costs of providing that care. Presently, inpatient and outpatient services, skilled nursing care, and home health care are paid on the basis of a prospective payment system. Under inpatient PPS, fixed payment amounts per inpatient discharge are established based on the patient's assigned diagnosis related group, or DRG. DRGs classify treatments for illnesses according to the estimated intensity of hospital resources necessary to furnish care for each principal diagnosis. All services paid under the PPS for hospital outpatient services are classified into groups called ambulatory payment classifications, or APCs. Services in each APC are similar clinically and in terms of the resources they require. A payment rate is established for each APC. The capital component of care is paid on a fully prospective basis.

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

From time to time, the factors used in calculating the prospective payments for units of service are modified by CMS, which may reduce revenues for particular services. Additionally, as part of the federal budgetary process, Congress has regularly amended the Medicare law to reduce increases in payments that are otherwise scheduled to occur, or to provide for reductions in payments for particular services. These actions could adversely affect the revenues of the Members.

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

The costs of providing a unit of care may exceed the revenues realized from Medicare for providing that service. Additionally, the aggregate costs to a provider of providing care to Medicare beneficiaries may exceed aggregate Medicare revenues received during the relevant fiscal period.

The Balanced Budget Act of 2003 also included provisions creating a 3-year demonstration program using Recovery Audit Contractors (“RACs”) to detect and correct improper payments in the Medicare fee for service program. The RAC demonstration program was designed to determine whether the use of RACs would be a cost-effective means of adding resources to ensure correct payments were being made to providers and suppliers and, therefore, protect the Medicare Trust Fund. The demonstration program operated initially in New York, Florida, and California, and was expanded to Massachusetts and South Carolina, and ended on March 27, 2008. The Tax Relief and Health Care Act of 2006 makes the RAC program permanent and requires the Secretary of the Department of Health and Human Services to expand the program to all 50 states by no later than 2010. The RACs are expected to begin in the Commonwealth of Pennsylvania in 2009. As implemented by CMS, RACs are required to identify both overpayments and underpayments and are paid on a contingency fee basis. It is unknown what, if any, impact such reviews will have on the revenues of the Members.

Medicaid

Medicaid is a health insurance program for certain low-income and needy individuals that is jointly funded by the federal government and the states. Pursuant to broad federal guidelines, each state establishes its own eligibility standards; determines the type, amount, duration, and scope of services; sets the payment rates for services; and administers its own programs.

Under the Medicaid program, the federal government supplements funds provided by the Commonwealth of Pennsylvania 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 Pennsylvania Department of Public Welfare, or DPW, administers the Medicaid program in the Commonwealth of Pennsylvania. In the event of a shortfall in Commonwealth revenues, Pennsylvania may reduce the Medicaid reimbursement received by hospitals in order to balance the budget. In addition, national health care reform measures, including proposals to provide federal funds as block grants to the states, may necessitate changes to the Pennsylvania Medicaid system and such changes may affect hospital reimbursement. Similar changes have occurred in the past and can be expected to occur in the future, particularly in response to federal and state budgetary constraints, coupled with increased costs for covered services.

Inpatient Services. Since July 1984, Medicaid payment for acute care services in Pennsylvania has been based on a prospective payment system similar to the federal Medicare DRG-based prospective payment system described above.

Capital Expenditures. Payment for capital costs (including depreciation and interest, but excluding such costs for moveable equipment) has been integrated into a comprehensive prospective payment system for both capital costs and operating costs of providing inpatient services. There is no assurance that Medicaid reimbursement levels for capital depreciation and interest will be adequate to satisfy capital requirements of the Members of the Obligated Group.

Outpatient Services. Medicaid generally pays for hospital outpatient services rendered based on the lower of the usual charge to the general public for the same service or the Medicaid maximum allowable fee, or the upper limit established by Medicare or Medicaid.

Inpatient Mental Health and Rehabilitation Services. Medicaid provides payment for inpatient mental health and rehabilitation services rendered to eligible recipients by private psychiatric hospitals and rehabilitation distinct part units at a per diem rate.

Managed Care Medicaid Program: HealthChoices. Under HealthChoices, Pennsylvania Medicaid recipients enroll in managed care programs. The HealthChoices program requires Medicaid recipients in certain regions of the Commonwealth, including southeastern Pennsylvania, to enroll; in other parts of the Commonwealth, HealthChoices is either optional or not available. Like any private managed care plan, HealthChoices programs attempt to negotiate lower fee schedules with their contracted healthcare providers. Although the Members have current agreements to deliver services under the HealthChoices program, there can be no assurance that the Members will be successful in contracting with the assigned managed care organizations in the future or that the reimbursements from these managed care organizations will be sufficient to cover the costs of delivering care to Medicaid recipients going forward.

Other DPW Funding. In addition to the funding described above, DPW also provides funding to hospitals that provide a significant amount of uncompensated care. Funding for this includes payments by DPW to hospitals for inpatient and outpatient Disproportionate Share and Community Access Funds. These payments are based on historic levels of care provided to indigent patients. Eligibility for participation in this funding is determined based on data provided to DPW through annual cost reports. There can be no assurance that DPW's funding levels or the Members' eligibility will remain at current levels.

Also, as a result of the national class action tobacco settlement, DPW has created an uncompensated care pool to provide grants to hospitals that meet certain levels of uncompensated care. There can be no assurance that DPW's funding level or the Members' eligibility will remain at current levels.

Private Health Plans and Managed Care

Managed care plans generally use discounts and other economic incentives to reduce or limit the cost and utilization of health care services. Payments to the Members from managed care plans typically are lower than those received from traditional indemnity/commercial insurers. Defined broadly, for the fiscal year ended June 30, 2008, managed care payments constituted approximately 35% of the combined net patient service revenues of the Members. There is no assurance that the Members will maintain managed care contracts or obtain other similar contracts in the future. Failure to maintain contracts could have the effect of reducing the market share of the Members and the Members' net patient service revenues. Conversely, participation may maintain or increase the patient base but could result in lower excess of revenues over expenses or operating losses to the Members if they are unable to adequately contain their respective costs.

Many preferred provider organizations, or PPOs, and health maintenance organizations, or HMOs, currently pay providers on a negotiated fee-for-service basis or on a fixed rate per day of care, which, in each case, usually is discounted from the typical charges for the care provided. The discounts offered to HMOs and PPOs may result in payment to a provider that is less than its actual cost. Additionally, the volume of patients directed to a hospital may vary significantly from projections, and/or changes in the utilization of certain services offered by the provider may be dramatic and unexpected, thus further jeopardizing the provider's ability to contain costs.

Some HMOs employ a "capitation" payment method under which hospitals are paid a predetermined periodic rate for each enrollee in the HMO who is "assigned" or otherwise directed to receive care at a particular hospital. In a capitation payment system, the hospital assumes a financial risk for the cost and scope of care given to the HMO's enrollees. In some cases, the capitated payment covers total hospital patient care provided. However, if payment under an HMO or PPO contract is insufficient to meet the hospital's costs of care or if utilization by enrollees materially exceeds projections, the financial condition of the hospital could erode rapidly and significantly.

As a consequence of the above factors, the effect of managed care on the Members' financial condition is difficult to predict and may be different in the future than the financial statements for the current periods reflect.

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 on the managed care industry. State legislatures have cited their right and obligation to regulate and

oversee health care insurance and have enacted sweeping measures that aim to protect consumers and, in some cases, providers. For example, a number of states have enacted laws mandating 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 could become subject to a variety of state health care laws and regulations affecting health care providers. In addition, the Members could be subject to state laws and regulations prohibiting, restricting, or otherwise governing PPOs, third-party administrators, physician-hospital organizations, independent practice associations or other intermediaries, fee-splitting, the “corporate practice of medicine,” selective contracting, “any willing provider” laws and “freedom of choice” laws, coinsurance and deductible amounts, insurance agency and brokerage, quality assurance, utilization review, and credentialing activities, provider and patient grievances, mandated benefits, rate increases, and many other practices.

Enacted in July of 2007, the Pennsylvania Health Care-Associated Infection and Prevention Control Act requires the adoption of infection control procedures and the reporting of healthcare-associated infections going forward. The Act requires healthcare facilities to implement internal infection control plans including systems designed to identify patients with Methicillin-resistant *Staphylococcus aureus* infections. Healthcare facilities will be required to report hospital-acquired infections to the Patient Safety Authority. In return for the implementation of qualified electronic surveillance systems and reductions in infection rates, healthcare facilities will be eligible to receive additional reimbursement from the state. There can be no assurance that the Members will be eligible or that state funds will continue to be available for reimbursement under this program.

Dependence Upon Third-Party Payors

The Members’ ability to develop and expand their services and, therefore, profitability, is dependent upon their ability to enter into contracts with third-party payors at competitive rates. There can be no assurance that they will be able to attract third-party payors, and where they do, no assurance can be given that they will be able to contract with such payors on advantageous terms. The inability of the Members to contract with a sufficient number of such payors on advantageous terms would have a material adverse effect on the Members’ future operations and financial results. Further, while the Members expect to control health care service utilization and increase quality, the Members cannot predict changes in utilization patterns or on health care providers.

Alternative or Integrated Delivery System Development

Many hospitals and health systems are pursuing strategies with physicians in order to offer an integrated package of health care services, including physician and hospital services, to patients, health care insurers and managed care providers. These integration strategies may take many forms, including management service organizations, or MSOs, which may provide physicians or physician groups with a combination of financial and managed care contracting services, office and equipment, office personnel and management information systems. Integration objectives may also be achieved via physician-hospital organizations, or PHOs, organizations which are typically jointly owned or controlled by a hospital and physician group for the purpose of managed care contracting, implementation and monitoring. Other integration structures include hospital-based clinics or medical practice foundations, which may purchase and operate physician practices as well as provide all administrative services to physicians. Many of these integration strategies are capital intensive and may create certain business and legal liabilities for the related hospital or health system.

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

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

All such integrated delivery developments carry with them the potential for legal or regulatory risks in varying degrees. Such developments may call into question compliance with the Medicare fraud and abuse laws, relevant antitrust laws and federal or state tax exemption. Such risks will turn on the facts specific to the implementation, operation or future modification of any integrated delivery system. MSOs which operate at a deficit over an extended period of time may raise significant risks of investigation or challenge regarding the tax-status of health care providers participating in MSOs or compliance with the Medicare fraud and abuse laws. In addition, depending on the type of development, a wide range of governmental billing and other issues may arise, including questions of the authorization of the entity to bill for or on behalf of the physicians involved. Other related legal and regulatory risks may arise, including employment, pension and benefits, and corporate practice of medicine, particularly in the current atmosphere of frequent and often unpredictable changes in federal and state legal requirements regarding health care and medical practice. The potential impact of any such regulatory or legal risks on the Members cannot be predicted with certainty. There can be no assurance that such issues and risks will not lead to material adverse consequences in the future.

Regulatory Environment

Licensing, Surveys, Investigations and Audits

Health facilities, including those of the Members, are subject to numerous legal, regulatory, professional and private licensing, certification and accreditation requirements. These include, but are not limited to, requirements relating to Medicare Conditions of Participation, requirements for participation in Medicaid, state licensing agencies, private payors and the accreditation standards of The Joint Commission. Renewal and continuation of certain of these licenses, certifications and accreditations are based on inspections, surveys, audits, investigations or other reviews, some of which may require affirmative actions by the Members.

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

Negative Rankings Based on Clinical Outcomes, Cost, Quality, Patient Satisfaction and Other Performance Measures

Health plans, Medicare, Medicaid, employers, trade groups and other purchasers of health services, private standard-setting organizations and accrediting agencies increasingly are using statistical and other measures in efforts to characterize, publicize, compare, rank and change the quality, safety and cost of health care services provided by hospitals and physicians. Published rankings such as “score cards,” “pay for performance” and other financial and non-financial incentive programs are being introduced to affect the reputation and revenue of hospitals and the members of their medical staffs and to influence the behavior of consumers and providers such as the Members. Currently prevalent are measures of quality based on clinical outcomes of patient care, reduction in costs, patient satisfaction and investment in health information technology. Measures of performance set by others that characterize a hospital negatively may adversely affect its reputation and financial condition.

Civil and Criminal Fraud and Abuse Laws and Enforcement

Federal and state health care fraud and abuse laws regulate both the provision of services to government program beneficiaries and the methods and requirements for submitting claims for services rendered to beneficiaries.

Under these laws, individuals and organizations can be penalized for submitting claims for services that are not provided, billed in a manner other than as actually provided, not medically necessary, provided by an improper person, accompanied by an illegal inducement to utilize or refrain from utilizing a service or product, or billed in a manner that does not otherwise comply with applicable government requirements.

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

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

Based upon the prohibited activity in which the provider has engaged, governmental agencies and officials may bring actions against providers under civil or criminal False Claims Acts, statutes prohibiting referrals for compensation or fee-splitting, or the “Stark law,” which prohibits certain referrals by a physician to certain organizations in which the physician has a financial relationship. The civil and criminal monetary assessments and penalties may be substantial. Additionally, the provider may be denied continued participation in the Medicare and/or Medicaid programs. If and to the extent either of the Members engaged in a prohibited activity and judicial or administrative proceedings concluded adversely to such Member, the outcome could materially affect the Obligated Group.

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

Review of Outlier Payments

CMS is reviewing health care providers that are receiving large proportions of their Medicare revenues from outlier payments. Health care providers found to have obtained inappropriately high outlier payments will be subject to further investigation by the CMS Program Integrity Unit and potentially the Office of Inspector General. Management of the Members does not believe that any potential review of the Members would materially adversely affect either Member’s results of operations.

Patient Records and Patient Confidentiality

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

HIPAA imposes civil monetary penalties for violations and criminal penalties for knowingly obtaining or using individually identifiable health information. The penalties range from \$50,000 to \$250,000 and/or imprisonment if the information was obtained or used with the intent to sell, transfer or use the information for commercial advantage, personal gain or malicious harm.

Patient Transfers

A federal “anti-dumping” statute imposes certain requirements that must be met before transferring a patient to another facility. Failure to comply with the law can result in exclusion from the Medicare and/or Medicaid programs as well as civil and criminal penalties. Failure of either Member to meet its responsibilities under the law could adversely affect the financial condition of the Obligated Group.

Management of the Members is not aware of any pending or threatened claim, investigation or enforcement action regarding patient transfers that, if determined adversely to a Member, would have material adverse consequences to such Member.

Environmental Laws and Regulations

The Members’ health care operations generate medical waste that must be disposed of in compliance with federal, state and local environmental laws, rules and regulations. The Members’ and WPI’s operations, as well as the Members’ and WPI’s purchases and sales of facilities, also are subject to compliance with various other environmental laws, rules and regulations. The Members and WPI anticipate that compliance will not materially affect the Members’ and WPI’s business, financial condition or results of operations.

Management is not aware of any pending or threatened claim, investigation or enforcement action regarding environmental issues or any instance of contamination that, if determined adversely to either Member or WPI, would have material adverse consequences to the Obligated Group or WPI.

Medical Care Availability and Reduction of Error Act

In March 2002, the Commonwealth of Pennsylvania enacted the Medical Care Availability and Reduction of Error Act (the “Mcare Act”). The Mcare Act includes significant patient safety initiatives, professional liability tort reforms, professional liability insurance reforms, and administrative requirements.

Under the Mcare Act, hospitals are required to develop and implement patient safety plans, appoint patient safety officers, form patient safety committees, and engage in mandatory reporting of serious events, incidents, and infrastructure failures in the hospital. Furthermore, hospitals are required to provide written notice to patients affected by serious events. Failure to comply with the patient safety requirements of the Mcare Act can result in administrative fines of \$1,000 per day.

The Mcare Act also eliminated the Pennsylvania Medical Professional Liability Catastrophe Loss Fund (the “CAT Fund”) and established the Medical Care Availability and Reduction of Error Fund (the “Mcare Fund”). The Mcare Fund provides coverage for professional liability claims in excess of a basic limit of insurance, and participation in the Mcare Fund is mandatory for most Pennsylvania licensed health care providers.

The Mcare Act provides for the transition of all professional liability coverage from the Mcare Fund to commercial insurance. Although the transition is scheduled by 2011, changes to this timeframe may be considered by the Commission on the Mcare Fund. The liabilities of the CAT Fund, which are estimated at over \$2 billion dollars, were transferred into the Mcare Fund and will be paid through the imposition of annual assessments on health care providers in Pennsylvania until such time as all liabilities are satisfied.

The administrative and financial burdens imposed on health care providers by the Mcare Act are substantial, and there can be no assurance that compliance with the Mcare Act will not have a material adverse effect upon the future operations and financial condition of the Members.

Future Pennsylvania Legislation

Legislation has previously been introduced that seeks to transform the current system of tort liability in Pennsylvania. Although comprehensive tort reform has not been enacted, incremental changes have been implemented that may have resulted in a recent trend towards a reduction in claims. While it is likely that

legislation attempting to reduce malpractice costs will continue to be introduced in Pennsylvania, it is difficult to predict what effect, if any, the enacted legislation or the passage of an alternate liability system would have on the Members and WPI's ability to fulfill their obligations with respect to the Series 2008A Bonds.

Other legislation was introduced in both houses of the Pennsylvania General Assembly to overhaul Pennsylvania hospital licensure requirements and requiring the adoption of national accreditation standards. Likewise, this legislation has not been adopted; however, it is likely that there will be future legislative efforts to modify Pennsylvania hospital licensure requirements. While the Members remain compliant with existing accrediting standards, it is unclear what effect any change in licensure requirements may have on the Members.

Recent Pennsylvania legislative efforts have attempted to limit fees charged to the self-insured and also to restrict a hospital's ability to collect bad debt. While these legislative efforts have not been enacted to date, there can be no guarantee that such legislation will not be adopted in the future. Additionally, Governor Rendell continues to support initiatives to offer basic health coverage to uninsured Pennsylvanians. There can be no assurance that any such initiatives will not have effects that negatively impact the Members.

Certain Business Transactions

Physician Relations

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

Physician Contracting

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

The success of the Members will be partially dependent upon their respective ability to attract physicians to join the physician organizations and to participate in their networks, and upon the ability of the physicians, including the employed physicians, to perform their obligations and deliver high quality patient care in a cost-effective manner. There can be no assurance that the Members will be able to attract and retain the requisite number of physicians, or that physicians will deliver high quality health care services. Without paneling a sufficient number and type of providers, a Member 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 Members.

Affiliations, Merger, Acquisition and Divestiture

The Members evaluate and pursue potential acquisition, merger and affiliation candidates as part of the overall strategic planning and development process. As part of this ongoing planning and property management functions, the Members review the use, compatibility and business viability of their respective operations, and from time to time the Members may pursue changes in the use of, or disposition of, their respective facilities. Likewise, the Members occasionally receive offers from, or conduct discussions with, third parties about the potential acquisition of operations and properties which may become subsidiaries or affiliates of the Members in the future, or about the potential sale of some of the operations or property which are currently conducted or owned by the Members. Discussions with respect to affiliation, merger, acquisition, disposition or change of use of facilities,

including those which may affect the Obligated Group, are held from time to time with other parties. These may be conducted with acute care hospital facilities and may be related to potential affiliation with the Members. As a result, it is possible that the current organization and assets of the Members may change from time to time.

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

Antitrust

Enforcement of 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. While the application of federal and state antitrust laws to health care is still evolving, enforcement activities by federal and state agencies appear to be increasing. Violators of antitrust laws could be subject to criminal and civil liability by both federal and state agencies, as well as by private litigants.

Tax Matters

Tax Exemption for Not-For-Profit Corporations

Loss of tax-exempt status by either Member or WPI or any future Obligated Group Member 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 and WPI. Management of the Members is not aware of any transactions or activities currently ongoing that are likely to result in the revocation of the tax-exempt status of either Member or WPI.

The maintenance by the Members and WPI of their respective status as organizations described in Section 501(c)(3) of the Code is contingent upon compliance with general rules promulgated in the Code and related regulations regarding the organization and operation of tax-exempt entities, including their operation for charitable and educational purposes and their avoidance of transactions that may cause their assets to inure to the benefit of private individuals. The 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 and WPI conduct large-scale and diverse operations involving private parties, there can be no assurances that certain of its transactions would not be challenged by the IRS.

The IRS has taken the position that hospitals which are in violation of Federal law known as the Anti-Kickback Law may also be subject to revocation of their tax-exempt status. See the information herein under the caption, "**BONDHOLDERS' RISKS – Regulatory Environment – Civil and Criminal Fraud and Abuse Laws and Enforcement.**" As a result, tax-exempt hospitals, such as those owned and operated by the Members, 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 Official Statement as the Intermediate Sanctions Law, allows the IRS to impose “intermediate sanctions” against certain individuals or entities 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, the Members 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 large multi-hospital systems, these liabilities are probable from time to time and could be substantial, in some cases involving millions of dollars, 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 participate in activities that may generate unrelated business taxable income. Management of the Members and WPI believes 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 either Member or WPI 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 and the Obligated Group or WPI. 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 or the Obligated Group to federal or state income taxes.

Management of each Member and WPI believes that the Member and WPI 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, an audit could result in additional taxes, interest and penalties. An audit could ultimately affect the tax-exempt status of either Member 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 of 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 their 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 Members and WPI by requiring them to pay income or local property taxes.

Tax-Exempt Status of the Series 2008A Bonds

The Code imposes a number of requirements that must be satisfied for interest on state and local obligations, such as the Series 2008A Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds, limitations on the investment earnings of bond proceeds prior to expenditure, a requirement that certain investment earnings on bond proceeds be paid periodically to the United States, and a requirement that the issuers file an information report with the IRS. The Members have agreed that they will comply with such requirements. Failure to comply with the requirements stated in the Code and related regulations, rulings and policies may result in the treatment of the interest on the Series 2008A Bonds as taxable. Such adverse treatment may be retroactive to the date of issuance. See also “**TAX EXEMPTION.**”

Bond Examinations

IRS officials have recently indicated that more resources will be invested in audits of tax-exempt bonds in the charitable organization sector with specific review of private use. In addition, in 2007 the IRS sent approximately two hundred post-issuance compliance questionnaires to nonprofit corporations that have borrowed on a tax-exempt basis regarding their post-issuance compliance with various requirements for maintaining the federal tax exemption of interest on their bonds. The questionnaire included questions relating to the borrower’s (i) record retention, which the Internal Revenue Service has particularly emphasized, (ii) qualified use of bond-financed property, (iii) arbitrage yield restriction and rebate requirements, (iv) debt management policies and (v) voluntary compliance and education. On September 11, 2008, the IRS issued an interim report analyzing the responses from the completed questionnaires. The report indicates that there are significant gaps in the implementation by nonprofit corporations of post-issuance and record retention procedures for tax-exempt bonds.

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

Although Management of the Members believes that its expenditure and investment of bond proceeds, use of property financed with tax-exempt debt and record retention practices have complied with all applicable laws and regulations, there can be no assurance that the issuance of surveys will not lead to an IRS review that could adversely affect the market value of the Series 2008A Bonds or of other outstanding tax-exempt indebtedness of the Members. Additionally, the Series 2008A Bonds or other tax-exempt obligations issued for the benefit of the Members, may be, from time to time, subject to examinations by the IRS. Management of the Members believes that the Series 2008A Bonds and other tax-exempt obligations issued for the benefit of the Members, properly comply with the tax laws. 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 the opinions of Bond Counsel are not binding on the IRS or the courts. There can be no assurance that any Internal Revenue Service examination of the Series 2008A Bonds will not adversely affect the market value of the Series 2008A Bonds. See “**TAX EXEMPTION**” below.

Other Risks

Indigent Care

Tax-exempt hospitals often treat large numbers of “indigent” patients who, for various reasons, are unable to pay for their medical care. These hospitals may be susceptible to economic and political changes which could increase the number of indigent persons or the responsibility for caring for this population. General economic conditions which affect the number of employed individuals who have health insurance coverage will similarly affect the ability of patients to pay for their care. Similarly, changes in governmental policy, which may result in coverage exclusions under local, state and federal healthcare programs (including Medicare and Medicaid) may increase the frequency and severity of indigent treatment in such hospitals. It is also possible that future legislation could require that tax-exempt hospitals maintain minimum levels of indigent care as a condition to federal income tax exemption or local property tax exemption. In sum, indigent care commitments of the Members could constitute a material and adverse financial risk in the future.

Interest Rate Swaps

The Members of the Obligated Group have entered into interest rate swap transactions with a notional amount of approximately \$258 million with respect to certain of its outstanding bonds. The Members are exposed to “basis risk” to the extent that the rate they receive from the applicable swap counterparty pursuant to the interest rate swaps will not equal the interest rate they are required to pay on such outstanding bonds. The agreement by the applicable swap counterparty to pay certain amounts to the Members pursuant to the interest rate swaps does not alter or affect the Members’ obligations to pay principal, purchase price or redemption price of or interest on any of the outstanding bonds. No person other than Members will have any rights under the interest rate swaps or against the applicable swap counterparty.

Under certain circumstances, the interest rate swaps may be terminated prior to the maturity of the related outstanding bonds. If the interest rate swaps are terminated under certain market conditions, the Members may owe a termination payment to the applicable swap counterparty. Such a termination payment generally would be based upon the market value of the related interest rate swap on the date of termination and could be substantial. In addition, a partial termination of an interest rate swap could occur to the extent that any outstanding bonds hedged with an interest rate swap is redeemed pursuant to an optional redemption. If such an optional redemption occurs, a termination payment related to the portion of the interest rate swap to be terminated will be owed by either the Members or the applicable swap counterparty, depending on market conditions. In the event of an early termination of an interest rate swap, there can be no assurance that (i) the Members will receive any termination payment payable to it by the applicable swap counterparty, (ii) the Members will have sufficient amounts available to pay a termination payment payable by it to the applicable swap counterparty or (iii) the Members will be able to obtain a replacement swap agreement with comparable terms. The Members have credit risk to the extent the applicable swap counterparty’s credit or ability to perform is reduced or eliminated.

Bond Ratings

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

Staffing Shortages

In recent years, the healthcare industry has suffered from a scarcity of nursing and other qualified health care technicians and personnel. This trend could force the Members to pay higher salaries to nursing and other qualified health care technicians and personnel as competition for such employees intensifies and, in an extreme situation, could lead to difficulty in keeping the facilities licensed to provide nursing care and thus eligible for reimbursement under Medicare and Medicaid.

Professional Liability Claims and Liability Insurance

The number of professional and general liability suits and the dollar amounts of damage recoveries have remained constant or declined in recent years. Likewise, malpractice insurance premiums have experienced a recent period of stability. However, there can be no assurance that such trends will not reverse themselves in the future.

Professional liability and other actions alleging wrongful conduct and seeking punitive damages often are filed against health care providers. Litigation may also arise from the corporate and business activities of the Members and their affiliates, employee-related matters, medical staff and provider network matters and denials of medical staff and provider network membership and privileges. As with professional liability, many of these risks are covered by insurance, but some are not. For example, some antitrust claims, business disputes and workers' compensation claims are not covered by insurance or other sources and, in whole or in part, may be a liability of the Members and their affiliates if determined or settled adversely. Claims for punitive damages may not be covered by insurance under certain state laws. Although the Members currently maintain actuarially determined self-insurance reserves and carry excess malpractice and general liability insurance which management of the Members considers adequate, management is unable to predict the availability, cost or adequacy of such insurance in the future.

Other Risk Factors Generally Affecting Health Care Facilities

In the future, the following factors, among others, may adversely affect the operations of health care providers, including the Members and any future members of the Obligated Group or the market value of the Series 2008A Bonds, to an extent that cannot be determined at this time:

1. Hospitals are major employers, combining a complex mix of professional, quasi-professional, technical, clerical, housekeeping, maintenance, dietary and other types of workers in a single operation. As with all large employers, the Members bear a wide variety of risks in connection with their employees. These risks include strikes and other related work actions, contract disputes, discrimination claims, personal tort actions, work-related injuries, exposure to hazardous materials, interpersonal torts (such as between employees, between physicians or management and employees, or between employees and patients), and other risks that may flow from the relationships between employer and employee or between physicians, patients and employees. Many of these risks are not covered by insurance, and certain of them cannot be anticipated or prevented in advance. The Members are subject to all of the risks listed above, and such risks, alone or in combination, could have material adverse consequences to the financial condition or operations of the Members.
2. Competition from other hospitals and other competitive facilities now or hereafter located in the respective service areas of the facilities owned and operated by the Members and WPI may adversely affect revenues of the Members and WPI. Development of health maintenance and other alternative health delivery programs could result in decreased usage of inpatient hospital facilities and other facilities operated by the Members and WPI.
3. Cost and availability of any insurance, including self-insurance, such as malpractice, fire, automobile, and general comprehensive liability, that hospitals and other health care facilities of similar size and type as the Members and WPI generally carry may adversely affect revenues. The costs of such insurance have increased significantly in the past few years, and such increases are likely to continue in the near future.
4. The occurrences of natural disasters may damage some or all of the facilities, interrupt utility service to some or all of the facilities or otherwise impair the operation of some or all of the facilities operated by the Members and WPI or the generation of revenues from some or all of the facilities.
5. Scientific and technological advances, new procedures, drugs and appliances, preventive medicine, occupational health and safety and outpatient health care delivery may reduce utilization

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

6. Reduced demand for the services of the Members that might result from decreases in population in its service area.
7. Increased unemployment or other adverse economic conditions in the service areas of the Members which would increase the proportion of patients who are unable to pay fully for the cost of their care.
8. Any increase in the quantity of indigent care provided which is mandated by law or required due to increase needs of the community in order to maintain the charitable status of the Members.
9. Regulatory actions which might limit the ability of the Members and WPI to undertake capital improvements to their respective facilities or to develop new institutional health services.
10. The occurrence of a large scale terrorist attack that increases the proportion of patients who are unable to pay fully for the cost of their care and that disrupts the operation of certain health care facilities by resulting in an abnormally high demand for health care services.
11. Instability in the stock market or other investment markets which may adversely affect both the principal value of, and income from, the Members' investment portfolio.

LITIGATION

The Issuer

There is not now pending or, to the knowledge of the Issuer, threatened against the Issuer any litigation restraining or enjoining the issuance or delivery of the Series 2008A Bonds or questioning or affecting the validity of the Series 2008A Bonds or the proceedings or authority under which they are to be issued. Neither the creation, organization or existence of the Issuer nor the title of any of the present directors or other officials of the Issuer to their respective offices is being contested. There is no litigation pending or, to its knowledge, threatened against the Issuer, which in any manner questions the right of the Issuer to enter into the Trust Indenture or the Loan Agreement or to accept the Series 2008A Master Note in the manner provided in the Trust Indenture and the Act.

The Members and WPI

The Members and WPI have advised that no litigation, proceedings or investigations are pending or, to their knowledge, threatened against the Members or WPI except litigation, proceedings or investigations involving claims which, if adversely determined, would not have a materially adverse effect on the operation or condition, financial or otherwise, of WPI or the Obligated Group taken as a whole. No litigation, proceedings or investigations are pending or, to the knowledge of the Members or WPI, threatened against the Members or WPI which in any manner questions the right of such parties to enter into the transactions described herein. See **APPENDIX A – "INSURANCE."**

LEGAL MATTERS

All legal matters incidental to the authorization and issuance of the Series 2008A Bonds by the Issuer are subject to the approval of Ballard Spahr Andrews & Ingersoll, LLP, Bond Counsel to the Issuer, whose approving opinion will be delivered with the Series 2008A Bonds. Certain legal matters will be passed upon for the Issuer by

its counsel, Countess Gilbert Andrews, P.C. Certain legal matters will be passed upon for the Members and WPI by their special counsel, Ballard Spahr Andrews & Ingersoll, LLP and by their Vice President and General Counsel, Glen D. Moffett, Esq., and for the Underwriter by its counsel, Foley & Lardner LLP.

TAX EXEMPTION

In the opinion of Ballard Spahr Andrews & Ingersoll, LLP, Bond Counsel, interest on the Series 2008A Bonds is excludable from gross income for purposes of federal income tax under existing laws as enacted and construed on the date of initial delivery of the Series 2008A Bonds, assuming the accuracy of the certifications of the Issuer, the Members and WPI and continuing compliance by the Issuer, the Members and WPI with the requirements of the Code. Interest on the Series 2008A Bonds is not an item of tax preference for purposes of either individual or corporate federal alternative minimum tax, but interest on Series 2008A Bonds held by a corporation (other than an S corporation, regulated investment company, real estate investment trust or real estate mortgage investment conduit) may be indirectly subject to federal alternative minimum tax because of its inclusion in the adjusted current earnings of a corporate holder. Interest on Series 2008A Bonds held by foreign corporations may be subject to the branch profits tax imposed by the Code.

Ownership of the Series 2008A Bonds may result in other federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations and taxpayers who may be deemed to have incurred or continued debt to purchase or carry the Series 2008A Bonds. Bond Counsel expresses no opinion as to these matters. Prospective purchasers of the Series 2008A Bonds should consult their tax advisers as to such consequences.

Under the laws of the Commonwealth of Pennsylvania, as enacted and construed on the date of issuance of the Series 2008A Bonds, the Series 2008A Bonds are exempt from personal property taxes in Pennsylvania, and interest on the Series 2008A Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax.

A person making payments of tax-exempt interest to a bondholder is generally required to perform “backup withholding” from the interest if the bondholder does not provide an IRS Form W-9 to the payor. “Backup withholding” means that the payor withholds tax from the interest payments at the backup withholding rate, currently 28%. Form W-9 states the bondholder’s taxpayer identification number or basis of exemption from backup withholding.

If a holder purchasing a Series 2008A Bond through a brokerage account has executed a Form W-9 in connection with the account, as generally can be expected, there should be no backup withholding from the interest on the Series 2008A Bond. In any event, backup withholding does not affect the excludability of interest on the Series 2008A Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner’s federal income tax once the required information is furnished to the Internal Revenue Service.

The payor must make an information report to the Internal Revenue Service of payments of interest on the Series 2008A Bonds in any event.

RATINGS

Fitch Ratings and Moody’s Investors Services have assigned their municipal bond ratings of “AA-” and “Aa3,” respectively, to the Series 2008A Bonds.

Any explanation of the significance of ratings may only be obtained from the rating agencies.

Generally, rating agencies base their ratings on the information and materials so furnished and on investigations, studies, and assumptions by the ratings agencies. There is no assurance that a particular rating will be maintained for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of

the agency originally establishing the rating, circumstances so warrant. The Issuer, the Underwriter, the Members and WPI have undertaken no responsibility to bring to the attention of the holders of the Series 2008A Bonds any proposed revision or withdrawal of the ratings of the Series 2008A Bonds or to oppose any such proposed revision or withdrawal. Any such change in or withdrawal of such ratings could have an adverse effect on the market price of the Series 2008A Bonds.

FINANCIAL STATEMENTS

The consolidated financial statements of WellSpan Health as of June 30, 2008 and 2007 and for the years then ended, appearing in **APPENDIX B**, have been audited by Ernst & Young LLP, independent accountants, as stated in their report thereon which appears in **APPENDIX B**.

UNDERWRITING

Citigroup Global Markets Inc. (the “Underwriter”) has agreed to purchase \$148,765,000 aggregate principal amount of the Series 2008A Bonds pursuant to a bond purchase agreement dated October 29, 2008, by and between the Issuer and the Underwriter, with the approval of the Members and WPI. The aggregate purchase price of such Series 2008A Bonds is \$144,911,699.73 consisting of the par amount of such Series 2008A Bonds less a net original issue discount of \$2,615,452.55 less an underwriting discount of \$1,237,847.72. The Underwriter has agreed to purchase \$51,765,000 aggregate principal amount of the Series 2008A Bonds pursuant to a bond purchase agreement dated November 4, 2008, by and between the Issuer and the Underwriter, with the approval of the Members and WPI. The aggregate purchase price of such Series 2008A Bonds is \$48,411,825.08 consisting of the par amount of such Series 2008A Bonds less an original issue discount of \$2,915,404.80 less an underwriting discount of \$437,770.12. Each bond purchase agreement provides that the Underwriter will purchase all of related Series 2008A Bonds if any are purchased. The obligation of the Underwriter to accept delivery of the Series 2008A Bonds is subject to various conditions set forth in the related bond purchase agreement. The Members and WPI have agreed to indemnify the Underwriter and the Issuer against certain liabilities.

FINANCIAL ADVISOR

Kaufman, Hall & Associates, Inc., Skokie, Illinois, was engaged by WellSpan Health to provide financial advisory services for the development and implementation of a capital financing plan for WellSpan Health. Kaufman Hall & Associates, Inc. is a national consulting firm that acts as capital advisor to health care organizations, particularly in the areas of short and long term debt financings, joint ventures and overall capital planning.

CONTINUING DISCLOSURE

The Issuer has determined that no financial or operating data concerning it is material to any decision to purchase, hold or sell the Series 2008A Bonds, and the Issuer will not provide any such information. The Members and WPI have undertaken all responsibilities for any continuing disclosure to holders of the Series 2008A Bonds as described below, and the Issuer shall have no responsibility or liability to the holders or any other person with respect to such disclosures.

The Members and WPI have covenanted for the benefit of the holders of the Series 2008A Bonds pursuant to Rule 15c2-12 of the Securities and Exchange Commission and a Disclosure Dissemination Agent Agreement, dated as of November 1, 2008 (the “Disclosure Agreement”), among the Members, WPI and Digital Assurance Certification, L.L.C., to provide certain information repositories (i) certain financial information and operating data relating to the Members and WPI on an annual basis within 150 days after the end of each fiscal year in each year that the Series 2008A Bonds are outstanding, (ii) certain unaudited financial information relating to the Members and WPI within 60 days after the end of each of the first three fiscal quarters in each year that the Series 2008A Bonds are outstanding and (iii) notices of the occurrence of certain enumerated events on a timely basis following their occurrence if the occurrence is considered by the Members and WPI to be material to the holders of the Series 2008A Bonds. A proposed form of the Disclosure Agreement is attached hereto as **APPENDIX D**. The Members

and WPI have not failed to comply with any previous undertaking in a written contract to provide continuing disclosure pursuant to Rule 15c2-12.

MISCELLANEOUS

The references herein to the Act, the Master Indenture, the Series 2008A Master Note, the Trust Indenture 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 the Act, the Master Indenture, the Series 2008A Master Note, the Trust Indenture and the Loan Agreement. Copies of current drafts of such documents for the Series 2008A Bonds are on file at the principal corporate trust office of the Trustee.

The agreement of the Issuer with the holders of the Series 2008A Bonds is fully set forth in the Trust Indenture, and neither any advertisement of the Series 2008A Bonds nor this Official Statement is to be construed as constituting an agreement between the Issuer and the purchasers of its Series 2008A Bonds. So far as any statements made in this Official Statement involving estimates, projections or matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact.

CUSIP identification numbers will be printed on the Series 2008A Bonds, but neither the failure to print such numbers 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 the Series 2008A Bonds.

The attached **APPENDICES A** through **F** are integral parts of this Official Statement and must be read together with all of the foregoing statements.

The Members and WPI have reviewed the information contained herein which relates to the Members and WPI and their properties and operations, including the information in **APPENDICES A** and **B** hereto, and have approved all such information for use within this Official Statement. The Issuer has duly authorized the execution and delivery of this Official Statement.

GENERAL AUTHORITY OF SOUTHCENTRAL
PENNSYLVANIA

By: /s/ Terrence L. Hormel
Chair

This Official Statement is approved:

YORK HOSPITAL

By: /s/ Michael F. O'Connor
Senior Vice President – Finance

THE GETTYSBURG HOSPITAL

By: /s/ Michael F. O'Connor
Senior Vice President – Finance

WELLSPAN PROPERTIES, INC.

By: /s/ Michael F. O'Connor
Senior Vice President – Finance

APPENDIX A

Information Concerning

WELLSPAN HEALTH OBLIGATED GROUP

*The information contained herein has been provided by
the WellSpan Health Obligated Group*

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INTRODUCTION

The Initial Members of the WellSpan Health Obligated Group

York Hospital and The Gettysburg Hospital, each of which is a Pennsylvania non-profit corporation, are Members of the Obligated Group established under the Master Trust Indenture dated as of June 15, 2001, as amended and supplemented (the “Master Indenture”), among each of them and Manufacturers and Traders Trust Company, as Master Trustee. For purposes of this Appendix A, the Obligated Group is referred to as the “WellSpan Health Obligated Group,” and each of York Hospital and The Gettysburg Hospital is referred to as a “Member.” Each Member is exempt from federal income taxation pursuant to Section 501(a) of the Internal Revenue Code of 1986, as amended (the “Code”), as an organization described in Section 501(c)(3) of the Code.

York Hospital, which was founded as a nonprofit community hospital in 1880, owns and operates a regional referral center and the largest acute care facility in York County, Pennsylvania. York Hospital is licensed to operate 558 acute care beds. The Gettysburg Hospital, which was founded as a nonprofit community hospital in 1919, owns and operates a community hospital in Gettysburg, Pennsylvania, approximately 30 miles west of York Hospital, and provides comprehensive health care to the residents of Adams County, Pennsylvania and several counties in Northern Maryland. The Gettysburg Hospital is licensed to operate 76 acute care beds and 19 sub-acute care beds. For purposes of this Appendix A, the hospital facilities owned and operated by each Member are referred to as York Hospital and The Gettysburg Hospital, respectively, and together as the Hospitals.

See the information under the caption, “THE HOSPITALS” in this Appendix A for a description of the history, facilities, services, medical staff, service area and other information about York Hospital and The Gettysburg Hospital.

The WellSpan Health System

WellSpan Health is a Pennsylvania non-profit corporation, exempt from federal income taxation pursuant to Section 501(a) of the Code as an organization described in Section 501(c)(3) of the Code. WellSpan Health is the parent and sole member of each Member and other related affiliates, and is the core organization of a health care system (the “WellSpan Health System” or the “System”). Operating as a community-based organization, WellSpan Health is committed to developing and coordinating the System for delivery of health care services for the residents of communities in York and Adams Counties in Pennsylvania, and in Northern Maryland. The System is comprised of the two Hospitals with a combined total of 653 licensed beds, with 35,973 admissions for the fiscal year ended June 30, 2008. The System also includes 33 ambulatory care and outpatient locations, six retail pharmacy sites, 62 primary care and specialty physician offices, 818 medical and dental staff members, a preferred provider organization and third party benefit administrator, home health and hospice services and two outpatient surgery centers. The facilities operated by the Members and the other WellSpan Health affiliates are located in South Central Pennsylvania approximately 54 miles northwest of Baltimore, Maryland and 97 miles west of Philadelphia, Pennsylvania.

Neither WellSpan Health nor any of its affiliates, other than York Hospital and The Gettysburg Hospital, are Members of the WellSpan Health Obligated Group, and thus are not liable on any obligations under the Master Indenture or any Master Notes issued thereunder, including the Series 2008 Master Notes.

Strategic Initiatives

Strategic planning is central to the operations of the WellSpan Health System. In 2003, WellSpan Health received the VHA Leadership Award for its strategic planning process. Planning is coordinated at the System level and involves management, governance, staff and physicians. The System’s strategic goals include (1) improving the health status and quality of life of the people and communities it serves, (2) providing access to documentable high quality clinical care that distinguishes it as the health system of choice in the region, (3) providing outstanding service to enrollees, patients and their families, (4) achieving financial performance necessary to contain costs for those served, provide quality care and service, remain a good employer and sustain the community mission into the future, (5) strengthening market position and growing market share, volumes and revenues, (6) building strong interdependent partnerships with physicians to improve patient outcomes and satisfaction, strengthen WellSpan Health’s market position and improve mutual financial performance, (7) creating a work environment that makes it the premier health care employer in the region, and (8) developing the infrastructure to support a regional integrated delivery system.

A System-wide five year strategic financial plan has been prepared and is updated twice per year. The plan projects operating performance, financial position and capital needs, and relies on strategic plan initiatives and certain assumptions about the environment and operating performance. Management monitors performance against the plan and makes adaptive adjustments as warranted.

SERVICES

The WellSpan Health System provides a full complement of basic and specialized inpatient and outpatient services that include:

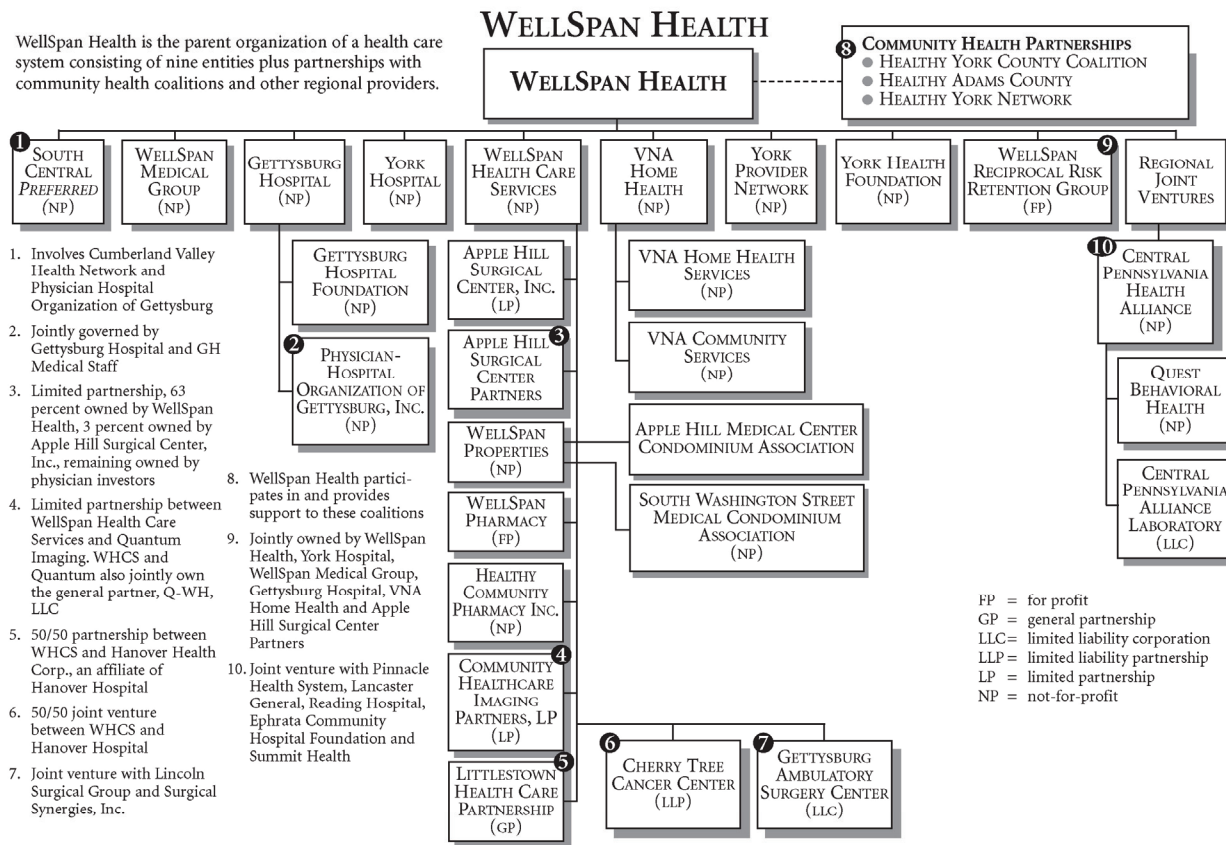
Adult Respite Care	Medical Education and Research
Advanced Life Support	Mobile Medical Services
Audiology Services	MRI and CT Services
Behavioral Health	Neurology
Blood Donor Center	Nuclear Medicine
Cancer Services (American College of Radiology and American College of Surgeons Certified)	Nurse Call Center
Cardiac Rehabilitation	Nutrition Services
Cardiology Services (diagnostic and invasive)	Occupational Health Services
Center for Aging	Open Heart Surgery
Center for Mind/Body Health	Pain Management Clinic
Clinical Weight Loss Program with Bariatric Surgery	Palliative Care
Community Health Services and Programs	Pastoral Care
Critical Care Services	Patient and Family Education Services
Dental Center	Pediatric Care including Pediatric Neurology
Dermatology	Physical Medicine and Rehabilitation
Diabetes Self Management Program	Primary Care Centers
Dialysis	Pulmonary Services
Disease Management Programs	Radiation Oncology
Emergency Services and Regional Trauma Center	Radiology Services
Employee Assistance Program	Retail Pharmacies
Epilepsy/Movement Disorders Center	Sleep Disorder Laboratory
Gastroenterology	Social Services
Gynecology Services	Surgical Services (all subspecialties)
HIV Management Program	Tobacco Education and Cessation
Home Care and Hospice Services	Transitional Care Center
Intensive Care Units for Medical, Coronary, Trauma/Surgical, and Neonatal Patients	Women's Health Center
Laboratory	Wound Care Center with Hyperbaric Chamber
Maternity, Prenatal, and Perinatology Services	

CORPORATE STRUCTURE

As the sole member of each Member, WellSpan Health has certain reserved rights and authorities, including the right to elect each Member's Board of Directors, approve each Member's annual budgets and approve amendments to each Member's Bylaws. The Bylaws of each Member specify that the Member's Board of Directors has the authority to govern the Member, subject to the rights vested in WellSpan Health and the coordination of the WellSpan Health System.

The WellSpan Health System consists of nine entities, plus partnerships with community health coalitions and other regional providers. The following organization chart depicts WellSpan Health, each Member and other related entities:

WellSpan Health is the parent organization of a health care system consisting of nine entities plus partnerships with community health coalitions and other regional providers.



OTHER WELLSPAN HEALTH SYSTEM AFFILIATES

A brief description of the directly controlled System affiliates which are not members of the Obligated Group follows.

WellSpan Health. As the parent corporation of the System, the objectives of WellSpan Health are to: provide clinically effective health care in a cost effective manner in settings appropriate to patient and payor needs under a variety of health care financing arrangements; enhance the continuity and quality of health care services provided to patients; ensure the continued local availability of health care services; enhance the health status of the communities served by the System; effectively respond to changing payor requirements; achieve excellence in clinical innovations, service, quality, cost and outcomes; and achieve operating efficiencies, such as containing and reducing costs and avoiding unnecessary duplication of services and equipment, thereby utilizing resources more effectively. The System was named one of the Top 100 Integrated Healthcare Networks in the United States by Verispan (previously named SMG Marketing Group) in 2003, 2004, 2007 and 2008 and received the VHA Leadership Award for Community Health and Operational Performance in 2003. WellSpan Health is the sole member of York Hospital and The Gettysburg Hospital and the sole member or shareholder of the other System affiliates described below.

WellSpan Medical Group. WellSpan Medical Group is a Pennsylvania non-profit corporation, exempt from federal income taxation pursuant to Section 501(a) of the Code as an organization described in Section 501(c)(3) of the Code. WellSpan Medical Group offers professional health care services to the community through employment of 95 primary care, 153 specialist and 99 advanced practice clinician full time equivalents. These physicians and practitioners are located throughout the System's service area in over 40 locations. WellSpan Medical Group also enables independent physicians to practice in a more efficient and effective manner by providing contracted management services, including billing and staffing.

York Health Plan, d/b/a South Central Preferred (“South Central Preferred”). South Central Preferred is a taxable Pennsylvania non-profit corporation. South Central Preferred is a health management company that provides a menu of cost containment and health enhancement services, including: (1) a non-risk assuming preferred provider organization, or PPO, that arranges for the provision of high-quality, cost-effective health care services to the employees and dependents of self-insured employers within the seven-county region, currently serving over 150 employers with more than 34,000 covered lives; (2) third-party administration services for employee health benefit plans maintained by self-insured employers, currently serving eight employers with more than 19,700 covered lives; and (3) comprehensive worksite wellness services that include employee assistance programs, currently serving over 190 employers with more than 98,500 covered lives.

WellSpan Health Care Services. WellSpan Health Care Services is a Pennsylvania non-profit corporation, exempt from federal income taxation pursuant to Section 501(a) of the Code as an organization described in Section 501(c)(3) of the Code. The purpose of WellSpan Health Care Services is to develop and oversee the operation of various other organizations that provide non-hospital outpatient services and other supporting functions, including WellSpan Properties, Inc., Apple Hill Surgical Center, Inc., WellSpan Pharmacy and Community Healthcare Imaging Partners. Apple Hill Surgical Center, Inc., a wholly owned subsidiary of WellSpan Health Care Services, is the general partner and a minority owner in Apple Hill Surgical Center Partners. WellSpan Health owns a majority of the limited partnership interests in Apple Hill Surgical Center Partners, which owns and operates an ambulatory surgery center in York, Pennsylvania. In addition, WellSpan Health Care Services owns a 44% interest in Gettysburg Ambulatory Surgery Center, a joint venture with medical staff and an outside management company.

WellSpan Properties, Inc. WellSpan Properties, Inc., whose sole member is WellSpan Health Care Services, is a Pennsylvania non-profit corporation, exempt from federal income taxation pursuant to Section 501(a) of the Code as an organization described in Section 501(c)(3) of the Code. The purpose of WellSpan Properties, Inc. is to own, develop and/or manage properties located off campus from York Hospital and The Gettysburg Hospital, including Apple Hill Medical Center. Apple Hill Medical Center is a 178,000 square-foot medical-mall that includes various outpatient departments of York Hospital, such as a comprehensive cancer treatment center and independent physician offices, which are owned by physicians as condominium units. A 70,000 square-foot facility was completed in 2005 on the Apple Hill campus, providing comprehensive women’s health and a full array of imaging services. In 2003, WellSpan Properties, Inc. built the WellSpan Health Center in Gettysburg, a 40,000 square-foot office building which includes various outpatient departments of The Gettysburg Hospital, a women’s health center and condominium units which have been sold or leased to independent specialty physicians. Construction of an 80,000 square-foot medical office building located east of Gettysburg was completed in December 2007 and provides medical office space, diagnostic imaging services, laboratory services, outpatient rehabilitation services, a sleep medicine center, a radiation oncology and cancer treatment center and a retail pharmacy.

VNA Home Care. VNA Home Care is a Pennsylvania non-profit corporation, exempt from federal income taxation pursuant to Section 501(a) of the Code as an organization described in Section 501(c)(3) of the Code. The purpose of VNA Home Care is to provide centralized “home office” management services to various other organizations that provide home health services, including VNA Home Health Services, a Medicare-certified home health agency that also operates hospice services, and VNA Community Services, a private duty nursing agency. VNA Home Care provides services throughout York and Adams Counties.

York Provider Network. York Provider Network is a taxable Pennsylvania non-profit corporation. York Provider Network’s purpose is to enable independent physicians and WellSpan Health providers to collaboratively manage the quality and cost of health care services provided under contracts with payors.

York Health Foundation. York Health Foundation is a Pennsylvania non-profit corporation exempt from federal income taxation pursuant to Section 501(a) of the Code as an organization described in Section 501(c)(3) of the Code. The purpose of the York Health Foundation is to support the tax-exempt York-based affiliates of WellSpan Health.

WellSpan Reciprocal Risk Retention Group (“Risk Retention Group”). Risk Retention Group is a reciprocal insurance company domiciled in the State of Vermont which began operations on July 1, 2003. The purpose of Risk Retention Group is to issue primary general liability and professional liability policies to cover the System. Currently, policies are issued for System affiliates only.

GOVERNANCE OF THE SYSTEM

The WellSpan Health System is governed by the WellSpan Health Board of Directors, which currently has 15 members. The WellSpan Health Board of Directors consists of not less than 12, nor more than 18 persons, with the exact number of Directors to be fixed annually by the Board of Directors prior to the annual meeting. Regular Board meetings are held monthly.

Terms for Directors are staggered. Each Director is elected to hold office for a term of three years. A person may serve three consecutive terms; however, no Board member may serve after the age of 75.

There are six WellSpan Health Board committees: Executive Committee, Finance and Investment Committee, Planning Committee, Quality Committee, Audit and Compliance Committee and the Compensation Committee.

MEMBERS OF THE WELLSPAN HEALTH BOARD OF DIRECTORS

<u>Name</u>	<u>Profession/Title</u>
D. Reed Anderson, Esq. <i>Chair</i>	Partner, Stock & Leader
Jeffrey D. Lobach, Esq. <i>Vice Chair/Treasurer</i>	Partner, Barley Snyder, LLC
Bruce M. Bartels <i>President (ex officio)</i>	President, WellSpan Health
Richard Beamesderfer	Chief Financial Officer, Shipley Energy
Thomas P. Bride, D.O.	Physician, Anesthesia Associates of York, PA, Inc.
Richard H. Brown <i>Secretary/Treasurer</i>	Principal & Senior Advisor, Counsel Trust Company
Daniel P. Elby	Chief Executive Officer, Alternative Rehabilitation Communities, Inc.
Ronald L. Hankey	Chairman, Adams County National Bank
Jan Herrold	Director, Center for Community Engagement
Samuel S. Laucks II, M.D.	Partner, White Rose Surgical Associates, Ltd.
Louise A. Mains	Homemaker/Volunteer
Wanda Major	Homemaker/Volunteer
Larry Miller	CEO, Codorus Valley Bancorp, Inc.
A. Daniel Murray	Retired
William J. Scott, III	Vice President Human Resources, The Graham Group
Dale C. Voorheis	Chief Executive Officer, The Stewart Companies

SYSTEM MANAGEMENT

The WellSpan Health Board has delegated day-to-day responsibility for management of the System to the management team headed by Bruce M. Bartels, President. Selected biographical information for Mr. Bartels and other principal members of the administrative team is located below.

Bruce M. Bartels, President, WellSpan Health. Mr. Bartels has served WellSpan Health and its predecessor organizations since 1988. Prior to relocating to Pennsylvania, Mr. Bartels served as Chief Operating Officer of the Medical Center Hospital of Vermont from 1981 to 1988. He previously held positions in hospital administration at Methodist Hospital in Indianapolis and at the University of Chicago. He received his Bachelors degree from the University of Wisconsin and his Masters degree in Business Administration from the University of Chicago. In addition, he is a Fellow in the American College of Healthcare Executives and participates on several community and professional organization boards including VHA Pennsylvania, Inc. (past Chair), WITF, the regional public television and radio station (past Chair), South George Street Community Partnership (Secretary), Novation, the supply company of VHA Inc. and University HealthSystem Consortium, and Alliance of Independent Academic Medical Centers.

Richard L. Seim, President, York Hospital and Senior Vice President, WellSpan Health. Mr. Seim joined WellSpan Health in June 2002. He came to this position from Cincinnati, Ohio, where he was Senior Executive Officer at The Christ Hospital and Senior Vice President of The Health Alliance. Mr. Seim previously held positions at Bethesda Hospital in Cincinnati, Searle Incorporated in Chicago, and Kettering Hospital in Kettering, Ohio. Mr. Seim has a Pharmacy degree from Ohio Northern University and a Masters degree in Pharmacy/Administration from Butler University.

Kevin H. Mosser, M.D., President, The Gettysburg Hospital and Senior Vice President, WellSpan Health. Dr. Mosser has been associated with WellSpan Health for over 25 years and has experience in various aspects of health care, which include practicing physician, Associate Director of the Family Practice Residency Program, Medical Director of York Health Plan and Physician Practice Management Executive Director for the WellSpan Medical Group. Dr. Mosser holds a Bachelor of Arts degree in Biochemistry from the University of Pennsylvania and a Doctor of Medicine degree from the University of Pennsylvania School of Medicine. He completed his residency in Family Practice at York Hospital in 1982. Dr. Mosser is Board Certified in Family Practice and was recertified in 2003.

Thomas R. McGann, M.D., Senior Vice President – Practice Management of WellSpan Health, Executive Director of WellSpan Medical Group and Executive Director of York Provider Network. In 1977 Dr. McGann graduated from the University of Scranton with a Bachelors of Science in Biology. He graduated from Georgetown University School of Medicine in 1981 and completed a Family Practice Residency at York Hospital in 1984. He spent four years in the Public Health Service in a solo practice in Renovo, Pennsylvania. He then joined Dallastown Family Practice in 1988, which later became part of the WellSpan Medical Group in 1994. Dr. McGann assumed his current position in July 2004. He also serves as Board Chairman of the Susan P. Byrnes Health Education Center.

Charles H. Chodroff, M.D., Senior Vice President, Care Management and Chief Clinical Officer, WellSpan Health. Dr. Chodroff has been associated with York Hospital since 1986. He originally joined York Hospital's Department of Medicine as the Assistant Program Director for the Internal Medicine residency program. From 1987 to 1991 he served as the Medical Director of the York Hospital Outpatient Clinics. In 1992 he assumed the role of Executive Director of York Health Plan, York Health System's managed care organization. In 1996, he was named Senior Vice President, Care Management with the responsibility of supporting care management activities of the System. Dr. Chodroff received a Bachelor of Arts degree from Haverford College and a Doctor of Medicine from Cornell University Medical College. He completed his residency in Internal Medicine at the Hospital of the University of Pennsylvania. Dr. Chodroff is Board Certified in Internal Medicine. In 1992, he received an M.B.A. from the Wharton School of Business at the University of Pennsylvania.

Michael F. O'Connor, Senior Vice President – Finance and Chief Financial Officer, WellSpan Health. Mr. O'Connor joined York Health System in 1998. Mr. O'Connor also serves as Secretary/Treasurer of York Provider Network Board, Treasurer of WellSpan Health Care Services Board and Treasurer of WellSpan Properties, as well as serving on the WellSpan Pharmacy and Healthy Community Pharmacy Boards. Before coming to York Hospital, Mr. O'Connor was associated with the Rockford Health System, in Rockford, Illinois, since 1985, having served as CFO since 1991. Mr. O'Connor, a CPA, has a Bachelor of Arts degree in Business from the University of Chicago and an M.B.A. in Hospital Administration and Finance from the University of Chicago Graduate School of Business. He is a

member of the Board and Chair of the Finance Committee of the YMCA of York and York County and is a member of the Board of York County Community Foundation.

Keith L. Gee, Senior Vice President, Organizational Development, WellSpan Health. Mr. Gee's areas of responsibility include strategic and operational planning, organizational development and patient satisfaction. He is also the executive leader of the System's Planning Committee. He has over 30 years of administrative and consulting experience in health care, manufacturing, and higher education. In health care, Mr. Gee has served as an administrator for a diverse range of functions, including human resources and quality improvement. Prior to joining WellSpan Health, Mr. Gee held the position of Director of Productivity Management for the Medical Center Hospital of Vermont. He also worked seven years with General Motors Corporation as a manager and internal consultant, worked for two private consulting firms, and was manager and internal consultant with World Learning, an international exchange program and graduate school. Mr. Gee holds a Bachelors degree from the General Motors Institute majoring in Industrial Engineering and Organization Development and a Masters degree from Antioch University in Management and Organization Development. Mr. Gee's current community involvement includes work with the United Way of York, Unitarian Universalist Congregation of York, and the Communities That Care Program with the York Suburban School District.

Keith D. Noll, Senior Vice President, Ambulatory and Post Acute Services, WellSpan Health. Mr. Noll joined WellSpan Health in 1998 as the Administrator of Cardiovascular Services. From 2004 to 2006 he served as the Vice President, WellSpan Health Care Services, leading the activities of the System-wide and for-profit services of WellSpan Health. In 2006 he assumed the role of Vice President, Ambulatory Services Division and in 2008 he was named Senior Vice President, Ambulatory and Post-Acute Services. Prior to joining WellSpan Health, Mr. Noll served as Executive Director of a 8-physician orthopedic medicine practice and served in several roles as a member of the administrative staff of the University of Pittsburgh Medical Center. He received his Bachelors degree from the Pennsylvania State University and holds a Masters degree from the University of Minnesota in Hospital and Healthcare Administration.

William "Buddy" Gillespie, Vice President, Chief Technology Officer, WellSpan Health. Mr. Gillespie joined WellSpan Health in 1996, after working as vice president of information services at Allegheny General Hospital in Pittsburgh. Mr. Gillespie is responsible for the strategic planning and implementation of information technology to support integrated applications consisting of financial, clinical and administrative systems. Mr. Gillespie holds degrees in Physics and Mathematics from Athens University. He has been active in healthcare informatics for more than 25 years in both the development and implementation of technology solutions.

R. Hal Baker, M.D., Vice President, Chief Information Officer, WellSpan Health. Dr. Baker assumed his current position in May 2005. As such, he is moving WellSpan to an electronic health records system to improve clinical care and clinical efficiency. Dr. Baker joined York Hospital in June 1995 as associate program director, York Hospital Internal Medicine Residency. He has also been the lead physician at Apple Hill Internal Medicine since 2001. Dr. Baker came to York after completing a general internal medicine fellowship at Johns Hopkins Hospital and a residency at the Hospital of the University of Pennsylvania. He received a Bachelor of Arts in Biology and Doctor of Medicine degrees from Cornell University.

Julia Hopple, VNA Home Care President/WellSpan Vice President for Home Health. Ms. Hopple came to VNA in July 2002 as the clinical director and has been in her current position since May 2003. She previously worked as the quality manager at Munson Home Health, part of Munson Healthcare, in Traverse City, Michigan. Ms. Hopple received a Bachelor of Science in Nursing degree from Ohio State University and a Master of Science in Health Administration degree from Central Michigan University.

Glen D. Moffett, Vice President and General Counsel, WellSpan Health. Mr. Moffett joined WellSpan Health in January 1995. He previously was senior vice president and general counsel of Lancaster General Hospital. Before that, Mr. Moffett was vice president and general counsel for West Virginia University Hospitals and vice president of Legal Services and Risk Management for Cabell Huntington Hospital, the teaching hospital for the Marshall University School of Medicine. He received a Bachelor of Arts degree from Bucknell University, and a Juris Doctor degree from the University of California, Los Angeles.

Maria L. Royce, Vice President, Community Relations, WellSpan Health. Ms. Royce joined WellSpan Health in 1996 and currently provides administrative leadership to the organization's public relations, communications, fund development and community health improvement initiatives. She also leads WellSpan's various community

partnerships. Previously, Ms. Royce served as WellSpan's director of public and corporate relations and director of planning and marketing. Prior to coming to York, she was director of public relations for Ohio Valley General Hospital in Pittsburgh. She received a Bachelor of Science degree in Communications from LaRoche College and a Master's degree in Public Administration from the University of Pittsburgh Graduate School of Public Affairs.

Robert J. Batory, Vice President, Human Resources, WellSpan Health. Mr. Batory has held this position since 1991. Prior to that, Mr. Batory served as Director and then Vice President of Human Resources at The Gettysburg Hospital since 1981. He has a Bachelor of Science degree in Business Administration from Bloomsburg University and an M.B.A. from Mount Saint Mary's College and has over 20 years of health care human resource management experience. Mr. Batory has been an active leader in the Human Resources profession, having served as President of associations at the local, regional and state levels including the Pennsylvania State Society of Human Resources.

Richard A. Harley, Director of Treasury Management, WellSpan Health. Mr. Harley came to The Gettysburg Hospital in 1986 and served as Vice President of Finance from 1993 through 2004. He was appointed to the position of Director of Treasury Management Services in 2004. Mr. Harley holds a Bachelor of Science in Accounting from Messiah College and an M.B.A. from the Pennsylvania State University. In addition, he has earned the Chartered Financial Analyst designation. He is a member of the Board of Directors of the York-Adams Area Council of the Boy Scouts of America and South Central Community Action Programs.

THE HOSPITALS

Services

York Hospital services are organized in seven service lines – Medicine, Surgery, Cardiovascular, Oncology, Women and Childrens Services, Behavioral Health, and Neurosciences. Each service line is managed by administrative and clinical leaders, positioned to drive service delivery improvement initiatives. The Gettysburg Hospital services are indirectly integrated into the planning and coordination activities of each York Hospital service line. New service development is coordinated throughout the System. Additionally, WellSpan Health Medical Group functions across both York and Adams Counties, enhancing access to System services through its primary care and specialty network.

York Hospital

History

York Hospital was founded as York Hospital and Dispensary Association in 1880, and commenced operation in a 12-bed hospital facility on April 28, 1881, in a three-story converted dwelling on West College Avenue in York, Pennsylvania. In 1929, York Hospital moved to its present location, a 28.5 acre site on South George Street at the south end of the City of York. York Hospital is the largest acute care hospital facility in York County.

Facilities

York Hospital facilities consist of the main building built in 1929; the east wing and nurses' residence, which is currently used as clinical and office space, built in 1951; the south wing built in 1962; the student dormitory, which is currently used as office space, built in 1970; parking facilities built in 1971, 1978, and 1986; the psychiatric wing built in 1973; a facility known as "Project South," consisting of ambulatory care facilities, operating suites, and routine patient care and intensive care units opened in 1974; the helicopter pad built in 1982; a facility known as "Century Project," consisting of a new Emergency Department, Labor/Delivery and Intensive Care beds, opened in 1993; and a facility known as the "Patient Care Tower" project, which opened for use in June 2005, expanding available physical capacity to 624 beds.

The York Hospital bed complement is delineated below.

<u>Service</u>	<u>Current Number of Licensed Beds</u>	<u>Current Number of Operated Beds</u>
Medical/Surgical	348	340
Mixed ICU/CCU	60	60
Psychiatric – Adult	63	63
Obstetrics	43	43
Pediatric	15	15
Neonatal (Level II and III)	<u>29</u>	<u>29</u>
Total ^(A)	558	550*

Note^(A): Excludes 38 newborn beds and 12 labor/delivery rooms.

* Total available physical bed capacity is 624 beds. Licensure for beds in excess of the current licensed capacity of 558 beds will be applied for as and when required.

Services

York Hospital is licensed to operate 558 beds, and is a regional referral center for certain medical and surgical specialties. York Hospital has accredited medical residencies in the disciplines of internal medicine, dentistry, general surgery, emergency medicine, obstetrics and gynecology, transitional and family practice, pharmacy and clinical pastoral care, and offers a full range of medical inpatient and outpatient services including thoracic and open-heart surgery, psychiatry, neurology, imaging, pulmonary medicine, pathology, pediatrics, obstetrics and gynecology, perinatology, neonatology, nuclear medicine, magnetic resonance imaging (“MRI”), anesthesiology, communicable diseases, kidney dialysis, microsurgery, cardiac catheterization, physical medicine and rehabilitation, computerized tomography (“CT”) scanning, minor surgery and trauma care. York Hospital has the only accredited trauma center in York County, and also serves Adams and Franklin counties.

York Hospital is one of only 32 hospitals that have been identified by the Solucient Leadership Institute as one of the Top 100 Hospitals in the country seven or more times, most recently for 2005. It has also been recognized by Solucient four times as one of the 100 Top Cardiovascular Hospitals in the country, most recently in 2004. In 2008, York Hospital received the Premier Award for Quality from Premier, Inc., which is awarded to the top 1% of U.S. hospitals for outstanding clinical quality and operational efficiency.

Members of the York Hospital Board of Directors

York Hospital, subject to the rights and authorities reserved to WellSpan Health as sole member, is governed by a Board of Directors, currently consisting of 12 members. Regular Board meetings are held monthly.

<u>Name</u>	<u>Profession/Title</u>
Jan Herrold <i>Chair</i>	Director, Center for Community Engagement
N. Daniel Waltersdorff <i>Vice Chair</i>	President, Barton Associates
Bruce M. Bartels*	President, WellSpan Health
Ronald S. Benenson, M.D.	Physician, York Hospital Emergency Medicine
Anthony Campisi	President, Glatfelter Insurance
Linda B. Davidson	Treasurer, C.S. Davidson, Inc.

<u>Name</u>	<u>Profession/Title</u>
Wilhemina DeShazo	Vice President Human Resources, The Wolf Organization
Dale L. Kresge, M.D.	Partner, Dallastown Medical Associates
William M. Unwin, M.D.	Partner, York Women’s Healthcare Group
Richard L. Seim* ¹ <i>President</i>	President, York Hospital
Debra Stock <i>Secretary/Treasurer</i>	President, YWCA of York
Ernest J. Waters	York Area Manager, Met Ed

* *ex officio*

1) York Hospital’s management is headed by its President, Richard L. Seim. Selected biographical information for Mr. Seim, who is also a Senior Vice President of WellSpan Health, is provided under “SYSTEM MANAGEMENT” herein.

The Gettysburg Hospital

History

The Gettysburg Hospital was founded as the Annie M. Warner Hospital on March 25, 1919. Renamed The Gettysburg Hospital in 1982, in connection with a facility expansion project, The Gettysburg Hospital is the only hospital in Adams County.

Facilities

The Gettysburg Hospital currently occupies approximately 192,000 square feet. It consists of two two-story wings, which were constructed in the 1960s and renovated in 1993 and 1996. The facilities include acute care and sub-acute care beds, diagnostic cardiovascular services and administrative offices. New acute care beds, emergency department, and outpatient service departments, and an atrium entrance and lobby were added in 1980. In 1993, a new surgical suite was added along with a new maternity, labor and delivery unit, and emergency department. In 2001, a cardiac catheterization lab was added. Since 2001, the hospital has renovated its maternity/labor & delivery unit to include all private patient rooms, developed a dedicated endoscopy suite and completed renovations to the main lobby/atrium. A 5-year master facility plan was implemented during fiscal year 2008. Execution of the plan will result in conversion to all private medical surgical rooms; a new emergency department with double the current bed capacity; a fast track service and expanded behavioral health/crisis services; a new pharmacy; and complete conversion of the maternity suite to LDPR rooms.

The Gettysburg Hospital bed complement is delineated below.

<u>Service</u>	<u>Number of Licensed/Operated Beds</u>
Medical/Surgical	56
Intensive/Coronary Care	8
Obstetrics/Gynecology	12
Transitional Care (Sub Acute)	<u>19</u>
Total ^(A)	95

Note ^(A): Excludes 16 newborn beds

Services

The Gettysburg Hospital has been serving the communities of Adams County and Northern Maryland for more than 80 years. Beyond the acute care hospital and 24-hour emergency services, The Gettysburg Hospital has grown to be a comprehensive health care provider with family health centers across the region, a women's health center, progressive rehabilitation medicine centers, and preventive health education and screening programs. The Gettysburg Hospital also offers the area's only Transitional Care Center, which helps patients make the transition from hospital to home or nursing facility. The Gettysburg Hospital is licensed to operate 76 acute care beds and 19 sub-acute beds.

Members of The Gettysburg Hospital Board of Directors

The Gettysburg Hospital, subject to the rights and authorities reserved to WellSpan Health as sole member, is governed by a Board of Directors currently consisting of 16 members. Regular Board meetings are held monthly.

<u>Name</u>	<u>Profession/Title</u>
A. Daniel Murray <i>Chair</i>	Retired
Ronald L. Hankey <i>Vice Chair</i>	Chairman, Adams County National Bank
Bruce M. Bartels ¹	President, WellSpan Health
Charles H. Chodroff, M.D. ¹	Sr. Vice President, WellSpan Health
Gregory Codori, D.O. ²	Emergency Department Physician
Cynthia A. Ford ²	President, Gettysburg Times
Russel Redding	Executive Deputy Secretary, Pennsylvania Department of Agriculture
Keith L. Gee ¹	Sr. Vice President, WellSpan Health
Dora Townsend <i>Secretary</i>	Homemaker/Volunteer
Scott M. Jaeger, M.D. ²	Partner, Gettysburg Pediatric Assoc.
Louise A. Mains	Homemaker/Volunteer
Orville G. McBeth, Jr., M.D.	Physician, Adams Cumberland Family Medicine
Kevin H. Mosser, M.D. ^{2*} <i>President</i>	President, The Gettysburg Hospital
Gregory F. Reaver	Owner, Emmittsburg Glass
Kwadwo Baryeh, M.D.	Obstetrics & Gynecology Physician
Bernard Yannetti, Esq.	Partner, Hartman & Yannetti

1) *ex officio*

2) positional

* The Gettysburg Hospital's management is headed by its President, Kevin H. Mosser, M.D. Selected biographical information for Dr. Mosser, who is also a Senior Vice President of WellSpan Health, is provided under "SYSTEM MANAGEMENT" herein.

MEDICAL STAFFS

Currently, York Hospital and The Gettysburg Hospital maintain separate Medical Staffs operating under similar bylaws. Subject to the ultimate authority of the respective Board of Directors, the Medical Staff at each Hospital has responsibility for providing appropriate professional care to its patients. As of June 2008, the two Medical Staffs were composed of a total of 818 physicians and dentists.

Pursuant to the Medical Staff Bylaws of each Hospital, the Medical Staffs are organized to include Active, Affiliate/Associate, Consulting and Honorary/Courtesy categories, described as follows:

- Active Category - Consists of physicians and dentists who regularly utilize the related Hospital. Appointees to the active category are eligible to vote and hold office.
- Affiliate/Associate Category - Consists of physicians and dentists who may admit patients but are ineligible to vote or hold office.
- Consulting Category - Consists of specialists who are appointed to the Medical Staff and are available for consultations upon request of the Medical Staff. They may not admit patients, vote or hold office.
- Honorary/Courtesy Category - Consists of appointees no longer in active practice and who have no assumed duties or privileges.

A breakdown of the two Medical Staffs by category as of June 2008 is as follows: 691 in the active category, 63 in the affiliate/associate category, 40 in the consulting category and 24 in the honorary/courtesy category. The average age of the appointees to the Medical Staffs is 49 years. Of the total number of providers, 89% are board certified in their primary specialty with many more who are board eligible and/or who have taken their boards and are awaiting the results.

The following table provides additional information on a combined basis for the members of the York Hospital and The Gettysburg Hospital Medical Staffs.

Distribution of the Combined Medical Staffs by Specialty and Appointment – June 2008

<u>Specialty</u>	<u>Active</u>	<u>Affiliate/ Associate</u>	<u>Consulting</u>	<u>Honorary/ Courtesy</u>	<u>Total</u>
Allergy	1	3	0	0	4
Anesthesiology	37	0	0	1	38
Cardiac & Thoracic Surgery	4	0	0	0	4
Cardiology	12	0	2	0	14
Dental, General	16	12	2	1	31
Dermatology	1	4	0	0	5
Emergency Medicine	36	0	0	2	38
Endocrinology	6	0	0	0	6
Family Practice	123	28	0	4	155
Gastroenterology	11	0	0	1	12
General Surgery	20	0	0	0	20
Geriatric Psychiatry	0	0	1	0	1
Geriatrics	2	0	0	0	2
Gynecologic Oncology	3	0	0	0	3
Hospitalist	26	0	0	1	27
Infectious Diseases	5	0	1	0	6
Internal Medicine	50	6	1	2	59
Maternal-Fetal Medicine	2	0	1	0	3
Neonatology	5	0	0	0	5
Nephrology	9	0	0	0	9
Neurology	10	0	5	0	15

<u>Specialty</u>	<u>Active</u>	<u>Affiliate/ Associate</u>	<u>Consulting</u>	<u>Honorary/ Courtesy</u>	<u>Total</u>
Neurosurgery	4	0	0	0	4
Obstetrics & Gynecology	23	1	0	1	25
Occupational Medicine	4	0	0	0	4
Oncology	9	0	1	3	13
Ophthalmology	12	2	4	0	18
Oral Surgery	8	0	0	1	9
Orthodontics	1	0	0	0	1
Orthopedic Surgery	20	0	4	2	26
Otolaryngology	5	0	1	0	6
Pathology	8	0	3	1	12
Pediatric Cardiology	2	0	7	0	9
Pediatric Neurology	3	0	0	0	3
Pediatric Ophthalmology	1	0	0	0	1
Pediatric Surgery	1	0	4	0	5
Pediatrics	37	0	0	1	38
Pedodontics	4	0	0	0	4
Periodontics	3	0	0	0	3
Physical Medicine & Rehab	8	6	0	0	14
Plastic Surgery	4	0	0	0	4
Podiatry	35	0	0	1	36
Psychiatry-Adult	18	0	0	0	18
Psychiatry-Child/Adolescent	7	0	0	0	7
Pulmonology	11	0	0	0	11
Radiation Oncology	7	1	2	1	11
Radiology/Imaging	49	0	0	1	50
Reproductive Endocrinology	2	0	0	0	2
Rheumatology	5	0	1	0	6
Surgery, Colorectal	2	0	0	0	2
Surgery, Trauma	3	0	0	0	3
Surgery, Vascular	6	0	0	0	6
Urogynecology	1	0	0	0	1
Urology	9	0	0	0	9
TOTAL	691	63	40	24	818

Analysis of Most Active Physicians or Physician Groups

York Hospital's 20 most active physician groups accounted for approximately 79% of total admissions for the twelve-month period ended December 31, 2007 and had an average age of 47 years. Shown below is a list of these physician groups.

<u>Department</u>	<u>Number of Admitting Physicians</u>	<u>Average Age of Admitting Physicians</u>	<u>Number of Admissions¹</u>	<u>Percent of Admissions¹</u>
1. Brockie Internal Medicine*	29	39	5,761	19%
2. WellSpan Behavioral Health *	10	45	2,318	8
3. Orthopaedic and Spine Specialists, P.C.	18	50	1,961	6
4. York Women's Health Center*	7	55	1,943	6
5. Women's Healthcare Group	6	48	1,475	5
6. Apple Hill Internal Medicine*	7	41	1,342	4
7. Neonatology Associates of York*	5	52	968	3
8. WellSpan Cardiothoracic Surgery*	3	45	946	3
9. Apple Hill Surgical Associates, LTD	5	55	894	3
10. WellSpan Surgical Associates*	7	52	819	3
11. York Pediatric Medicine*	9	47	798	3
12. Care Hospital Consultants	1	49	749	2
13. Thomas Hart Family Practice Center*	9	50	684	2
14. Yorktowne Family Medicine*	7	51	667	2
15. White Rose Surgical Associates, LTD	4	51	595	2
16. Internal Medicine Consultants of York	4	41	527	2
17. WellSpan Neurosurgery*	4	52	495	2
18. Lung, Sleep & Critical Care Consultants	8	48	486	2
19. Pediatric Care of York, PC	9	46	484	2
20. Cardiac Diagnostic Associates, PC	<u>13</u>	<u>51</u>	<u>469</u>	<u>1</u>
TOTAL WEIGHTED AVERAGE	165	47	24,381	79%

(1) Admissions include newborns

* Denotes WellSpan Medical Group practices

The Gettysburg Hospital's nine most active physicians or physician groups accounted for approximately 87% of total admissions for the twelve-month period ended December 31, 2007 and had an average age of 47 years. Shown below is a list of these physician groups.

<u>Department</u>	<u>Number of Admitting Physicians</u>	<u>Average Age of Admitting Physicians</u>	<u>Number of Admissions¹</u>	<u>Percent of Admissions¹</u>
1. Gettysburg Hospitalist*	4	45	1,206	24%
2. Adams County Women's Health*	3	50	822	17
3. Gettysburg Pediatrics	6	47	623	13
4. Gettysburg Surgical Associates*	4	42	473	10
5. Gettysburg Family Practice	5	44	401	8
6. Gettysburg Orthopaedics*	3	53	256	5
7. Adams Cumberland Family Medicine*	3	53	211	4
8. H. Frederick Martin, MD	1	55	159	3
9. Adams County Internal Medicine*	<u>1</u>	<u>43</u>	<u>158</u>	<u>3</u>
TOTAL WEIGHTED AVERAGE	30	47	4,309	87%

(1) Admissions include newborns

* Denotes WellSpan Medical Group practices

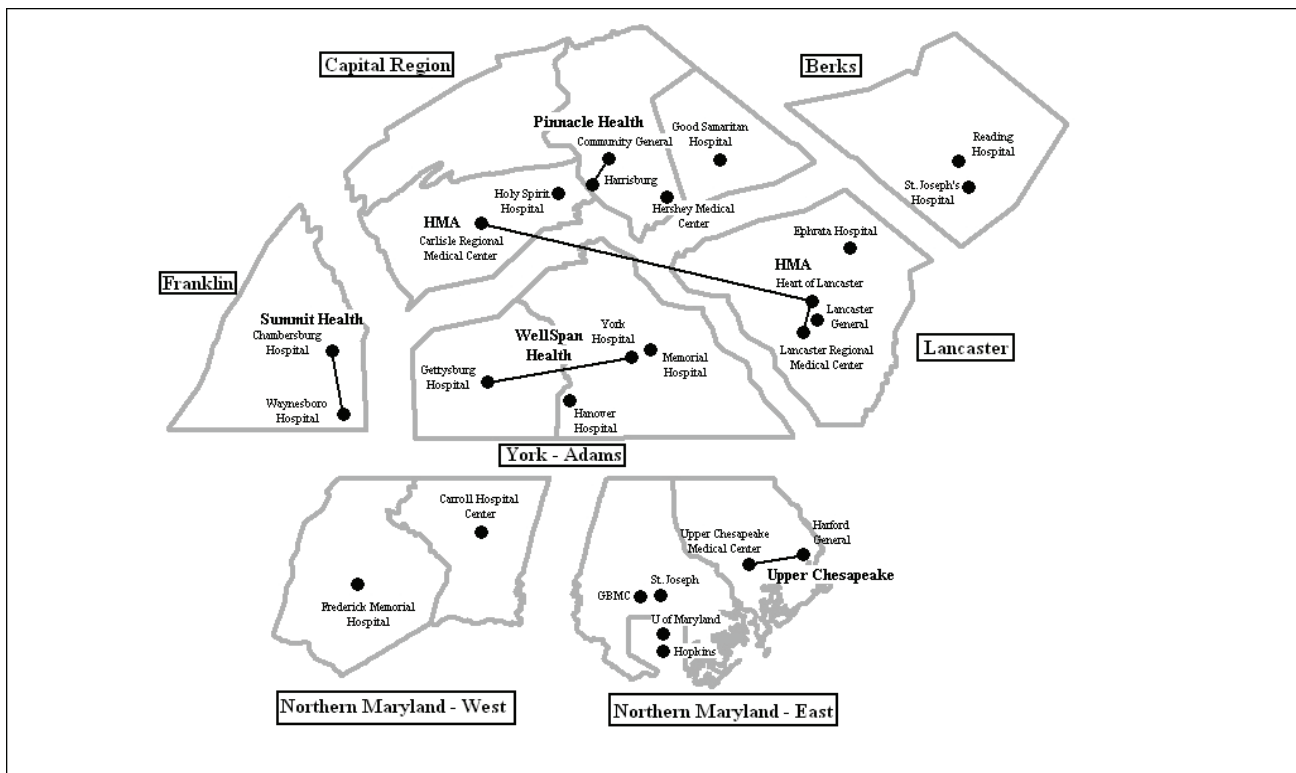
SERVICE AREA, UTILIZATION AND COMPETITION

Service Area

The primary service area for the WellSpan Health System consists of York and Adams Counties in Pennsylvania. Northern Frederick, Carroll, Baltimore and Harford Counties in Maryland comprise the secondary service area. The population of the primary service area is approximately 525,000 and the population of the combined primary and secondary service areas is approximately 575,000.

The population of the entire South Central Pennsylvania region is projected by the Pennsylvania Department of Labor and Industry to grow 4.5% from 2006 to 2011. It is projected that the over 65 age group will increase by 12% and comprise 16% of the total population by 2011 while the 45 to 64 age group will grow by 11% and comprise 28% of the total population by 2011. The 18 to 44 age group currently comprises the largest segment of the population, but it is expected to decline in total by 2011. Minorities, including those of African American, Hispanic and Asian descent, comprise 11% of the population.

Map of the Primary and Secondary Service Area and Surrounding Regional Markets and Competitors



Note: Hospitals interconnected by lines represent multi-hospital health systems.

Geographic barriers, roadways, political boundaries, local culture and the formation of integrated delivery systems have created five local markets within the South Central Pennsylvania regional market and two within Northern Maryland. Historically, because patients generally prefer to receive health care services locally, there has been minimal competition or patient migration between these local markets, as each has had distinct demographic, consumer and competitive issues. Residents generally travel outside the area for quaternary services.

Competition

York Hospital is the largest of the three hospitals in York County, followed by Memorial Hospital and Hanover Hospital. The other two hospitals concentrate on basic acute care services rather than specialty tertiary

services. York Hospital continues to maintain the highest market share (based on fiscal year 2007 discharge data) at approximately 58%.

The Gettysburg Hospital is the only hospital in Adams County. Despite competition from hospitals in neighboring counties, it maintains the highest market share in Adams County (based on fiscal year 2007 discharge data) at approximately 36% for the County. York Hospital accounted for 17% of the inpatient services market share in Adams County during fiscal year 2007.

The following table sets forth information obtained from the Pennsylvania Department of Health with respect to competing hospitals located in the Hospitals' primary service area of York and Adams Counties for each of the years ended June 30, 2005 to June 30, 2007 (the last year data was available).

Primary Service Area Hospitals - Trends in Inpatient Utilization

	Year Ended June 30,		
	<u>2005</u>	<u>2006</u>	<u>2007</u>
Beds in Service (excluding newborns, including intensive care nursery):			
York Hospital	460	479	558
The Gettysburg Hospital ^(A)	76	76	76
Memorial Hospital	100	100	100
Hanover General Hospital	<u>115</u>	<u>115</u>	<u>115</u>
Total Beds	751	770	849
York Hospital and The Gettysburg Hospital as a percent of total beds	71%	72%	75%
Admissions (excluding newborns, including intensive care nursery):			
York Hospital	28,681	28,488	28,679
The Gettysburg Hospital ^(A)	4,240	4,093	4,114
Memorial Hospital	6,172	6,287	6,121
Hanover General Hospital	<u>6,015</u>	<u>6,014</u>	<u>5,878</u>
Total Admissions	45,108	44,882	44,792
York Hospital and The Gettysburg Hospital as a percent of total admissions	73%	73%	73%
Average Length of Stay (excluding newborns, including intensive care nursery):			
York Hospital	4.63	4.75	4.89
The Gettysburg Hospital ^(A)	4.01	4.03	3.82
Memorial Hospital	3.79	3.65	3.87
Hanover General Hospital	<u>4.37</u>	<u>4.42</u>	<u>4.39</u>
Average Length of Stay	4.20	4.48	4.58

Source: Pennsylvania Department of Health Hospital Questionnaire; Hospitals' Records

Note^(A): Excludes sub-acute admissions and beds.

Employment and Service Area Demographics

The service area is characterized by a stable, diversified economy. Unemployment figures are currently at approximately 4.5%. On average, in York and Adams Counties, 81% of the population has graduated from high school, 18% have earned either an Associates or Bachelor's degree and 6% have earned post-graduate degrees. In Northern Maryland, 86% of the population has graduated from high school, 24% have earned either an Associates or Bachelor's degree and 11% have earned post-graduate degrees. The median household income of the service area ranges from \$43,000 to \$45,000 in Adams and York Counties, and \$51,000 to \$60,000 in Northern Maryland.

The following table describes the ten largest employers within York County:

<u>Employer</u>	<u>Number of Employees</u>	<u>Type of Business</u>
WellSpan Health – York County	5,750	Health Care Services
Defense Distribution Center	3,573	Military Supply Distribution
Bon-Ton Stores	3,090	Apparel
Harley Davidson Motor Company	2,800	Manufacturing
York County Government	2,410	Local Government Office
Fry Communications	1,400	Printing
FCI Electronics	1,400	Electronic Components
Johnson Controls	1,300	Heating & A/C Systems
Susquehanna Pfaltzgraff Co.	1,178	Diversified Mftg. & Media
American Brands	1,100	Kitchen Cabinets

Source: The York County Economic Development Corporation, Summer 2005

The following table describes the ten largest employers within Adams County:

<u>Employer</u>	<u>Number of Employees</u>	<u>Type of Business</u>
Knouse Foods Cooperative Inc.	1,400	Manufacturing
Lincoln Intermediate Unit	1,300	Education
Gettysburg College	800	Education
WellSpan Health – Adams County	800	Health Services
The Brethren Home	620	Nursing/Assisted Living
Master Brand Cabinets	570	Manufacturing
Tyco Electronics	500	Manufacturing
Federal Government (est.)	495	Government
Quebecor Printing	475	Printing
Gettysburg Area School District	461	Education

Source: The Adams County Chamber of Commerce, 2005

**YORK HOSPITAL AND THE GETTYSBURG HOSPITAL COMBINED
SUMMARY OF UTILIZATION STATISTICS**

	<u>Year Ended June 30</u>			
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<u>Admissions:</u>				
Medical/Surgical/Pediatric	23,628	22,896	22,939	22,804
Mental Health	2,448	2,449	2,314	2,171
Intensive/Coronary Care	2,149	2,299	2,672	2,607
Obstetrics/Gynecology	3,721	4,252	4,299	4,330
Transitional Care Unit	296	293	304	330
Newborn & Intensive Nursery	<u>3,397</u>	<u>3,617</u>	<u>3,524</u>	<u>3,731</u>
Total Admissions	35,639	35,806	36,052	35,973
<u>Patient Days:</u>				
Medical Surgical/Pediatric	95,824	96,912	103,245	110,423
Mental Health	20,846	20,504	19,020	19,861
Intensive/Coronary Care	13,302	13,559	13,820	13,483
Obstetrics/Gynecology	11,035	11,799	11,355	11,617
Transitional Care Unit	2,817	2,504	2,459	2,643
Newborn & Intensive Nursery	<u>14,869</u>	<u>16,180</u>	<u>15,902</u>	<u>15,817</u>
Total Patient Days	158,693	161,458	165,801	173,844
<u>Outpatient & Ancillary:</u>				
Emergency Room:				
Visits (inpatient)	20,193	20,834	21,878	22,930
Visits (outpatient)	66,994	70,842	75,248	77,155
Surgery:				
Inpatient	9,127	9,397	9,312	9,453
Outpatient*	9,131	9,598	9,800	9,257
Laboratory:				
Inpatient tests	2,383,285	2,503,579	2,735,070	2,911,715
Outpatient tests	5,062,032	5,448,959	5,759,603	6,111,614

* Outpatient surgery statistics exclude Apple Hill Surgery Center volume listed below:
FY 2005 – 9,878; FY 2006 – 9,460; FY 2007 – 8,099; FY 2008 – 7,618.

FINANCIAL AND OPERATING INFORMATION

General

The consolidated summary of operations of WellSpan Health for the years ended June 30, 2007 and 2008 shown in the table below entitled, “WellSpan Health Consolidated Summary of Operations” have been derived from the audited consolidated financial statements of WellSpan Health for the years ended June 30, 2008 and 2007. The financial information in the table below entitled, “WellSpan Health Consolidated Balance Sheets” under the column headings June 30, 2007 and June 30, 2008 has been derived from the audited consolidated financial statements of WellSpan Health as of the years then ended.

The special purpose combined summary of operations for the WellSpan Health Obligated Group for the years ended June 30, 2007 and 2008 shown in the table below entitled, “WellSpan Health Obligated Group Special Purpose Combined Summary of Operations” have been derived from the supplementary consolidating information included within the audited consolidated financial statements of WellSpan Health for the years then ended. The financial information in the table below entitled, “WellSpan Health Obligated Group Special Purpose Combined Balance Sheets”

has been derived from the supplementary consolidating information included within the audited consolidated financial statements of WellSpan Health as of June 30, 2007 and 2008.

The audited consolidated financial statements of WellSpan Health as of and for the years ended June 30, 2008 and 2007 and supplementary consolidating information as of and for the year ended June 30, 2008 are included as Appendix B to this Official Statement. The summary historical financial information under the caption, "FINANCIAL AND OPERATING INFORMATION" should be read in conjunction with the audited financial statements, related notes and other financial information which are included as Appendix B to this Official Statement.

The Members of the Obligated Group accounted for 84.6%, 82.9% and 147.0% of the System's total assets, operating revenues and operating income, respectively, in 2007 and 82.1%, 82.2% and 284.9% of the System's total assets, operating revenues and operating income, respectively, in 2008.

WELLSPAN HEALTH
CONSOLIDATED SUMMARY OF OPERATIONS*

Year Ended June 30,
(\$000s)

	2007	2008
Unrestricted revenues, gains & other support		
Net patient service revenue	\$ 779,946	\$ 863,615
Capitation revenue	5,350	5,369
Other revenue	46,133	45,106
Net assets released from restrictions used for operations	<u>3,227</u>	<u>6,060</u>
Total revenues, gains and other support	834,656	920,150
 Expenses		
Salaries and wages	351,282	405,349
Employee benefits	95,211	111,013
Professional fees	10,261	10,308
Supplies and other	235,950	272,341
Depreciation and amortization	39,917	44,818
Interest	13,279	17,358
Provision for bad debts	33,524	35,355
Loss on early extinguishment of debt	<u>--</u>	<u>2,067</u>
Total operating expenses	<u>779,424</u>	<u>898,609</u>
Operating Income	55,232	21,541
 Other income (expense)		
Contributions	2,129	1,259
Investment income (loss), net	48,892	(4,167)
Equity in loss of joint ventures	(8)	(349)
Gain (loss) on sale of assets/other	49	(392)
Other income (expense), net	524	(1,355)
Change in fair value of interest rate swap agreements	<u>3,466</u>	<u>(18,251)</u>
Total other income (expense)	<u>55,052</u>	<u>(23,255)</u>
 Excess (deficiency) of revenues over expenses before minority interest	110,284	(1,714)
 Minority interest	<u>(1,937)</u>	<u>(1,432)</u>
 Excess (deficiency) of revenues over expenses	\$ 108,347	\$ (3,146)

* The Consolidated Summary of Operations excludes other changes in unrestricted net assets.

WELLSPAN HEALTH OBLIGATED GROUP
SPECIAL PURPOSE COMBINED SUMMARY OF OPERATIONS*

	Year Ended June 30, (S000s) (unaudited)	
	2007	2008
Unrestricted revenues, gains & other support		
Net patient service revenue	\$ 680,204	\$ 742,039
Other revenue	9,542	10,610
Net assets released from restrictions used for operations	<u>2,246</u>	<u>3,503</u>
Net revenues, gains and other support	691,992	756,152
Expenses		
Salaries and wages	228,767	258,408
Employee benefits	65,745	75,349
Professional fees	53,667	64,159
Supplies and other	186,411	214,212
Depreciation and amortization	33,426	34,894
Interest	11,218	14,346
Provision for bad debts	31,580	32,229
Loss on extinguishment of debt	--	<u>1,181</u>
Total operating expenses	<u>610,814</u>	<u>694,778</u>
Operating income	81,178	61,374
Other income (expense)		
Contributions	862	120
Investment income (loss), net	44,267	(4,700)
Equity in income of joint ventures	914	577
Gain (loss) on sale of assets/other	34	(346)
Change in fair value of interest rate swaps	1,687	(13,844)
Other income (loss)	<u>117</u>	<u>(1,753)</u>
Total other income (expense)	<u>47,881</u>	<u>(19,946)</u>
Excess of revenues over expenses	\$ 129,059	\$ 41,428

* The Special Purpose Combined Summary of Operations excludes other changes in unrestricted net assets and the operations of a controlled entity, which would be required in order to be presented in accordance with U.S. generally accepted accounting principles.

**WELLSPAN HEALTH
CONSOLIDATED BALANCE SHEETS**

	<u>June 30, 2007</u> <u>(\$000s)</u>	<u>June 30, 2008</u> <u>(\$000s)</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,184	\$ 6,831
Assets limited as to use	10,408	4,118
Patient accounts receivable, net of allowance for doubtful accounts of \$19,980 and \$21,537 in 2007 and 2008, respectively	107,821	123,062
Other receivables	6,448	8,176
Inventories	5,142	5,838
Prepaid expenses	11,549	11,599
Other current assets	<u>156</u>	<u>147</u>
Total current assets	145,708	159,771
Investments	12,431	11,887
Assets limited as to use:		
Board-designated	487,128	491,115
Under bond indenture	118,117	72,857
Self-insurance trust	<u>14,080</u>	<u>12,728</u>
Total assets limited as to use	619,325	576,700
Pledges receivable, net	3,395	3,357
Temporarily restricted investments	10,998	10,644
Permanently restricted investments	2,528	2,814
Beneficial interest in perpetual trusts	15,276	13,758
Property and equipment, net	359,965	399,640
Investments in joint ventures	2,399	2,000
Deferred financing costs, net	7,427	5,308
Interest rate swap agreements	4,079	--
Other assets	<u>7,106</u>	<u>7,368</u>
Total assets	<u>\$ 1,190,637</u>	<u>\$ 1,193,247</u>
Liabilities and net assets		
Current liabilities:		
Current portion of long-term debt	\$ 9,102	\$ 8,782
Notes payable	--	105,000
Accounts payable and accrued expenses	26,816	20,929
Accrued interest payable	986	1,769
Accrued salaries and wages	40,875	44,261
Advances from third-party payors	3,227	3,259
Estimated self-insurance costs and postretirement benefits	13,939	15,369
Estimated third-party payor settlements	<u>17,791</u>	<u>3,829</u>
Total current liabilities	112,736	203,198
Estimated self-insurance costs	25,001	28,976
Long-term debt, less current portion	444,306	330,935
Accrued retirement benefits	25,155	20,328
Interest rate swap agreements	--	14,172
Other noncurrent liabilities	<u>1,525</u>	<u>1,525</u>
Total liabilities	608,723	599,134
Minority interest	4,610	4,319
Net assets:		
Unrestricted	542,279	555,392
Temporarily restricted	17,198	17,811
Permanently restricted	<u>17,827</u>	<u>16,591</u>
Total net assets	<u>577,304</u>	<u>589,794</u>
Total liabilities and net assets	<u>\$ 1,190,637</u>	<u>\$ 1,193,247</u>

**WELLSPAN HOSPITAL OBLIGATED GROUP
SPECIAL PURPOSE COMBINED BALANCE SHEETS***

	<u>June 30, 2007</u> <u>(\$000s)</u> (unaudited)	<u>June 30, 2008</u> <u>(\$000s)</u> (unaudited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,350	\$ 3,970
Assets limited as to use	2,447	761
Patient accounts receivable, net	92,521	101,269
Other receivables	3,406	4,362
Inventories	2,534	2,868
Prepaid expenses	<u>782</u>	<u>2,682</u>
Total current assets	105,040	115,912
Assets limited as to use:		
Board-designated	462,866	466,570
Under bond indenture	65,097	32,380
Self-insurance trust	<u>3,862</u>	<u>--</u>
Total assets limited as to use	531,825	498,950
Temporarily restricted investments	4,086	4,233
Permanently restricted investments	--	325
Beneficial interest in perpetual trusts	7,550	6,859
Property and equipment, net	277,973	278,145
Investments in joint ventures	1,120	1,697
Notes receivable - affiliates	52,315	51,194
Deferred financing costs, net	5,778	4,447
Interest in net assets of the Foundation	15,794	15,262
Interest rate swap agreements	2,300	--
Other assets	<u>3,009</u>	<u>2,854</u>
Total assets	<u>\$1,006,790</u>	<u>\$ 979,878</u>
Liabilities and net assets		
Current liabilities		
Current portion of long-term debt	\$ 6,683	\$ 5,535
Notes payable	--	60,000
Accounts payable and accrued expenses	13,873	11,302
Accrued interest payable	968	1,571
Accrued salaries and wages	23,207	24,423
Advances from third-party payors	2,814	2,814
Estimated third-party payor settlements	17,791	3,829
Estimated self-insurance costs and postretirement benefits	1,157	1,241
Due to affiliates	<u>4,104</u>	<u>374</u>
Total current liabilities	70,417	111,089
Estimated self-insurance costs	1,227	227
Long-term debt, less current portion	339,659	274,218
Accrued retirement benefits	13,943	13,366
Interest rate swap contracts	--	11,543
Other noncurrent liabilities	<u>1,525</u>	<u>1,525</u>
Total liabilities	426,771	411,968
Net assets:		
Unrestricted	549,341	538,086
Temporarily restricted	7,334	7,378
Permanently restricted	7,550	7,184
Interest in net assets of the Foundation	<u>15,794</u>	<u>15,262</u>
Total net assets	<u>580,019</u>	<u>567,910</u>
Total liabilities and net assets	<u>\$1,006,790</u>	<u>\$ 979,878</u>

* The Special Purpose Combined Balance Sheets exclude the balances of a controlled entity, which would be required to be presented in accordance with U.S. generally accepted accounting principles.

Outstanding Indebtedness of the WellSpan Health Obligated Group

As of June 30, 2008, the aggregate principal amount of the indebtedness of the System, including the Members of the Obligated Group and affiliates, was \$444,717,000. As of June 30, 2008, the aggregate principal amount of indebtedness of the WellSpan Health Obligated Group secured by Master Notes and guarantees of the Obligated Group was \$429,688,000

Obligated Group Coverage of Pro Forma Maximum Annual Debt Service Requirement (Special Purpose)

The following table shows the Obligated Group's income available for debt service for the years ended June 30, 2007 and 2008, as derived from the supplementary consolidating information included within the audited consolidated financial statements of WellSpan Health as of and for the years then ended. Additionally, the table shows the actual 2007, 2008 and estimated pro forma 2008 maximum annual debt service requirements on Long-Term Debt secured by Master Notes. Actual 2007 and 2008 reflect a 4.0% interest rate on all outstanding Master Notes. In addition, pro forma 2008 assumes that (i) the Series 2008A Bonds and the Series 2008 Variable Rate Bonds were issued on July 1, 2007 in the aggregate principal amounts of \$265,555,000 and \$155,260,000, respectively, and (ii) the interest rate on the Series 2008A Bonds, the Series 2008 Variable Rate Bonds and on all outstanding Master Notes was 5.0% during the year ended June 30, 2008. For purposes of calculating debt service on the Series 2005C&D Bonds, outstanding principal is amortized assuming level debt service with a final term of 2033. The assumed rate for the amortization is 5.0% per annum. The table also shows the ratio of the Obligated Group's income available for debt service (as calculated below) to such maximum annual debt service requirement.

	<u>Actual</u>		<u>Pro Forma</u>
	<u>Years Ended June 30,</u>		<u>Year Ended June 30,</u>
	<u>2007</u>	<u>2008</u>	<u>2008</u>
	(000's omitted)		(000's omitted)
Excess of Revenues over Expenses	\$129,059	\$41,428	\$37,220
Depreciation and Amortization	33,426	34,894	34,894
Interest Expense	11,218	14,346	18,554
Change in fair value of interest rate swap	(1,687)	13,844	13,844
Loss on extinguishment of debt	<u>---</u>	<u>1,181</u>	<u>1,181</u>
Income Available for Debt Service	\$172,016	\$105,693	\$105,693
Maximum Annual Debt Service Requirement	27,731	27,731	30,733
Maximum Annual Debt Service Coverage Ratio	6.20	3.81	3.44

Note: The amounts in the table above exclude the operations of a controlled entity, which would be required to be presented in accordance with U.S. generally accepted accounting principles.

WellSpan Health (Consolidated) Coverage of Pro Forma Maximum Annual Debt Service Requirement

The following table shows WellSpan Health's consolidated income available for debt service for the years ended June 30, 2007 and 2008, as derived from the audited consolidated financial statements of WellSpan Health as of and for the years then ended. Additionally, the table shows the actual 2007, 2008 and estimated pro forma 2008 maximum annual debt service requirements on Long-Term Debt secured by Master Notes. Actual 2007 and 2008 reflect a 4.0% interest rate on all outstanding Master Notes. In addition, pro forma 2008 assumes that (i) the Series 2008A Bonds and the Series 2008 Variable Rate Bonds were issued on July 1, 2007 in the aggregate principal amounts of \$265,555,000 and \$155,260,000, respectively, and (ii) the interest rate on the Series 2008A Bonds, the Series 2008 Variable Rate Bonds and on all outstanding Master Notes was 5.0% during the year ended June 30, 2008. For purposes of calculating debt service on the Series 2005C&D Bonds, outstanding principal is amortized assuming level debt service with a final term of 2033. The assumed rate for the amortization is 5.0% per annum. The table also shows the

ratio of WellSpan Health's income available for debt service (as calculated below) to such maximum annual debt service requirement.

	<u>Actual</u>		<u>Pro Forma</u>
	<u>Years Ended June 30,</u>		<u>Year Ended June 30,</u>
	<u>2007</u>	<u>2008</u>	<u>2008</u>
	(000's omitted)		(000's omitted)
Excess (Deficiency) of Revenues over Expenses	\$108,347	\$(3,146)	\$(7,354)
Depreciation and Amortization	39,917	44,818	44,818
Interest Expense	13,279	17,358	21,566
Change in fair value of interest rate swap	(3,466)	18,251	18,251
Loss on extinguishment of debt	<u>--</u>	<u>2,067</u>	<u>2,067</u>
Income Available for Debt Service	\$158,077	\$79,348	\$79,348
Maximum Annual Debt Service Requirement	29,749	29,749	30,733
Maximum Annual Debt Service Coverage Ratio	5.31	2.67	2.58

Historical and Pro Forma Capitalization of the WellSpan Health Obligated Group (Special Purpose)

The following table sets forth the WellSpan Health Obligated Group's (i) historical capitalization ratios as of June 30, 2007 and 2008 and (ii) pro forma capitalization ratio as of June 30, 2008. The pro forma capitalization ratio assumes that (i) the Series 2008A Bonds and the Series 2008 Variable Rate Bonds were issued on July 1, 2007 in the aggregate principal amounts of \$265,555,000 and \$155,260,000, respectively, and (ii) notes payable of \$60,000,000 are considered long term debt. The table does not reflect indebtedness of System affiliates secured by Master Notes or guarantees provided by the WellSpan Health Obligated Group.

	<u>Actual</u>		<u>Pro Forma</u>
	<u>June 30,</u>		<u>June 30,</u>
	<u>2007</u>	<u>2008</u>	<u>2008</u>
	(000's omitted)		(000's omitted)
Long-Term Debt	\$339,659	\$334,218	\$348,387
Unrestricted Net Assets	<u>549,341</u>	<u>538,086</u>	<u>533,878</u>
Total Capitalization	\$889,000	\$872,304	\$882,265
Percent of Long-Term Debt to Capitalization	38.2%	38.3%	39.5%

Note: The amounts in the table above exclude the balances of a controlled entity, which would be required to be presented in accordance with U.S. generally accepted accounting principles.

Historical and Pro Forma Capitalization of WellSpan Health (Consolidated)

The following table sets forth WellSpan Health's consolidated (i) historical capitalization ratios as of June 30, 2007 and 2008 and (ii) pro forma capitalization ratio as of June 30, 2008. The pro forma capitalization ratio assumes that (i) the Series 2008A Bonds and the Series 2008 Variable Rate Bonds were issued on July 1, 2007 in the aggregate principal amounts of \$265,555,000 and \$155,260,000, respectively, and (ii) notes payable of \$105,000,000 are considered long term debt.

	Actual		Pro Forma
	June 30,		June 30,
	2007	2008	2008
	(000's omitted)		(000's omitted)
Long-Term Debt	\$444,306	\$435,935	\$450,104
Unrestricted Net Assets	<u>542,279</u>	<u>555,392</u>	<u>551,184</u>
Total Capitalization	\$986,585	\$991,327	\$1,001,288
Percent of Long-Term Debt to Capitalization	45.0%	44.0%	45.0%

Sources of Patient Service Revenues

The following table shows the sources of net patient service revenue of each of the Members for each of the years ended June 30, 2005 through June 30, 2008.

PERCENTAGE OF NET PATIENT SERVICE REVENUE BY PAYMENT SOURCE

	York Hospital Year Ended June 30			
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Medicare	36%	34%	31%	28%
Medicaid	2	1	1	1
Blue Cross	14	17	17	18
Managed Care	35	31	33	34
Medicare HMO	0	3	5	6
Medicaid HMO	5	5	6	5
Commercial/Self Pay/Other	<u>8</u>	<u>9</u>	<u>7</u>	<u>8</u>
Total	100%	100%	100%	100%

	The Gettysburg Hospital Year Ended June 30			
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Medicare	29%	27%	25%	22%
Medicaid	1	0	0	0
Blue Cross	37	25	26	23
Managed Care	15	33	36	41
Medicare HMO	0	3	4	5
Medicaid HMO	2	3	2	3
Commercial/Self Pay/Other	<u>16</u>	<u>9</u>	<u>7</u>	<u>6</u>
Total	100%	100%	100%	100%

Community Benefit

WellSpan Health strives to enhance the health of its community through primary prevention efforts. These efforts include: partnerships with area school districts to institute fitness and healthy-living curriculum; injury prevention initiatives targeting children; healthy eating and physical activity consultations designed to combat obesity in children and adults; partnerships with area businesses to enhance the health and well-being of their workforces; and a nurse call center that helps area residents access the most appropriate level of care. In addition, WellSpan Health collaborates with other organizations to address specific issues, promote important events or educate various populations about vital health issues.

The WellSpan Health System provided \$99.8 million in uncompensated patient care in 2008, including \$8.3 million to patients classified as charity. In addition, \$8.3 million in free community health services was provided through various health centers, a mobile clinic and a community pharmacy and community partnership grants. Recognition of the WellSpan Health System's community health programs is evidenced by the award of a \$2.6 million federal grant for community health in 2003.

Retirement Plans

WellSpan Health has a qualified defined benefit pension plan (the "Plan") which covers approximately 67% of its employees. In addition, all employees hired after August 17, 2007, are enrolled in a defined contribution program (the "Program"). As part of the transition to the defined contribution program, participants in the defined benefit plan had the option to freeze their Plan benefit and opt to participate in the defined contribution program.

Contributions to the Plan are actuarially determined. Effective June 30, 2007, WellSpan Health adopted reporting requirements associated with Statement of Financial Accounting Standards (SFAS) No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106 and 132R*. As of June 30, 2008 the fair value of plan assets was \$370.8 million, compared to projected benefit obligations of \$377.7 million.

WellSpan Health contributes 4% of eligible Program participants' compensation on behalf of participants. In addition, WellSpan Health contributes a matching amount equal to one-half of up to 4% of participants' contributions.

MANAGEMENT DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2008 (Consolidated WellSpan Health)

Consolidated Summary of Operations

Net loss (deficiency of revenues over expenses) for the year ended June 30, 2008 was \$(3.1) million, compared to net income (excess of revenues over expenses) of \$56.2 million budgeted and \$108.3 million for 2007. Reported net loss for the year includes an adjustment of \$18.3 million to reflect a decrease in the fair value of interest rate swaps and an adjustment of \$29.6 million to recognize net unrealized losses on trading securities. Net income reported for 2007 included an increase in the fair value of interest rate swaps of \$3.5 million and an adjustment of \$15.1 million to recognize net unrealized gains on trading securities.

The following table shows total income after adjusting for investment income, change in fair value of interest rate swap agreements and loss on extinguishment of debt.

	<u>Years Ended June 30,</u>	
	<u>2007</u>	<u>2008</u>
	(000's omitted)	
Excess (deficiency) of revenue over expenses	\$108,347	\$(3,146)
Less: Investment (income) or loss, net	(48,892)	4,167
Plus/less: Change in fair value of interest rate swap agreements	<u>(3,466)</u>	<u>18,251</u>
Excess (deficiency) of revenue over expenses before investment income and change in fair value of interest rate swap agreements	\$55,989	\$19,272
Plus: Loss on early extinguishment of debt	<u>--</u>	<u>2,067</u>
Excess (deficiency) of revenues over expenses before investment income, change in fair value of interest rate swap agreements and loss on early extinguishment of debt	<u>\$55,989</u>	<u>\$21,339</u>

Total operating revenues for 2008 were \$920.2 million, a 4.4% increase over budget and a 10.2% increase over the prior year.

Net Patient Service Revenue

In 2008, the System's net patient service revenue totaled \$863.6 million, an increase of 10.7% or \$83.7 million over the prior year. Net patient service revenue for the System increased by 41.2% from 2005 to 2008, an average annual growth rate of 13.7%. Growth in revenues was due primarily to increased volume.

Between 2005 and 2008, System admissions increased by 0.9%. In addition, observation cases increased by 92.6%. In general, this increasing volume trend can be attributed to population growth, particularly growth in the elderly population, and expansion of the primary care physician base by WellSpan Medical Group. Over the same period, average length of stay remained stable.

In 2008, net outpatient revenue grew by 14.7% over the prior year. Outpatient laboratory, imaging, radiation therapy, emergency visits and other services have increased. Total outpatient surgery cases including Apple Hill Surgical Center decreased by 5.7% due to competing physician-owned ambulatory surgery centers. The overall growth in outpatient volume was due in part to the growing number of primary care physicians in the service area, technology advancement, managed care influences and an overall growth in the population.

Total Operating Expenses

Total operating expenses for 2008 increased by \$119.2 million, or 15.3% over the prior year. Salaries, wages and benefits increased by \$69.9 million, or 15.6%. As a percentage of total revenue, salaries, wages and benefits were 56.1% and 53.5% for the years ended June 30, 2008 and 2007, respectively. Salaries and wages increased by \$54.1 million or 15.4%. Full time equivalents (FTE's) increased by 455 or 6.9%. Approximately 70% of the increase in FTE's was clinical staff additions, with the remainder attributable to support and administrative functions. The balance of salary related cost increases reflect annual merit increases and market rate adjustments. Employee benefits increased by \$15.8 million, or 16.6%, driven by retirement benefits and health insurance costs.

Supplies and other expenses for 2008 increased by \$36.4 million, or 15.4% as a result of volume growth and inflation. As a percentage of total revenue, supplies and other expenses were 29.6% and 28.3% for the years ended June 30, 2008 and 2007, respectively. Bad debt expenses increased by \$1.8 million. As a percentage of net patient revenue, bad debt was 4.1% compared to 4.3% in the prior year. Interest expense increased \$4.1 million, primarily as a result of an increase in outstanding debt. Depreciation expense increased by \$4.9 million and a loss on extinguishment of debt of \$2.1 million was recorded in 2008.

Operating Income

For 2008 the operating margin for the System was 2.3%. Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) margin was 6.8% for 2008. Operating income for the year ended June 30, 2008 was \$21.5 million, compared to \$55.2 million for the prior year. The decrease in operating income is attributable to increased costs (as identified above) outpacing revenue increases.

Investment (Loss) Income

In 2008, WellSpan Health began treating its investments as trading securities. As part of this change, net unrealized gains and losses on trading securities are recorded in investment income. Prior year financial statements were reclassified to reflect this change in designation. For 2008, investment loss was \$4.2 million, including \$29.6 million of net unrealized losses on trading securities. In 2007, investment income was \$48.9 million, including \$15.2 million in net unrealized gains on trading securities.

Change in Unrestricted Net Assets

Unrestricted net assets increased by \$13.1 million for the year ended June 30, 2008. This increase includes the deficiency of revenues over expenses of \$(3.1) million and a decrease in pension liabilities of \$15.2 million.

Consolidated Balance Sheets

Total assets of the System increased to \$1,193.3 million at June 30, 2008 from \$1,190.6 million at June 30, 2007. Unrestricted cash and investments increased by \$5.7 million to \$505.7 million, excluding \$29.4 million of estimated market value gains on alternative investments.

Days cash on hand was 216.7 on June 30, 2008, down from 247.0 on June 30, 2007, a decrease of 30.3 days. The following lists the primary changes to days cash on hand.

Operating cash flow	+ 29.3 days
Investment loss (-0.4%)	- 1.8
Non cash working capital	- 7.6
Capital expenditures	- 36.1
Increase in daily operating expense	- 33.1
Debt proceeds net of principal repayments	+ 18.2
Donations and other items	+ 0.8

Additionally, the System had \$72.9 million, or 31.2 days cash, in unexpended bond proceeds at June 30, 2008.

Non cash working capital increases were attributable to an increase in patient accounts receivable and decreases in accounts payable and third party reserves. Days of net patient revenues in patient accounts receivable were 48.3 days at June 30, 2008, compared to 45.8 days at June 30, 2007.

Net property, plant, and equipment increased to \$399.6 million at June 30, 2008 from \$360.0 million at June 30, 2007. Acquisitions of property, plant, and equipment for 2008 were \$84.7 million. Expenditures include completion of an ambulatory care center in Adams County including diagnostic lab and imaging, a cancer treatment center, outpatient rehab and physician office space. Two ambulatory sites were expanded in York County. Renovations at York Hospital allowed for expanded bed capacity of 33 beds. Expenditures for information technology include development of systems which will provide electronic medical record capability and digital imaging throughout WellSpan Health.

Debt to capitalization was 44.0% at June 30, 2008, compared to 45.0% for June 30, 2007. The cash to debt ratio at June 30, 2008, was 113.7%, up from 110.0% at June 30, 2007.

Long-Term Debt

Total long-term debt, including notes payable, as of June 30, 2008 was \$435.9 million, a decrease of \$8.4 million from June 30, 2007.

Earnings Before Interest, Taxes, Depreciation and Amortization

Earnings before interest, taxes, depreciation and amortization for the year ended June 30, 2008 was \$61.1 million compared to \$161.5 million for the year ended June 30, 2007. The decrease in earnings before interest, taxes, depreciation and amortization resulted from a decrease in operating income of \$33.7 million and a decrease in other income of \$78.2 million.

Recent Developments; Preliminary First Quarter Financial Results (Unaudited)

Management is aware that the investment (loss) income for the fiscal quarters ended September 30, 2008 and 2007 was (\$34.0 million) and \$12.8 million, respectively. The overall investment performance as a percent of the portfolio for the fiscal quarters ended September 30, 2008 and 2007 was (8.7%) and 2.7%, respectively. Management anticipates additional investment losses during fiscal year 2009, which could be substantial, if market conditions continue to decline. Operating income for the fiscal quarters ended September 30, 2008 and 2007 was \$3.7 million and \$8.3 million, respectively.

EMPLOYEES

As of June 30, 2008, the System employed approximately 6,974 full-time equivalent employees. At present, there are no collective bargaining agreements covering any of the System's employees. Generally, the System has minimized its reliance on temporary contract staff. Initiatives to reduce staff supply shortages include financial and curriculum support for nurse training, radiologic technologists and Certified Registered Nurse Anesthetist programs. Nurse training programs, radiologic technologist and Certified Registered Nurse Anesthetist programs are currently operating.

ACCREDITATIONS AND MEMBERSHIPS

The Hospitals have received accreditations and maintain memberships and educational affiliations as follows:

Accreditations:

Accreditation Association for Ambulatory Health Care, Inc.
Accreditations Council for Graduate Medical Education
American Association of Blood Banks
American College of Radiology
American Society of Health System Pharmacists
Association for Clinical Pastoral Education, Inc.
Centers for Medicare & Medicaid Services
College of American Pathologists
Commission on Accreditation of Allied Health Programs
Commission on Cancer of the American College of Surgeons

Commission on Dental Accreditation
Food and Drug Administration
The Joint Commission
Joint Review Committee on Education in Radiologic Technology
National Accrediting Agency for Clinical Laboratory Sciences
Pennsylvania Department of Health
Pennsylvania Department of Public Welfare
Pennsylvania State Board of Pharmacy
Pennsylvania Trauma Systems Foundation

Memberships:

American Association of Hospital Dentists
American Hospital Association
American Trauma Society
Association of American Medical Colleges
Association of Hospital Medical Education
Council of Teaching Hospitals
Emergency Health Services Foundation
Emergency Medical Services Association
Federated Ambulatory Surgical Association

Hershey Medical Center Poison Control Center
Hospital and Health System Association of
Pennsylvania
Pennsylvania Ambulatory Surgery Association
Pennsylvania Mental Health and Retardation
Providers' Association
National Committee for Clinical Laboratory Standards
NSABP Cancer Clinical Trials Program
VHA of Pennsylvania

EDUCATIONAL PROGRAMS

For many years, York Hospital has sponsored medical, dental, nursing and allied health education programs. Affiliated with the University of Pennsylvania and University of Maryland Schools of Medicine and Dentistry, The Pennsylvania State University College of Medicine at Hershey, Drexel University College of Medicine, Thomas Jefferson Medical College and Lake Erie College of Osteopathic Medicine, the York Hospital conducts special programs for premedical college students, offers required and elective one-month clinical rotations for approximately 250 medical students each year and administers residency programs for approximately 110 house staff physicians. House physicians are in training programs with curriculum defined by residency program directors. The programs include participation in the delivery of patient care services. York Hospital also conducts a significant continuing education series for practicing physicians. York Hospital serves as the major clinical education site for York College of Pennsylvania's baccalaureate degree nursing program and for York County School of Technology practical nurse program. Six full-time nurse education specialists carry on staff development activities. York Hospital also administers two allied health technical programs.

INSURANCE

The Hospitals maintain professional liability insurance in amounts required by Pennsylvania law. The required amount of primary professional liability insurance for each Hospital is \$2,500,000 aggregate per year. Primary professional liability coverage for both Hospitals is provided by Risk Retention Group.

Physician professional liability insurance coverage is also provided by Risk Retention Group. The required amount of primary coverage for physician professional liability insurance is \$1,500,000. Coverage is provided on a claims-made basis.

In excess of the primary professional liability insurance coverage, the Hospitals and Hospital-employed physicians are covered by the Pennsylvania Medical Care Availability and Reduction of Error Fund ("MCARE"), as required by Pennsylvania law. Currently, MCARE provides coverage in the amount of \$1,500,000 aggregate per year for the Hospitals and physicians, on an occurrence basis.

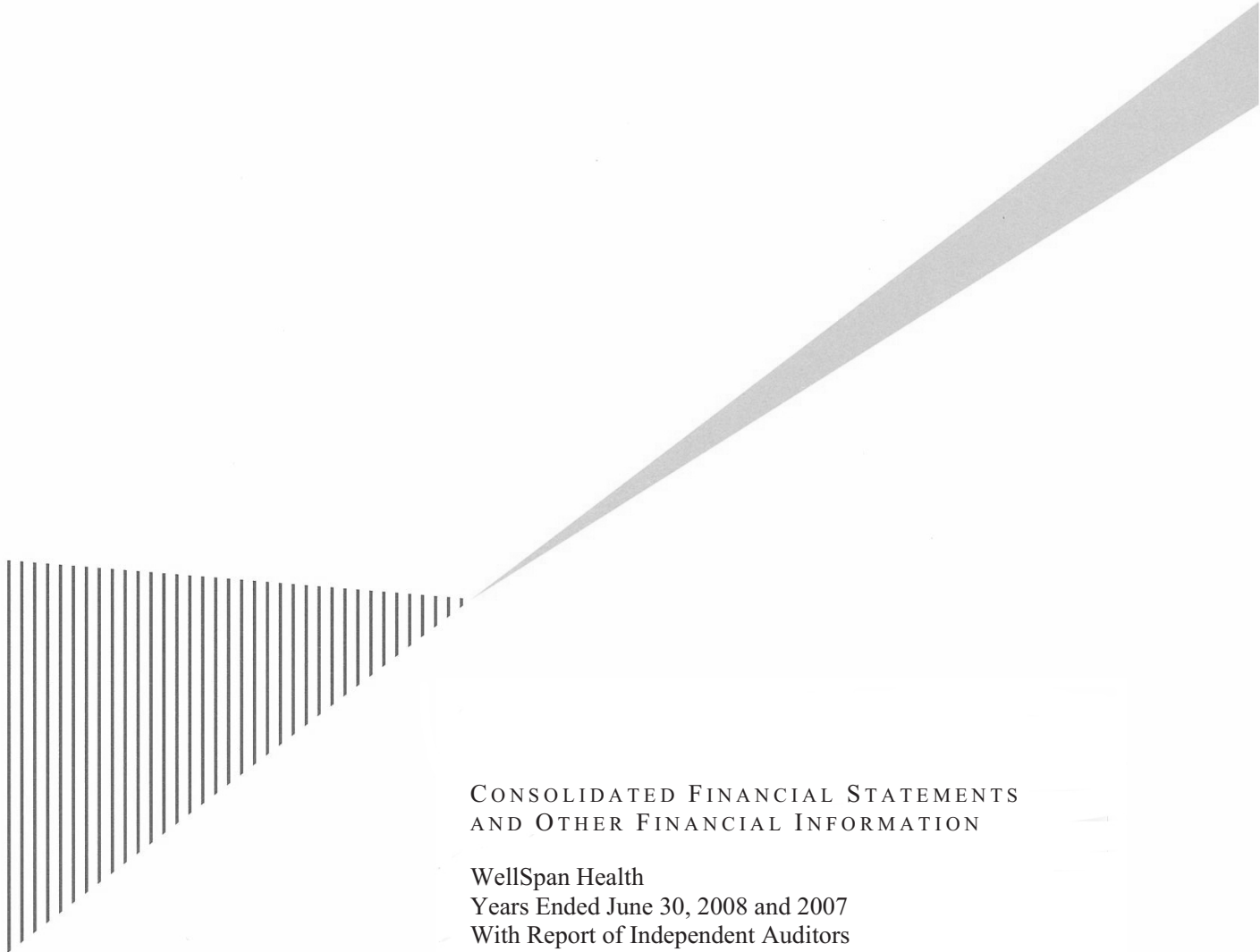
In addition to professional liability insurance coverage, WellSpan Health and its affiliates maintain appropriate insurance coverage for business-related risks, in commercially reasonable amounts. WellSpan Health and its affiliates are self-insured for worker's compensation risks. Worker's compensation claims in excess of \$300,000 are covered by a comprehensive reinsurance policy on an occurrence basis.

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APPENDIX B

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF WELLSPAN HEALTH FOR THE YEARS ENDED
JUNE 30, 2008 AND 2007**

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CONSOLIDATED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

WellSpan Health
Years Ended June 30, 2008 and 2007
With Report of Independent Auditors

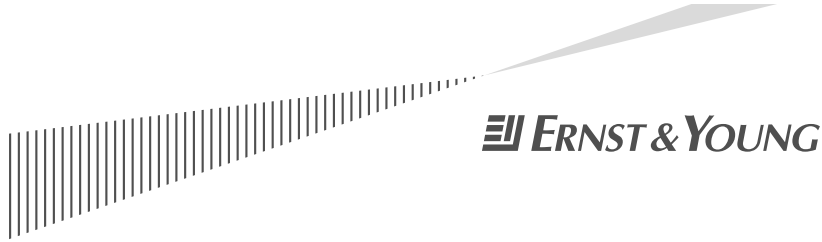
Ernst & Young LLP



WellSpan Health
Consolidated Financial Statements
and Other Financial Information
Years Ended June 30, 2008 and 2007

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Report of Independent Auditors

Board of Directors
WellSpan Health

We have audited the accompanying consolidated balance sheets of WellSpan Health (WSH) as of June 30, 2008 and 2007, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of WSH's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. 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 WSH'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 WSH'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 WellSpan Health as of June 30, 2008 and 2007, and the consolidated results of its operations, changes in its net assets, and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

As discussed in Note 2 to the consolidated financial statements, WSH adopted Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*, as of June 30, 2007.

Ernst & Young LLP

August 22, 2008

WellSpan Health
Consolidated Balance Sheets

(In Thousands)

	June 30	
	2008	2007
Assets		
Current assets:		
Cash and cash equivalents	\$ 6,831	\$ 4,184
Assets limited as to use	4,118	10,408
Patient accounts receivable, net of allowance for doubtful accounts of \$22,802 and \$19,980 in 2008 and 2007, respectively	123,062	107,821
Other receivables	8,176	6,448
Inventories	5,838	5,142
Prepaid expenses	11,599	11,549
Other current assets	147	156
Total current assets	159,771	145,708
Investments	11,887	12,431
Assets limited as to use:		
Board-designated	491,115	487,128
Under bond indenture	72,857	118,117
Self-insurance trust	12,728	14,080
	576,700	619,325
Pledges receivable, net	3,357	3,395
Temporarily restricted investments	10,644	10,998
Permanently restricted investments	2,814	2,528
Beneficial interest in perpetual trusts	13,758	15,276
Property and equipment, net	399,640	359,965
Investments in joint ventures	2,000	2,399
Deferred financing costs, net	5,308	7,427
Interest rate swap agreements	-	4,079
Other assets	7,368	7,106
Total assets	\$ 1,193,247	\$ 1,190,637

	June 30	
	2008	2007
Liabilities and net assets		
Current liabilities:		
Current portion of long-term debt	\$ 8,782	\$ 9,102
Notes payable	105,000	–
Accounts payable and accrued expenses	20,929	26,816
Accrued interest payable	1,769	986
Accrued salaries and wages	44,261	40,875
Advances from third-party payors	3,259	3,227
Estimated self-insurance costs and postretirement benefits	15,369	13,939
Estimated third-party payor settlements	3,829	17,791
Total current liabilities	<u>203,198</u>	112,736
Estimated self-insurance costs	28,976	25,001
Long-term debt, less current portion	330,935	444,306
Accrued retirement benefits	20,328	25,155
Interest rate swap agreements	14,172	–
Other noncurrent liabilities	1,525	1,525
Total liabilities	<u>599,134</u>	608,723
Minority interests	4,319	4,610
Net assets:		
Unrestricted	555,392	542,279
Temporarily restricted	17,811	17,198
Permanently restricted	16,591	17,827
Total net assets	<u>589,794</u>	577,304
Total liabilities and net assets	<u>\$ 1,193,247</u>	<u>\$ 1,190,637</u>

See accompanying notes.

WellSpan Health

Consolidated Statements of Operations

(In Thousands)

	Year Ended June 30	
	2008	2007
Unrestricted revenues, gains, and other support		
Net patient service revenue	\$ 863,615	\$ 779,946
Capitation revenue	5,369	5,350
Other revenue	45,106	46,133
Net assets released from restrictions used for operations	6,060	3,227
Total revenues, gains, and other support	<u>920,150</u>	<u>834,656</u>
Expenses		
Salaries and wages	405,349	351,282
Employee benefits	111,013	95,211
Professional fees	10,308	10,261
Supplies and other	272,341	235,950
Depreciation and amortization	44,818	39,917
Interest	17,358	13,279
Provision for bad debts	35,355	33,524
Loss on early extinguishment of debt	2,067	—
Total operating expenses	<u>898,609</u>	<u>779,424</u>
Operating income	21,541	55,232
Other income (expense)		
Contributions	1,259	2,129
Investment (loss) income, net	(4,167)	48,892
Equity in loss of joint ventures	(349)	(8)
(Loss) gain on sale of assets/other	(392)	49
Other (expense) income, net	(1,355)	524
Change in fair value of interest rate swap agreements	(18,251)	3,466
Total other (expense) income	<u>(23,255)</u>	<u>55,052</u>
(Deficiency) excess of revenues over expenses before minority interests	(1,714)	110,284
Minority interests	(1,432)	(1,937)
(Deficiency) excess of revenues over expenses	<u>(3,146)</u>	<u>108,347</u>
Other changes in unrestricted net assets:		
Change in unrealized gains and losses on assets limited as to use and investments – other-than-trading securities	554	102
Net assets released from restrictions for purchase of property and equipment	531	723
Other change in accrued retirement benefits	15,174	—
Increase in unrestricted net assets before adoption of SFAS 158 transition adjustment	<u>13,113</u>	<u>109,172</u>
SFAS 158 transition adjustment, net	—	(57,856)
Increase in unrestricted net assets	<u>\$ 13,113</u>	<u>\$ 51,316</u>

See accompanying notes.

WellSpan Health

Consolidated Statements of Changes in Net Assets

(In Thousands)

	Year Ended June 30	
	2008	2007
Unrestricted net assets		
(Deficiency) excess of revenues over expenses	\$ (3,146)	\$ 108,347
Other changes in unrestricted net assets:		
Change in unrealized gains and losses on assets limited as to use and investments – other-than-trading securities	554	102
Net assets released from restrictions for purchase of property and equipment	531	723
Other change in accrued retirement benefits	15,174	–
Increase in unrestricted net assets before adoption of SFAS 158 transition adjustment	13,113	109,172
SFAS 158 transition adjustment, net	–	(57,856)
Increase in unrestricted net assets	13,113	51,316
Temporarily restricted net assets		
Change in unrealized gains and losses on investments	(784)	469
Net investment income	471	870
Contributions	7,517	6,499
Net assets released from restrictions	(6,591)	(3,950)
Increase in temporarily restricted net assets	613	3,888
Permanently restricted net assets		
Change in beneficial interest in perpetual trusts and investment gains	(1,236)	1,489
(Decrease) increase in permanently restricted net assets	(1,236)	1,489
Increase in net assets	12,490	56,693
Net assets		
Beginning of year	577,304	520,611
End of year	<u>\$ 589,794</u>	<u>\$ 577,304</u>

See accompanying notes.

WellSpan Health

Consolidated Statements of Cash Flows

(In Thousands)

	Year Ended June 30	
	2008	2007
Cash flows from operating activities		
Increase in net assets	\$ 12,490	\$ 56,693
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
SFAS 158 transition adjustment, net	–	57,856
Loss (gain) on disposal of fixed assets	392	(49)
Minority interests in earnings of consolidated entities, net of distributions	(291)	149
Depreciation and amortization	44,818	39,917
Net realized and unrealized loss (gains) on assets limited as to use and investments	18,787	(38,434)
Change in fair value of interest rate swap agreements	18,251	(3,466)
Amortization of original issue discount	43	30
Undistributed loss (gain) of investments in joint ventures	349	8
Change in beneficial interest in perpetual trusts	1,518	(1,458)
Provision for bad debts	35,355	33,524
Loss on early extinguishment of debt	2,067	–
Temporarily restricted net contributions and investment income received	(7,988)	(7,369)
Change in cash due to changes in assets and liabilities:		
Patient accounts receivable and other receivables	(52,324)	(42,196)
Inventories, pledges receivable, prepaid expenses and other assets	(961)	(8,052)
Accounts payable and accrued expenses and accrued interest payable	(5,104)	4,819
Accrued salaries and wages	3,386	5,692
Advances from third-party payors	32	(64)
Estimated third-party payor settlements	(13,962)	(11,168)
Estimated self-insurance costs	5,405	2,190
Accrued retirement benefits	(4,827)	2,223
Net cash provided by operating activities before change in trading securities	57,436	90,845
Purchases of trading securities, net	(21,619)	(40,410)
Net cash provided by operating activities	35,817	50,435
Cash flows from investing activities		
Capital expenditures	(84,685)	(62,426)
Proceeds on sale of property and equipment	172	65
Proceeds on sale of CHIP and Q-WH	–	1,185
Cash received from merger of CTCC	–	833
Gross sales of assets limited as to use and investments – other than trading	57,513	–
Gross purchases of assets limited as to use and investments – other than trading	(5,154)	(123,000)
Change in investments in joint ventures	50	(690)
Net cash used in investing activities	(32,104)	(184,033)
Cash flows from financing activities		
Temporarily restricted net contributions and investment income received	7,988	7,369
Principal repayments on long-term debt	(114,095)	(8,935)
Proceeds from issuance of notes payable and long-term debt	105,000	140,578
Deferred financing costs, net of refunds	41	(2,533)
Net cash (used in) provided by financing activities	(1,066)	136,479
Increase in cash and cash equivalents	2,647	2,881
Cash and cash equivalents, beginning of year	4,184	1,303
Cash and cash equivalents, end of year	\$ 6,831	\$ 4,184
Supplemental cash flow information		
Cash paid for interest, net of capitalized interest	\$ 16,575	\$ 13,291
Cash paid for income taxes	\$ 2,863	\$ 94

See accompanying notes.

WellSpan Health

Notes to Consolidated Financial Statements

June 30, 2008

1. Organization

WellSpan Health (WSH) is a not-for-profit corporation and has the following sole-member corporations, equity investments and other affiliates:

Entity	WSH Relation to Entity	Date Entity Was Formed	Purpose of Entity
York Hospital (YH)	Sole member	1880	A not-for-profit corporation that operates a hospital.
Gettysburg Hospital (GH)	Sole member	1919	A not-for-profit corporation that operates a hospital.
The Gettysburg Hospital Foundation (GHF)	GH is the sole member of GHF.	July 1983	A not-for-profit foundation formed to raise funds to further support the operations of GH.
York Health Plan d/b/a South Central Preferred (SCP)	Sole member	November 1991	A not-for-profit corporation that administers a Preferred Provider Organization.
WellSpan Medical Group (WMG)	Sole member	June 1993	A not-for-profit corporation that operates medical practices and a counseling practice.
York Health Foundation (YHF)	Sole member	March 2000	A not-for-profit foundation formed to raise funds to further support the operations of YH.
WellSpan Health Care Services (WHCS)	Sole member	January 1986	A not-for-profit corporation that engages in health-related activities in the service area.
WellSpan Properties, Inc. (WP)	WHCS is the sole member of WP.	April 1987	A not-for-profit corporation that developed the Apple Hill Medical Center and other outpatient facilities that are leased to affiliates.
WellSpan Pharmacy, Inc. (WRx)	WHCS owns 100% of WRx's outstanding stock.	April 1985	A corporation that dispenses pharmaceuticals and provides intravenous therapy services.

WellSpan Health

Notes to Consolidated Financial Statements (continued)

1. Organization (continued)

Entity	WSH Relation to Entity	Date Entity Was Formed	Purpose of Entity
Healthy Community Pharmacy, Inc. (HCP)	WHCS is the sole member of HCP.	December 2003	A not-for-profit corporation that dispenses pharmaceuticals to the uninsured population.
Apple Hill Surgical Center, Inc. (AHSCI)	WHCS is the sole member of AHSCI.	May 1987	A not-for-profit corporation that serves as general partner of AHSCP.
Apple Hill Surgical Center Partners (AHSCP)	WSH has 66.7% ownership in the partnership units.	February 1988	A limited partnership that operates a surgical center.
Q-WH, LLC (Q-WH), formerly known as York-Memorial MRI Corp.	WHCS has a 50% interest in Q-WH.	January 1987	A limited liability company that serves as the general partner in CHIP.
Community Healthcare Imaging Partners (CHIP), formerly known as M.Y. Magnet	WHCS has a 49.4% limited partnership interest in CHIP.	January 1987	A limited partnership that operates a magnetic resonance imaging center.
Cherry Tree Cancer Center (CTCC)	WHCS has a 50% partnership interest of CTCC.	April 1997	A limited liability partnership that operates a radiation therapy center.
WellSpan Reciprocal Risk Retention Group (WRRRG)	Sole member	June 2003	A risk retention group that provides coverage for the primary layer of professional and general liability, beginning July 1, 2003.
York VNA Home Care, Inc. (VNA)	Sole member	April 1997	A not-for-profit corporation that provides through its subsidiaries home health and personal care services.

WellSpan Health

Notes to Consolidated Financial Statements (continued)

1. Organization (continued)

Entity	WSH Relation to Entity	Date Entity Was Formed	Purpose of Entity
VNA Home Health Services (VNAHHS)	VNA is the sole member of VNAHHS.	February 1911	A not-for-profit corporation that provides home health and hospice care services.
VNA Community Services (VNACS)	VNA is the sole member of VNACS.	August 1984	A not-for-profit corporation that provides home personal care services.
York Provider Network (YPN)	Sole member	February 1997	A not-for-profit corporation that coordinates managed care risk contracting and care management activities within WSH.
Central Pennsylvania Healthcare Alliance (CPHA)	20% membership interest	March 1997	A not-for-profit corporation that provides the infrastructure for overseeing the joint operation of health services in Central Pennsylvania. The investment is accounted for on the equity basis. CPHA had no accounting transactions through June 30, 2008.
Littlestown Health Care Partnership (LHCP)	WHCS has a 50% interest in LHCP.	September 1996	A Pennsylvania partnership that leases outpatient medical facilities. The investment is accounted for on the equity basis.
Physician Hospital Organization of Gettysburg, Inc. (PHO)	GH has a 50% interest in PHO.	May 1994	A not-for-profit corporation that educates and provides a health network for managed care. The investment is accounted for on the equity basis.
Gettysburg Ambulatory Surgical Center, LLC (GASC)	WHCS has a 44% interest in GASC.	June 2006	A limited liability corporation that operates a surgical center. The investment is accounted for on the equity basis.

WellSpan Health

Notes to Consolidated Financial Statements (continued)

1. Organization (continued)

Entity	WSH Relation to Entity	Date Entity Was Formed	Purpose of Entity
Quest Behavioral Health, Inc. (QUEST)	20% membership interest	March 1997	A not-for-profit corporation that provides behavioral health managed care services. The investment is accounted for on the equity basis.
Central Pennsylvania Alliance Laboratory (CPAL)	20% membership interest	March 1997	A limited liability corporation that operates a regional reference laboratory. The investment is accounted for on the equity basis.

Certain board members of YH, GH, SCP, WMG, WHCS, and VNA also serve as Board members of WSH.

2. Significant Accounting Policies

Recently Adopted Accounting Standards

In September 2006, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements No. 87, 88, 106, and 132R* (SFAS 158). SFAS 158 requires companies to (1) fully recognize, as an asset or liability, the overfunded or underfunded status of defined pension and other postretirement benefit plans; (2) recognize changes in the funded status through other changes in unrestricted net assets in the year in which the changes occur; (3) measure the funded status of defined pension and other postretirement benefit plans as of the date of the company's fiscal year-end; and (4) provide enhanced disclosures. SFAS 158 was required to be adopted as of the end of the fiscal year ending after June 15, 2007. WSH has adopted all provisions of SFAS 158 as of June 30, 2007. The net effect of the adoption was a net increase to the accrued retirement benefits and a net reduction to unrestricted net assets of \$57,856,000 as of June 30, 2007. There was no effect of adoption related to the measurement date as WSH's measurement date was its fiscal year-end. See Note 11 for additional information related to the adoption of SFAS 158.

In June 2006, the FASB issued FASB Interpretation (FIN) No. 48, *Accounting for Uncertainty in Income Taxes—an interpretation of FASB statement No. 109* (FIN 48), which prescribes a minimum recognition threshold and measurement attribute methodology for the financial

WellSpan Health

Notes to Consolidated Financial Statements (continued)

2. Significant Accounting Policies (continued)

Recently Adopted Accounting Standards (continued)

statement recognition and measurement of tax positions taken or expected to be taken in a tax return. FIN 48 is effective for fiscal years beginning after December 15, 2006. WSH has adopted FIN 48 as of July 1, 2007. The adoption did not have a material impact on the 2008 consolidated financial statements.

Principles of Consolidation

The consolidated financial statements include the accounts of WSH and its sole member corporations and equity investments, with the exception of the joint ventures where WSH has equal to or less than 50% control. All significant intercompany transactions have been eliminated.

Use of Estimates

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

Fair Value of Financial Instruments

Financial instruments consist of cash equivalents, patient accounts receivable, investments and assets limited as to use, accounts payable and accrued expenses, interest rate swap agreements and long-term debt. The carrying amounts reported in the consolidated balance sheets for cash equivalents, patient accounts receivable, investments and assets limited as to use (except investments in limited partnerships), accounts payable and accrued expenses and the interest rate swap agreements approximate fair value. Management's estimate of the fair value of other financial instruments is described elsewhere in the notes to the consolidated financial statements.

Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less. The carrying amount approximates fair value because of the short maturity of these instruments.

WellSpan Health

Notes to Consolidated Financial Statements (continued)

2. Significant Accounting Policies (continued)

Allowance for Doubtful Accounts

WSH provides an allowance for doubtful accounts for estimated losses resulting from the unwillingness or inability of patients to make payments for services. The allowance is determined by analyzing specific accounts and historical data and trends. Patient accounts receivable are charged off against the allowance for doubtful accounts when management determines that recovery is unlikely and WSH ceases collection efforts. Losses have been consistent with management's expectations in all material respects.

Investments and Assets Limited as to Use

Investments in debt and equity securities, mutual funds and money market funds, with readily determinable fair values are measured at fair value based on quoted market prices. WSH has investments in limited partnerships (LP), for which the ownership interest is less than 5 percent and are recorded on the cost basis.

The proceeds of the 2007 Series A and B bonds were invested in a guaranteed investment contract (GIC) with Wells Fargo. A GIC provides for guaranteed return on principal invested over a specified time period. The terms of the GIC with Wells Fargo specify a 5.276% fixed annual interest rate through October 31, 2008, the contract's stated termination date. The GIC is valued at contract value plus accrued interest for financial accounting and reporting purposes.

WSH has historically accounted for all of its unrestricted investment securities as "other-than-trading." During the year ended June 30, 2008, WSH determined that a certain portion of its investment portfolio should be designated as "trading" in accordance with the AICPA Audit and Accounting Guide: Health Care Organizations (the Guide). This determination was made with respect to WSH's board-designated and other unrestricted investments, except as discussed below. The Guide requires that changes in unrealized gains and losses on marketable securities designated as trading be reported within (deficiency) excess of revenues over expenses. Therefore, in connection with this change in designation to trading, \$15,143,000 in net unrealized gains on trading securities was reclassified to be included as a component of investment (loss) income, net within (deficiency) excess of revenues over expenses in the accompanying June 30, 2007 consolidated statement of operations. Prior to the change in designation, such amounts were reported as a component of other changes in unrestricted net assets. Investments held under bond indenture and self-insurance remain designated as other-than-trading.

WellSpan Health

Notes to Consolidated Financial Statements (continued)

2. Significant Accounting Policies (continued)

Investments and Assets Limited as to Use (continued)

In addition, cash flows from the purchases and sales of trading securities were previously reported within the June 30, 2007 consolidated statement of cash flows as a component of investing activities. In connection with the change in designation to trading securities, net cash flows from the purchases and sales of trading securities are reported as a component of operating activities. Similar cash flow activity during 2007 has been reclassified in the consolidated statement of cash flows. The change in designation to trading had no impact on previously reported amounts for investments, assets limited as to use, unrestricted net assets or the total changes in unrestricted net assets.

Investment income, realized gains and losses, unrealized gains and losses on trading securities and other-than-temporary losses on investment transactions (for other-than-trading securities) are included in (deficiency) excess of revenues over expenses, unless the income or loss is restricted by donor or law. Realized gains and losses for all investments sold are determined on a specific identification basis. Unrealized gains and losses on other-than-trading investments and assets limited as to use are excluded from the (deficiency) excess of revenues over expenses, and are included as a component of other changes in unrestricted net assets, to the extent that such losses are considered temporary.

Assets limited as to use primarily include assets held by trustee under bond indenture agreements, self-insurance trust and designated assets set aside by the Board of Directors. Investment income from these assets is available for current operations of WSH. Certain bond indentures require funds to be deposited with a trustee for future debt service requirements. Amounts required to meet current debt service and self-insured liabilities have been reclassified in the consolidated balance sheets. Donated securities are recorded at their fair market value.

Investment securities and limited partnerships, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility risks. Due to the level of risks associated with certain investment securities and limited partnerships, it is reasonably possible that changes in the value of investments could occur in the short-term and that such changes could materially affect the amounts reported in the accompanying consolidated financial statements.

Inventories

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

WellSpan Health

Notes to Consolidated Financial Statements (continued)

2. Significant Accounting Policies (continued)

Property and Equipment

Property and equipment acquisitions are recorded at cost. Donated assets are recorded at their fair value at the date of donation. Depreciation and amortization is provided over the estimated useful life of each class of depreciable asset and is computed by the straight-line method. Equipment under capital leases is amortized on a straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the consolidated financial statements. Net interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Capitalized net interest cost was not material for the years ended June 30, 2008 and 2007.

Expenditures for renewals and improvements are charged to the property accounts. Replacements, maintenance and repairs that do not improve or extend the life of the respective assets are expensed when incurred. WSH removes the cost and the related accumulated depreciation from the accounts for assets sold or retired, and resulting gains or losses are included in the accompanying consolidated statements of operations.

Gifts of long-lived assets such as land, buildings or equipment are reported as unrestricted support, and are excluded from the excess of revenues over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Deferred Financing Costs

Financing costs incurred in connection with long-term financing have been deferred and are being amortized on a straight-line basis over the life of the related debt.

Estimated Self-Insurance Costs

The provision for estimated medical malpractice, workers' compensation, and employee health claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported.

WellSpan Health

Notes to Consolidated Financial Statements (continued)

2. Significant Accounting Policies (continued)

Derivative Financial Instruments

In accordance with Statement of Financial Accounting Standard (SFAS) No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended, WSH recognizes all derivative financial instruments in the consolidated balance sheets at fair value. Management has determined that WSH's interest rate swap agreements do not qualify as hedges for financial reporting purposes. Consequently, the changes in the fair value of WSH's interest rate swap agreements are included as a component of (deficiency) excess of revenues over expenses in the consolidated statements of operations.

The interest rate swap agreements are used by WSH to manage interest rate exposures and to hedge the changes in cash flows on variable rate revenue bonds. Derivative financial instruments involve, to a varying degree, elements of market and credit risk. The market risk associated with these instruments resulting from interest rate movements is expected to offset the market risk of the liability being hedged.

Temporarily and Permanently Restricted Investments and Net Assets

Temporarily restricted net assets are those whose use by WSH has been limited by donors to a specific time period or purpose. Temporarily restricted net assets include pledges receivable. Permanently restricted net assets represent WSH's beneficial interest in perpetual trusts recorded at fair value.

Beneficial interests in perpetual trusts are reported at fair value, with WSH's share determined by its interest percentage in the trust. Annual changes in fair value are reported as increases or decreases in permanently restricted net assets.

(Deficiency) Excess of Revenues over Expenses

The consolidated statements of operations include the (deficiency) excess of revenues over expenses. Changes in unrestricted net assets that are excluded from the (deficiency) excess of revenues over expenses, consistent with industry practice, include unrealized gains and losses on other-than-trading assets limited as to use and investments to the extent losses are deemed temporary, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

WellSpan Health

Notes to Consolidated Financial Statements (continued)

2. Significant Accounting Policies (continued)

Net Patient Service Revenue

WSH has agreements with third-party payors that provide for payments to WSH at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, discounted charges, per diem payments and reimbursed costs. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, and includes estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations.

Net revenue from the Medicare and Medicaid programs accounted for approximately 38% and 35%, respectively, of WSH's net patient service revenue for the years ended June 30, 2008 and 2007. 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. For the years ended June 30, 2008 and 2007, net patient service revenue reflects an increase of approximately \$3,500,000 and \$11,100,000, respectively, due to favorable estimate changes.

Capitation Revenue

WMG has agreements with various Health Maintenance Organizations (HMOs) to provide medical services to subscribing patients. Under these agreements, WMG receives monthly capitation payments based on the number of each HMO's participants, regardless of services actually performed by WMG's physicians. In addition, WMG may receive additional compensation for services not covered under the capitation payment as defined in the agreements. Under the agreements, certain funds are set aside to cover hospital and other costs. To the extent that these funds are not used, WMG shares in the excess with the HMOs. WMG records the capitation payments as income in the period to which the services relate and records any additional payments at such time as the amounts can be reasonably estimated.

Other Revenue

Other revenue for the years ended June 30, 2008 and 2007 consists primarily of WRx's prescription sales of \$28,206,000 and \$28,231,000, respectively. Investment income from assets limited as to use under bond indenture agreements, cafeteria sales, grant revenues, and other nonpatient service revenue are included in other revenue.

WellSpan Health

Notes to Consolidated Financial Statements (continued)

2. Significant Accounting Policies (continued)

Charity Care

WSH provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because WSH does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Donor-Restricted Contributions

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose for the restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying consolidated financial statements.

Federal and State Income Taxes

WSH, sole member corporations and equity investments, with the exception of WRx, SCP, AHSCP, PHO, CHIP, Q-WH, CPAL, CTCC, LHCP, WRRRG, GASC, and YPN are tax-exempt organizations in accordance with Section 501(c)(3) of the Internal Revenue Code and are not subject to federal or state income taxes for activities related to their exempt purposes. The estimated taxes for the taxable income of WRx, SCP, Q-WH, GASC, WRRRG, and YPN are provided for in the consolidated statements of operations. No federal or state income taxes have been provided for AHSCP, PHO, CHIP, CTCC, and LHCP in the accompanying consolidated financial statements, as they are not payable by these entities. The partners are to include their respective share of these entities' profits or losses in their individual tax returns. As a limited liability corporation, CPAL is subject to state income taxes; the partners of CPAL are subject to federal taxes related to CPAL's earnings.

Reclassifications

Certain reclassifications have been made to the consolidated financial statements of the prior year to conform to the current-year presentation.

WellSpan Health

Notes to Consolidated Financial Statements (continued)

3. Net Patient Service Revenue

WSH has agreements with third-party payors that provide for payments to WSH at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

- **Medicare and Medicaid.** Inpatient acute care services provided to Medicare and Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. WSH is reimbursed for certain cost reimbursable items at a tentative rate, with final settlement determined after submission of annual cost reports by WSH and audits thereof by Medicare. WSH's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with WSH. Medicare reimburses for most outpatient services on the Outpatient Prospective Payment System (OPPS). Medicaid outpatient services are paid based on a fee schedule. YH's and GH's Medicare cost reports have been audited by the Medicare fiscal intermediary through June 30, 2006. YH's and GH's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through June 30, 2004.
- **Blue Cross.** Inpatient and outpatient services rendered to Blue Cross subscribers are reimbursed primarily on a discount from established charge basis.

WSH has also entered into payment agreements with certain commercial insurance carriers, HMOs, and preferred provider organizations. The basis for payment to WSH under these agreements is primarily on a discount from established charges basis but also includes prospectively determined daily rates and prospectively determined fee schedules.

4. Charity Care and Community Service

WSH provides services to patients who meet the criteria of its charity service policy without charge or at amounts less than the established rates. Criteria for charity care consider the patient's family income, family size, and ability to pay.

WSH maintains records to identify and monitor the level of charity care and community service it provides. These records include the amount of charges forgone based on established rates for services and supplies furnished under its charity care and community service policies and the estimated cost of those services. Charges forgone for charity service as determined in accordance with WSH's policy were \$15,039,000 and \$12,675,000 in 2008 and 2007, respectively. Such amounts have been excluded from revenue.

WellSpan Health

Notes to Consolidated Financial Statements (continued)

4. Charity Care and Community Service (continued)

Additionally, WSH sponsors certain other service programs and charity services which provide substantial benefit to the greater community. Such programs include patient visits in outpatient clinics, mental health services, other outpatient clinical services and health care education programs. These programs serve a large portion of the indigent, elderly, diabetic and other underserved patient populations. The estimated unreimbursed cost of providing these programs and services was approximately \$8,302,000 and \$7,513,000 for the years ended June 30, 2008 and 2007, respectively.

WSH participates in the Medicare program. Medicare is a federally funded program which provides health insurance coverage for individuals who are 65 or older, or who meet other special criteria. Payments from Medicare are generally less than WSH's costs of providing the service. Unpaid costs of the Medicare program were approximately \$36,736,000 and \$8,408,000 in 2008 and 2007, respectively.

WSH also participates in the Pennsylvania Medical Assistance (PMA) program which makes payment for services provided to families with dependent children, the aged, the blind, and the permanently and totally disabled, whose income and resources are insufficient to meet the costs of necessary medical services. Payments from the PMA are generally less than WSH's costs of providing the service. Unpaid costs of the PMA program were approximately \$34,953,000 and \$24,442,000, respectively, in 2008 and 2007.

WSH's tax-exempt organizations' patient acceptance policies are based upon their mission statements and charitable purposes. Accordingly, WSH accepts all patients regardless of their ability to pay. This policy results in WSH's assumption of higher-than-normal patient receivable credit risk. To the extent that WSH realizes additional losses resulting from such higher credit risks and patients are not identified or do not meet WSH's defined charity care policy, such additional losses are included in the provision for bad debts.

WellSpan Health

Notes to Consolidated Financial Statements (continued)

5. Investments

WSH Master Trust

WSH maintains the WSH Master Trust for certain funds classified in investments and assets limited as to use in the accompanying consolidated balance sheets. The WSH Master Trust includes unrestricted investments, board-designated funds and funds to meet restrictions set by donors. A summary of the assets of the WSH Master Trust is as follows:

	June 30	
	2008	2007
	<i>(In Thousands)</i>	
Investments, at fair value		
U.S. Government obligations and agencies	\$ 17,807	\$ 33,614
Mortgage-backed securities	53,171	46,048
Corporate bonds	10,239	12,308
Aggregate bond index fund	47,309	43,534
Commodities/Real Return	35,231	26,156
Absolute return, limited partnerships	92,652	81,269
Real estate, limited partnerships	45,242	41,728
Private equity, limited partnerships	6,330	2,198
Corporate stocks	139,936	149,657
Stock index fund	21,230	24,137
Collective mutual funds and investment trusts	65,106	71,139
Cash	7	-
	<u>534,260</u>	<u>531,788</u>
Adjustment to the value of Limited Partnerships, to cost		
Absolute return	(22,297)	(15,884)
Real estate	(7,098)	(7,430)
Private equity	(47)	-
	<u>(29,442)</u>	<u>(23,314)</u>
	<u>\$ 504,818</u>	<u>\$ 508,474</u>

The real estate, private equity and absolute return limited partnership investments are adjusted to and are carried at cost. The fair value of these real estate and absolute return limited partnership investments as reflected in the above schedule are unaudited.

WellSpan Health

Notes to Consolidated Financial Statements (continued)

5. Investments (continued)

WSH Master Trust (continued)

Allocations of assets from the WSH Master Trust to participating funds are as follows:

	June 30			
	2008		2007	
	Amount	Percent	Amount	Percent
	<i>(In Thousands)</i>		<i>(In Thousands)</i>	
York Hospital:				
YH Renewal and Replacement Fund	\$ 394,321	78%	\$ 396,116	77%
YH Professional Education Fund	3,044	1	3,044	1
YH Auxiliary	541	-	639	-
YH Endowment	2,766	-	2,187	-
Gettysburg Hospital:				
GH Renewal and Replacement Fund	67,800	13	67,091	13
WellSpan Properties, Inc.	-	-	3,087	1
York Health Foundation:				
Charitable Trust	4,700	1	4,973	1
Visiting Nurse Association:				
VNA Restricted	22,793	5	22,668	5
VNA	8,853	2	8,669	2
	\$ 504,818	100%	\$ 508,474	100%

WellSpan Health

Notes to Consolidated Financial Statements (continued)

5. Investments (continued)

Assets Limited as to Use

The composition of assets limited as to use is set forth in the following table.

	June 30	
	2008	2007
	<i>(In Thousands)</i>	
Board-designated		
WSH Master Trust	\$ 483,567	\$ 484,499
Cash and cash equivalents (overdraft)	(1,117)	(2,222)
Mutual funds	4,440	4,851
U.S. Government obligations and agencies	4,225	–
	<u>\$ 491,115</u>	<u>\$ 487,128</u>
Under bond indenture agreements held by trustee		
Cash and cash equivalents	\$ –	\$ 448
WellSpan 2007 Series A and B, Guaranteed Investment Contract	72,857	123,000
U.S. Government securities	331	2,017
	<u>73,188</u>	<u>125,465</u>
Less: Trustee-held assets for current debt service	(331)	(7,348)
	<u>\$ 72,857</u>	<u>\$ 118,117</u>
Self-insurance trust investments		
Principally U.S. Government obligations	\$ 16,515	\$ 17,140
Less: Trustee-held assets for current self-insurance	(3,787)	(3,060)
	<u>\$ 12,728</u>	<u>\$ 14,080</u>

WellSpan Health

Notes to Consolidated Financial Statements (continued)

5. Investments (continued)

Investments

The composition of unrestricted investments is set forth in the following table.

	June 30	
	2008	2007
	<i>(In Thousands)</i>	
WSH Master Trust	\$ 8,723	\$ 11,730
Mutual funds	594	690
Land investment, at cost	2,557	–
Money market fund	13	11
	\$ 11,887	\$ 12,431

The composition of temporarily restricted investments is set forth in the following table.

	June 30	
	2008	2007
	<i>(In Thousands)</i>	
Cash and short-term investments	\$ 180	\$ 810
Mutual funds	750	471
WSH Master Trust	9,714	9,717
	\$ 10,644	\$ 10,998

The composition of permanently restricted investments is set forth in the following table.

	June 30	
	2008	2007
	<i>(In Thousands)</i>	
WSH Master Trust	\$ 2,814	\$ 2,528

WellSpan Health

Notes to Consolidated Financial Statements (continued)

5. Investments (continued)

Investments (continued)

Interest and dividend income, net of investment expenses and gains (losses) for assets limited as to use, cash equivalents and investments are comprised of the following:

	Year Ended June 30	
	2008	2007
	<i>(In Thousands)</i>	
Other (expense) income		
Interest and dividend income	\$ 14,390	\$ 11,029
Change in unrealized gains and losses on trading securities	(29,595)	15,143
Net realized gain on sales of securities	11,038	22,720
	\$ (4,167)	\$ 48,892
 Other changes in unrestricted net assets		
Change in unrealized gains and losses on assets limited as to use and investments – other-than-trading securities	\$ 554	\$ 102

6. Property and Equipment

The following is a summary of property and equipment:

	Estimated Useful Life	June 30	
		2008	2007
		<i>(In Thousands)</i>	
Land		\$ 10,733	\$ 10,726
Land improvements	5 to 20 years	12,333	10,552
Buildings and building equipment	10 to 40 years	332,468	281,045
Fixed equipment	5 to 25 years	62,189	61,679
Major movable equipment	5 to 20 years	346,921	308,905
Construction-in-progress		19,632	38,564
		784,276	711,471
Less accumulated depreciation		(384,636)	(351,506)
Property and equipment, net		\$ 399,640	\$ 359,965

WellSpan Health

Notes to Consolidated Financial Statements (continued)

6. Property and Equipment (continued)

Depreciation expense for the years ended June 30, 2008 and 2007 was \$44,445,000 and \$39,648,000, respectively.

WSH has outstanding purchase commitments related to various construction projects of approximately \$52,900,000 at June 30, 2008.

7. Long-Term Debt

Long-term debt consists of the following:

	June 30	2008	2007
	<i>(In Thousands)</i>		
YH, GH, and WP 2007 General Authority of South Central Pennsylvania Revenue Bonds, Series A and B maturing in June 2037, auction rate interest, collateralized by certain assets and gross receipts of YH and GH, net of unamortized discount of \$120 and \$497 at June 30, 2008 and 2007, respectively.	\$ 34,880	\$ 139,503	
YH and GH 2005 General Authority of South Central Pennsylvania Revenue Bonds, Series A and B maturing in June 2023 and May 2031, variable rate interest, collateralized by certain assets and gross receipts of YH and GH, net of unamortized discount of \$190 and \$200 at June 30, 2008 and 2007, respectively. As of June 30, 2008, \$79,535 of these bonds has been converted to Bank Bonds with new repayment and interest terms. See Long-Term Debt note.	117,705	120,450	
YH, GH, and WSH 2005 General Authority of South Central Pennsylvania Revenue Bonds, Series C and D maturing in May 2031, variable rate interest, collateralized by certain assets and gross receipts of YH and GH, net of unamortized discount of \$129 and \$132 at June 30, 2008 and 2007, respectively. As of June 30, 2008, \$64,645 of these bonds has been converted to Bank Bonds with new repayment and interest terms. See Long-Term Debt note.	81,371	81,368	
YH 1993 Hospital Revenue Refunding Bonds, 5.50% to 5.54% fixed rate interest on Series A and auction rate interest on Series B, collateralized by YH's gross receipts until July 2021, net of unamortized discount of \$183 and \$197 at June 30, 2008 and 2007, respectively.	36,242	37,948	

WellSpan Health

Notes to Consolidated Financial Statements (continued)

7. Long-Term Debt (continued)

	June 30	
	2008	2007
	<i>(In Thousands)</i>	
YH Variable Rate VHA Capital Asset Financing Program Loan, dated November 7, 2003, payable monthly through December 2020. As of June 30, 2008, \$12,138 of these bonds has been converted to Bank Bonds with new repayment and interest terms. See Long-Term Debt note.	\$ 24,639	\$ 25,937
WP 2002 Variable Rate Demand Bonds, dated May 13, 2002, secured by guarantees from YH and GH. As of June 30, 2008, \$2,435 of these bonds has been converted to Bank Bonds with new repayment and interest terms. See Long-Term Debt note.	15,655	16,005
WP Variable Rate VHA bonds through Health Care Facilities Authority of Sayre, Series A to M, dated December 20, 2000, August 11, 1998 and December 1, 1985, secured by a YH guarantee. As of June 30, 2008, \$6,405 of these bonds has been converted to Bank Bonds with new repayment and interest terms. See Long-Term Debt note.	12,813	14,248
WP Variable Rate VHA bonds through Health Care Facilities Authority of Sayre, Series A to M, dated May 6, 2005, secured by a YH and GH guarantee. As of June 30, 2008, \$4,998 of these bonds has been converted to Bank Bonds with new repayment and interest terms. See Long-Term Debt note.	10,000	10,000
AHSCP Variable Rate mortgage from a bank, dated August 15, 2000, collateralized by building and equipment.	3,271	3,521
YH Variable Rate VHA Capital Asset Financing Program Loan, dated December 20, 2000, payable monthly through November 2010.	2,030	2,761
CHIP Variable Rate M&T Bank Loan, dated September 15, 2006, collateralized by cash receipts, payable monthly through September 2011.	717	932
YH bond payable, interest at 3%, collateralized by a mortgage on the South Hall Building and a lien on \$28 of annual receipts under a contract with Capital Blue Cross Association, Inc., payable semiannually through November 1, 2020.	230	246
Capital lease obligations, at varying rates of imputed interest collateralized by leased property	164	489
	339,717	453,408
Less current portion	(8,782)	(9,102)
	\$ 330,935	\$ 444,306

WellSpan Health

Notes to Consolidated Financial Statements (continued)

7. Long-Term Debt (continued)

WSH uses quoted market prices in estimating the fair value of the revenue bonds and the carrying value of the other long-term obligations approximate fair value. The fair value of WSH's long-term debt, excluding capital lease obligations, was \$339,553,000 and \$453,181,000 at June 30, 2008 and 2007, respectively.

On June 1, 2007, the General Authority of South Central Pennsylvania (General Authority) issued the Revenue Bonds, Series 2007A (the 2007A Bonds) and 2007B (the 2007B Bonds) to YH, GH, and WP. The Obligated Group for the 2007 Series A and B Bonds consists only of YH and GH. The proceeds from this bond issuance were \$140,000,000, consisting of \$70,000,000 Series A of 2007 and \$70,000,000 Series B of 2007 Auction Rate Securities. The 2007 Series A and B Bonds were issued by the General Authority of South Central Pennsylvania pursuant to a Trust Indenture dated as of June 1, 2007 with Manufacturers and Traders Trust Company, as Trustee. The 2007 Series A and B Bonds will be paid by YH, GH, and WP based on their allocated amounts; however, the payments are secured equally by the Obligated Group pursuant to a Loan Agreement dated as of June 1, 2007 among the Issuer, the Obligated Group and a Series 2007 Master Note issued by the members of the Obligated Group under a Master Trust Indenture dated as of June 15, 2001, between the Obligated Group and Manufacturers and Traders Trust Company, as Master Trustee. The interest rate for the 2007 Auction Rate Securities for any weekly interest rate may not exceed the lesser of 15% per annum or the maximum rate of interest on the obligation permitted by applicable law. The interest rates on the 2007 Series A and B Bonds were 1.66% and 3.75%, respectively, at June 30, 2008. Total annual principal payments begin in 2022 and range from \$350,000 to \$21,450,000 through 2037. The bonds have been insured by the AMBAC Indemnity Corporation (AMBAC).

On March 31, 2008, under SEC guidance issued March 14, 2008, WSH began to place bids at auction on \$140,000,000 of General Authority of South Central Pennsylvania 2007 Series A and B Auction Rate Securities. Subsequent to March 31, 2008, WSH has continued to bid to purchase and placed hold orders on the entire \$140,000,000 of 2007 Series A and B securities. As of June 30, 2008, WSH had purchased and held \$105,000,000 of the bonds. As a result of this debt retirement, WSH recognized a loss on early extinguishment of debt of \$2,067,000, representing the write-off of unamortized deferred financing costs. The remaining amount outstanding on the Series 2007 A and B bonds is \$35,000,000 at June 30, 2008 and \$31,625,000 at August 22, 2008.

WellSpan Health

Notes to Consolidated Financial Statements (continued)

7. Long-Term Debt (continued)

On May 1, 2005, the General Authority of South Central Pennsylvania (General Authority) issued the Revenue Bonds, Series 2005A (the 2005A Bonds) and 2005B (the 2005B Bonds) to YH and GH. The Obligated Group for the 2005 Series A and B Bonds consists only of YH and GH. The proceeds from this bond issuance were \$125,790,000, consisting of \$36,155,000 Series A of 2005 and \$89,635,000 Series B of 2005 Variable Rate Bonds. The 2005 Series A and B Bonds were issued by the General Authority pursuant to a Trust Indenture dated as of May 1, 2005 with Manufacturers and Traders Trust Company, as Trustee. The 2005 Series A and B Bonds are payable solely from, and secured equally by, loan payments received from YH and GH pursuant to a Loan Agreement dated as of May 1, 2005 among the Issuer, YH and GH, and a Series 2005 Master Note issued by the members of the Obligated Group under a Master Trust Indenture dated as of May 1, 2005, between the Obligated Group and Manufacturers and Traders Company, as Master Trustee. The 2005A Bonds were issued to refund GH Revenue Refunding Bonds, Series 1997 (the 1997 Bonds) held by YH. The 2005B Bonds were issued to refund the Revenue Refunding Bonds, Series 2001 (the 2001 Bonds) held by YH and GH. The interest rate for the 2005 Series A and B Variable Rate Bonds is determined weekly by the Remarketing Agent based on examination of tax-exempt obligations comparable in the judgment of the Remarketing Agent to the 2005 Bonds and known to have been or traded under then-prevailing market conditions. The interest rate for the 2005 Variable Rate Bonds for any Weekly Interest Rate may not exceed the lesser of 12% per annum or the maximum rate of interest on the obligation permitted by applicable law. The interest rate on the 2005 Series A and B Bonds was 8.25% and 3.73% at June 30, 2008 and 2007, respectively. Total annual principal payments range from \$512,000 to \$4,122,000 through 2031. The bonds have been insured by AMBAC. As of June 30, 2008, \$79,535,000 of the 2005 Series A and B Variable Rate Bonds were held by DEXIA CRÉDIT LOCAL, acting through its New York Branch, as Bank Bonds. Under the provisions of the Standby Bond Purchase Agreement, the Bank Bonds have an accelerated amortization with principal payments of \$15,907,000 per year beginning in July 2009 through July 2014. The interest rate on the Bank Bonds at June 30, 2008 was 5.00%.

On June 1, 2005, the General Authority of South Central Pennsylvania (General Authority) (the Issuer) issued the Revenue Bonds, Series 2005C (the 2005C Bonds) and 2005D (the 2005D Bonds) to YH, GH, and WSH. The Obligated Group for the 2005 Series C and D Bonds consists only of YH and GH. The proceeds from this bond issuance were \$81,500,000, consisting of \$40,775,000 Series C of 2005 and \$40,725,000 Series D of 2005 Variable Rate Bonds. The 2005 Series C and D Bonds were issued by the General Authority pursuant to a Trust Indenture

WellSpan Health

Notes to Consolidated Financial Statements (continued)

7. Long-Term Debt (continued)

dated as of June 1, 2005 with Manufacturers and Traders Trust Company, as Trustee. The 2005 Series C and D Bonds are payable solely from, and secured equally by, payments received by the Issuer pursuant to a Program Loan Agreement dated as of June 1, 2005 between the Issuer and Obligated Group and a Series 2005 Master Note issued by the Obligated Group under a Master Trust Indenture dated as of June 1, 2005, as amended and supplemented by the Supplemental Master Indenture No. 6 dated as of June 1, 2005 between the Obligated Group and Manufacturers and Traders Trust Company, as Trustee. The net proceeds of the 2005 Series C and D were deposited into a program fund established under the Trust Indenture. Pursuant to a series of schedules to the Loan Agreement, the Issuer made loans from time to time to YH, GH, and WSH from amounts on deposit in the program fund; all funds were used as of June 30, 2006. The interest rate for the 2005 Series C and D Variable Rate Bonds is determined weekly by the Remarketing Agent based on examination of tax-exempt obligations comparable in the judgment of the Remarketing Agent to the 2005 Bonds and known to have been or traded under then-prevailing market conditions. The interest rate for the 2005 Variable Rate Bonds for any Weekly Interest Rate may not exceed the lesser of 12% per annum or the maximum rate of interest on the obligation permitted by applicable law. The interest rate on the 2005 Series C and D Bonds was 8.25% and 3.73% at June 30, 2008 and 2007, respectively. Principal is all due in May 2031 of \$17,855,000. The bonds have been insured by AMBAC. As of June 30, 2008, \$63,645,000 of the 2005 Series C and D Variable Rate Bonds were held by DEXIA CRÉDIT LOCAL, acting through its New York Branch, as Bank Bonds. Under the provisions of the Standby Bond Purchase Agreement, the Bank Bonds have an accelerated amortization with principal payments of \$12,729,000 per year beginning in July 2009 through July 2014. The interest rate on the Bank Bonds at June 30, 2008 was 5.00%.

On June 23, 1993, the Authority issued the Hospital Revenue Refunding Bonds, Series 1993 (the 1993 Bonds) to YH. The Obligated Group for the 1993 Bonds consists only of YH. The proceeds from this bond issuance were \$52,400,000, consisting of \$13,550,000 Series A of 1993 (the Fixed Rate Bonds) and \$38,850,000 Select Auction Variable Rate Securities (SAVRS) Series B of 1993 (the Variable Rate Bonds). The 1993 Bonds were issued to refund the Hospital Revenue Refunding Bonds, Series 1991 (the 1991 Bonds). The 1993 Fixed Rate Bonds bear interest ranging from 5.5% to 5.54% with a final maturity of July 1, 2008. The interest rate for the 1993 Variable Rate Bonds for any 35-day auction period may not exceed the lesser of 12% or the maximum rate permitted by applicable law. The interest rate on the 1993 Variable Rate Bonds was 2.71% and 3.75% at June 30, 2008 and 2007, respectively. The 1993 Variable Rate Bonds have a final maturity of July 1, 2021. Annual principal payments range from \$1,625,000 to \$3,700,000 for the Fixed and Variable Rate Bonds. The bonds have been insured by AMBAC.

WellSpan Health

Notes to Consolidated Financial Statements (continued)

7. Long-Term Debt (continued)

The 2007, 2005, and 1993 Bond indentures and related agreements contain certain restrictive covenants which, among other things, require the Obligated Group and YH, respectively, to maintain debt service coverage of 110% on all long-term indebtedness. The Obligated Group and YH have complied with all financial covenants at June 30, 2008 and 2007.

On November 7, 2003, YH obtained financing to renovate facilities and purchase equipment through the issuance of VHA bonds, through the Health Care Facilities Authority of Sayre. The interest rate for this debt is determined weekly by the Remarketing Agent based on examination of tax-exempt obligations comparable in the judgment of the Remarketing Agent to this debt and known to have been or traded under then-prevailing market conditions. The interest rate for this debt for any Weekly Interest Rate may not exceed the lesser of 12% per annum and the maximum rate of interest on the obligation permitted by applicable law. The interest rate, net of credits is variable, and the rate at June 30, 2008 and 2007 was 6.65% and 3.96%, respectively. Repayment is in monthly payments through December 2020, annually ranging from \$469,000 to \$1,352,000. The bonds have been insured by AMBAC. As of June 30, 2008, \$12,138,000 of the VHA bonds were held by Bank of America and Bank of New York, acting through its New York Branch, as Bank Bonds. Under the provisions of the Standby Bond Purchase Agreement, the Bank Bonds have an accelerated amortization with principal payments of \$1,734,000 per year beginning in October 2008 through November 2015. The interest rate on the Bank Bonds at June 30, 2008 was 5.00%.

WP obtained financing through the Adams County Industrial Development Authority for Variable Rate Demand Bonds, Series 2002 (2002 Variable Rate Demand Bonds) for the purchase and construction of several WSH outpatient facilities. The interest rate for the 2002 Variable Rate Demand Bonds is determined weekly by the Remarketing Agent based on examination of tax-exempt obligations comparable in the judgment of the Remarketing Agent to the 2002 Variable Rate Demand Bonds and known to have been or traded under then-prevailing market conditions. The interest rate for the 2002 Variable Rate Demand Bonds for any Weekly Interest Rate may not exceed the lesser of 12% per annum and the maximum rate of interest on the obligation permitted by applicable law. The interest rates are variable and the rate at June 30, 2008 and 2007 was 8.25% and 3.80%, respectively. Repayment is in annual payments through April 2022. The debt has been insured by AMBAC. All principal and interest payments on the debt have been guaranteed by YH and GH. As of June 30, 2008, \$2,435,000 of the 2002 Series Bonds were held by DEXIA CRÉDIT LOCAL, acting through its New York Branch, as Bank Bonds. Under the provisions of the Standby Bond Purchase Agreement, the Bank Bonds have an accelerated amortization with principal payments of \$487,000 per year beginning in July 2009 through July 2014. The interest rate on the Bank Bonds at June 30, 2008 was 5.00%.

WellSpan Health

Notes to Consolidated Financial Statements (continued)

7. Long-Term Debt (continued)

WP obtained financing for the construction of various WSH outpatient facilities through the issuance of VHA bonds, through the Health Care Facilities Authority of Sayre. The interest rate for this debt is determined weekly by the Remarketing Agent based on examination of tax-exempt obligations comparable in the judgment of the Remarketing Agent to this debt and known to have been or traded under then-prevailing market conditions. The interest rate for this debt for any Weekly Interest Rate may not exceed the lesser of 12% per annum and the maximum rate of interest on the obligation permitted by applicable law. The interest rates are variable and payable monthly and the rate at June 30, 2008 and 2007 was 6.65% and 3.96%, respectively. Principal payments on the borrowings dated December 20, 2000, August 11, 1998, and December 1, 1985 are in monthly payments through August 2020, annually ranging from \$741,000 to \$1,442,000. All principal and interest payments on the bonds dated December 20, 2000, August 11, 1998, and December 1, 1985 have been guaranteed by YH. Principal payments on the borrowings dated May 6, 2005 are in monthly installments beginning in April 2010 through December 2020, annually ranging from \$701,000 to \$1,137,000. All principal and interest payments on the bonds dated May 6, 2005 have been guaranteed by YH and GH. These VHA bonds have been insured by AMBAC. As of June 30, 2008, \$11,403,000 of the VHA bonds were held by Bank of America and Bank of New York, acting through its New York Branch, as Bank Bonds. Under the provisions of the Standby Bond Purchase Agreement, the Bank Bonds have an accelerated amortization with principal payments of \$1,629,000 per year beginning in October 2008 through November 2015. The interest rate on the Bank Bonds at June 30, 2008 was 5.00%.

On August 15, 2000, AHSCP obtained a mortgage in the amount of \$5,000,000 from a bank for the construction of the surgery center expansion and other capital equipment. The interest rate is variable, and the rates at June 30, 2008 and 2007 were 3.13% and 5.97%, respectively. Repayment is in monthly payments through June 1, 2015. A balloon payment of \$1,548,000 is due on June 1, 2015. All principal and interest payments on the loan have been collateralized by AHSCP assets.

On December 20, 2000, YH obtained financing to renovate facilities and purchase equipment through the issuance of VHA bonds, through the Health Care Facilities Authority of Sayre. The interest rate for this debt is determined weekly by the Remarketing Agent based on examination of tax-exempt obligations comparable in the judgment of the Remarketing Agent to this debt and known to have been or traded under then-prevailing market conditions. The interest rate for this debt for any Weekly Interest Rate may not exceed the lesser of 12% per annum and the maximum rate of interest on the obligation permitted by applicable law. The interest rate, net of credits is variable, and the rate at June 30, 2008 and 2007 was 6.65% and 3.96%, respectively.

WellSpan Health

Notes to Consolidated Financial Statements (continued)

7. Long-Term Debt (continued)

Repayment is in monthly payments through November 2010, annually ranging from \$431,000 to \$824,000. The bonds have been insured by AMBAC.

On September 15, 2006, CHIP obtained financing in the amount of \$1,075,000 from M&T Bank for capital equipment. The interest rate is variable, and the rate at June 30, 2008 and 2007 was 3.15% and 6.03%. Repayment is in monthly payments through September 15, 2011. All principal and interest payments on the loan have been collateralized by CHIP cash receipts.

The 2005 A, B, C, D Bonds, the 2002 Variable Rate Demand Bonds, and all of the VHA bonds each individually have a standby bond purchase agreement to provide loans in amounts necessary to purchase a portion of the variable rate debt if it is not remarketed. The agreements generally have expirations and repayment terms that extend beyond June 30, 2009. As of June 30, 2008, a total of \$169,156,000 was repurchased under the standby bond purchase agreement and was outstanding in the form of Bank Bonds. The interest rate on the Bank Bonds is 5% at June 30, 2008. From July 1, 2008 through August 22, 2008, an additional \$34,403,000 of Bonds were converted to Bank Bonds.

Notes Payable

On March 31, 2008, WellSpan Health obtained financing to repurchase the General Authority of South Central Pennsylvania (General Authority) Revenue Bonds, Series 2007A (the 2007A Bonds) Auction Rate Securities. The financing for the repurchase was obtained from SunTrust and matures on March 31, 2009. The interest rate for this debt is Libor plus 60 basis points. The interest rate at June 30, 2008 was 4.21%. As of June 30, 2008, a total of \$49,450,000 of the 2007A Bonds was repurchased. The Series 2007A Bonds repurchased under this line are considered extinguished. The issuance costs and discount related to the 2007A Bonds repurchased have been recorded as loss on early extinguishment of debt at June 30, 2008.

Also, on March 31, 2008, WellSpan Health obtained financing to repurchase the General Authority of South Central Pennsylvania (General Authority) Revenue Bonds, Series 2007B (the 2007B Bonds) Auction Rate Securities. The financing for the repurchase was obtained from M&T Bank and matures on September 29, 2008. The interest rate for this debt is Libor plus 150 basis points. The interest rate at June 30, 2008 was 5.11%. As of June 30, 2008, a total of \$55,550,000 of the 2007B Bonds was repurchased. The Series 2007B Bonds repurchased under this line are considered extinguished. The issuance costs and discount related to the 2007B Bonds repurchased has been recorded as loss on early extinguishment of debt at June 30, 2008.

WellSpan Health

Notes to Consolidated Financial Statements (continued)

7. Long-Term Debt (continued)

Swap Contracts

The Obligated Group has entered into an interest rate swap agreement with Citigroup Financial Products Inc., to reduce the impact of changes in interest rates on its floating rate long-term debt related to the Series 2007 A and B Bonds. This agreement effectively changes the interest rate exposure on the Series 2007 A and B Variable Rate Bonds to a fixed 3.63%. The interest rate swap agreement matures at the time the 2007 Series A and B Variable Rate Bonds mature. Early termination of the swap agreement is possible under certain circumstances; however, the Obligated Group may be obligated to make a substantial payment to or receive a payment from Citigroup Financial Products Inc. The liquidation value of the interest rate swap agreement at June 30, 2008 was estimated to be \$6,135,000 due to Citigroup Financial Products Inc. The liquidation value of the interest rate swap agreement at June 30, 2007 was estimated to be \$4,151,000 due from Citigroup Financial Products Inc. The liquidation value of the interest rate swap is the estimated amount the Obligated Group would receive or pay to terminate the swap agreement at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The Obligated Group may be exposed to credit loss in the event of nonperformance by the other party to the interest rate swap agreement. However, the Obligated Group does not anticipate nonperformance by the counterparty.

The Obligated Group has entered into an interest rate swap agreement with Citigroup Financial Products Inc., to reduce the impact of changes in interest rates on its floating rate long-term debt related to the Series 2005 A and B Bonds. This agreement effectively changes the interest rate exposure on the 2005 Series A and B Variable Rate Bonds to a fixed 3.6%. The interest rate swap agreement matures at the time the 2005 Series A and B Variable Rate Bonds mature. Early termination of the swap agreement is possible under certain circumstances; however, the Obligated Group may be obligated to make a substantial payment to or receive a payment from Citigroup Financial Products Inc. The liquidation value of the interest rate swap agreement at June 30, 2008 was estimated to be \$4,055,000 due to Citigroup Financial Products Inc. The liquidation value of the interest rate swap agreement at June 30, 2007 was estimated to be \$2,846,000 due from Citigroup Financial Products Inc. The liquidation value of the interest rate swap is the estimated amount the Obligated Group would receive or pay to terminate the swap agreement at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The Obligated Group may be exposed to credit loss in the event of nonperformance by the other party to the interest rate swap agreement. However, the Obligated Group does not anticipate nonperformance by the counterparty.

WellSpan Health

Notes to Consolidated Financial Statements (continued)

7. Long-Term Debt (continued)

Swap Contracts (continued)

YH has entered into an interest rate swap agreement with Lehman Brothers Special Financing, Inc., to reduce the impact of changes in interest rates on its floating rate long-term debt. This agreement effectively changes YH's interest rate exposure on the 1993 Variable Rate Bonds to a fixed 5.54%. The interest rate swap agreement matures at the time the 1993 Variable Rate Bonds mature. Early termination of the swap agreement is possible under certain circumstances; however, YH may be obligated to make a substantial payment to Lehman Brothers Special Financing, Inc. The liquidation value of the interest rate swap agreement to YH at June 30, 2008 and 2007 was estimated to be \$3,982,000 and \$2,918,000, respectively. The liquidation value of the interest rate swap is the estimated amount YH would pay to terminate the swap agreement at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties. YH may be exposed to credit loss in the event of nonperformance by the other party to the interest rate swap agreement. However, YH does not anticipate nonperformance by the counterparty. The counterparty sets aside collateral equal to 104% of the fair market value of the swap agreement in a trust account, and payment is guaranteed by Lehman Brothers Holdings, Inc.

Maturities of Long-Term Debt

Maturities of the long-term debt outstanding, as of June 30, 2008, including the impact of the accelerated amortization of Bank Bonds outstanding, are as follows (*in thousands*):

2009	\$ 8,782
2010	38,568
2011	38,266
2012	38,292
2013	38,136
2014 and thereafter	178,295
	<u>\$ 340,339</u>

8. Amounts Available Under Line and Letters of Credit

At June 30, 2008, WSH maintains an unused line of credit with a bank for \$10,000,000. WSH had unused, unsecured standby letters of credit with a bank at June 30, 2008 in the amount of \$15,776,000. These letters of credit primarily relate to self-insurance arrangements.

WellSpan Health

Notes to Consolidated Financial Statements (continued)

9. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	June 30	
	2008	2007
	<i>(In Thousands)</i>	
Health care services		
Professional education	\$ 3,100	\$ 3,044
Health care promotion	14,711	14,154
	\$ 17,811	\$ 17,198

During 2008 and 2007, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes relating to the purchase of property and equipment, providing professional education and health care promotion in the amounts of \$6,591,000 and \$3,950,000, respectively.

Permanently restricted net assets were restricted to:

	June 30	
	2008	2007
	<i>(In Thousands)</i>	
Permanent endowment funds, the income of which was expendable to support health care services	\$ 2,814	\$ 2,528
Pledge receivable	19	23
Funds held in trust by others	13,758	15,276
	\$ 16,591	\$ 17,827

WSH is named as a beneficiary under several perpetual trusts. WSH's beneficiary interest allocation in each of these trusts varies by trust.

WellSpan Health

Notes to Consolidated Financial Statements (continued)

10. Estimated Self-Insurance Costs

The estimated liability for self-insurance costs consists of:

	June 30	
	2008	2007
	<i>(In Thousands)</i>	
Professional liability	\$ 29,535	\$ 26,099
Health benefits	7,947	6,706
Short-term disability	303	287
Workers' compensation	5,749	5,121
	43,534	38,213
Less current portion	(14,558)	(13,212)
	\$ 28,976	\$ 25,001

During 1995, WSH established WellSpan Insurance Company Ltd. (WIC), a captive insurance company providing claims-made coverage, for the primary layer of professional and general liability of WSH. In August 1998, WSH approved the change from self-insurance to commercial insurance for the primary layer of professional and general liability for WSH and employed physicians. The policy coverage is retroactive, beginning July 1, 1998 and covers claims incurred after September 1, 1995 but not reported until after July 1, 1998.

In July 2003, WSH moved its self-insurance from WIC to WRRRG for the primary layer of professional and general liability for WSH and employed physicians. The policy coverage began July 1, 2003 and covers claims incurred after September 1, 1995 but not reported until after July 1, 2003. The reserve for malpractice claims that was maintained at WIC was transferred to WRRRG on June 30, 2004.

For the years ended June 30, 2008 and 2007, malpractice claims up to \$500,000 were insured through WRRRG. Claims between \$1,000,000 and \$5,000,000 in 2008 and 2007 were self-insured by WSH. Excess coverage of losses between \$5,000,000 and \$35,000,000 was commercially insured. At June 30, 2008 and 2007, estimated professional liability reserve requirements for WSH have been discounted at 4%.

WellSpan Health

Notes to Consolidated Financial Statements (continued)

10. Estimated Self-Insurance Costs (continued)

From July 1998 through June 2002, WSH's primary layer of malpractice insurance was provided by MIIX. During fiscal year 2002, WSH elected to accept a loss-portfolio transfer from MIIX. Under the terms of the agreement, in exchange for assuming all policy liabilities previously covered by MIIX, MIIX reimbursed WSH the difference between the total premiums paid to MIIX during that time and the total claims paid by MIIX on those policy years. The total estimated liability recorded at June 30, 2008 and 2007 relating to these liabilities is \$657,000 and \$1,657,000, respectively.

In addition to the self-insurance program, the Company obtains excess coverage from the Medical Care Availability and Reduction of Error Fund (MCARE Fund) and other commercial carriers.

The MCARE Act was enacted by the Pennsylvania legislature in 2002. The Act created the MCARE Fund, which replaced the Pennsylvania Medical Professional Liability Catastrophe Loss Fund (CAT Fund) as the state-mandated funding mechanism for the payment of medical malpractice claims exceeding the primary layer of professional liability insurance carried by YH, GH and WMG and other health care providers practicing in the state. The MCARE Fund is funded on a "pay as you go basis." The MCARE Fund levies health care provider surcharges, calculated as a percentage of the premiums established by the Joint Underwriting Association (also a Commonwealth of Pennsylvania agency) for basic coverage, to pay claims and administrative expenses on behalf of MCARE Fund participants. The MCARE Act legislation provides for the gradual phase-out of MCARE Fund coverage; however, this has been recently deferred by the Pennsylvania legislation and will be considered in the future.

The actuarially computed liability for all health care providers (hospital, physicians, and others) participating in the MCARE Fund at June 30, 2007 (the latest date for which such information is available), was \$2.12 billion. Current law provides that the unfunded liability will likely be funded through assessments in future years as MCARE Fund-covered claims are eventually settled and paid. The Commonwealth has agreed to devote the proceeds of the Automobile Catastrophe Fund surcharge, estimated at \$40 million per year for ten years (for a total of \$400 million) from 2002 through 2012 to help offset the MCARE Fund unfunded liability.

WSH's annual premiums for participation in the MCARE Fund were \$1,427,000 and \$1,046,000 for the years ended June 30, 2008 and 2007, respectively. No provision has been made for any future MCARE Fund assessments in the accompanying consolidated financial statements as WSH's portion of the MCARE Fund unfunded liability cannot be reasonably estimated.

WellSpan Health

Notes to Consolidated Financial Statements (continued)

10. Estimated Self-Insurance Costs (continued)

WSH is self-insured for workers' compensation and most employee health benefit claims up to certain limitations. Claims in excess of these limitations are covered by a comprehensive insurance policy on an occurrence basis. At June 30, 2008 and 2007, the reserve for workers' compensation claims, discounted at 5%, was \$5,749,000 and \$5,121,000, respectively. At June 30, 2008 and 2007, the reserve for medical claims incurred but not reported was \$7,947,000 and \$6,706,000, respectively.

There is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

11. Retirement Benefits

WSH has a qualified defined benefit pension plan (the WSH Plan) covering all eligible WSH employees. WSH makes contributions to the WSH Plan as determined by the actuary. At June 30, 2008 and 2007, the accrued pension liability of the WSH Plan is included in accrued retirement benefits. The measurement date of the WSH Plan is June 30.

During 2008, WellSpan Health offered a new Retirement Savings Plan to eligible active employees as of January 1, 2008. Any existing employee who met certain eligibility requirements and was hired prior to August 19, 2007 had the option to stay within the existing defined benefit plan and continue to accrue benefits or opt out and receive benefits under the new defined contribution plan with matching contributions. If an individual opted out of the defined benefit plan, any benefits accrued through December 31, 2007 were frozen. All employees hired after August 19, 2007 are automatically enrolled in the defined contribution plan. This change resulted in a curtailment gain of \$15,625,000 recognized as a reduction to the benefit obligation related to the unrecognized actuarial loss and recorded through other changes in unrestricted net assets. Also, curtailment expense of \$1,375,000 was recognized as a component of net periodic benefit cost related to unrecognized prior service cost of those individuals who opted out of the defined benefit plan.

Retired employees of WSH, who have met the requirements to become vested under the terms of the WSH Plan and are over 55 years of age at the time of their retirement, are provided health and life insurance benefits (Other Benefits). The measurement date of the Other Benefits is June 30.

WSH adopted SFAS 158 effective June 30, 2007. The impact of the adoption of SFAS 158 has been reflected in the consolidated financial statements as of June 30, 2007.

WellSpan Health

Notes to Consolidated Financial Statements (continued)

11. Retirement Benefits (continued)

The following table summarizes information about the Plans and reflects the adoption of SFAS 158:

	Pension Benefits		Other Benefits	
	2008	2007	2008	2007
	June 30			
	(In Thousands)			
Changes in benefit obligations				
Benefit obligation at beginning of year	\$ 390,886	\$ 329,628	\$ 14,670	\$ 15,702
Service cost, net	17,585	15,194	406	364
Interest cost	25,056	21,805	918	883
Change due to assumption change	(51,257)	18,659	(973)	556
Actuarial loss (gain)	18,791	12,558	(148)	(2,222)
Curtailement gain	(15,625)	—		
Loss recognized due to temporary deviation in substantive plan	—	—	148	198
Benefits paid	(7,690)	(6,958)	(844)	(811)
Benefit obligation at end of year	<u>\$ 377,746</u>	<u>\$ 390,886</u>	<u>\$ 14,177</u>	<u>\$ 14,670</u>
Accumulated benefit obligation	<u>\$ 304,845</u>	<u>\$ 296,158</u>	<u>N/A</u>	<u>N/A</u>
Changes in plan assets				
Fair value of plan assets at beginning of year	\$ 379,674	\$ 326,329	\$ —	\$ —
Actual return on plan assets	(3,291)	50,779	—	—
Contributions by WSH	2,091	10,579	844	811
Benefits and expenses paid	(7,690)	(8,013)	(844)	(811)
Fair value of plan assets at end of year	<u>\$ 370,784</u>	<u>\$ 379,674</u>	<u>\$ —</u>	<u>\$ —</u>
Funded status at end of year	<u>\$ (6,962)</u>	<u>\$ (11,212)</u>	<u>\$ (14,177)</u>	<u>\$ (14,670)</u>
Amounts recognized in the consolidated balance sheets consist of:				
Accrued retirement benefits	<u>\$ (6,962)</u>	<u>\$ (11,212)</u>	<u>\$ (14,177)</u>	<u>\$ (14,670)</u>

WellSpan Health

Notes to Consolidated Financial Statements (continued)

11. Retirement Benefits (continued)

	Pension Benefits		Other Benefits	
	2008	2007	2008	2007
	June 30			
	(In Thousands)			
Amounts recognized in accumulated unrestricted net assets consist of:				
Prior service cost	\$ 3,536	\$ 5,981	\$ -	\$ -
Net actuarial loss (gain)	45,463	57,411	(6,317)	(5,536)
	<u>\$ 48,999</u>	<u>\$ 63,392</u>	<u>\$ (6,317)</u>	<u>\$ (5,536)</u>
Components of net periodic benefit cost				
Service cost	\$ 17,585	\$ 16,249	\$ 406	\$ 364
Interest cost	25,056	21,805	918	883
Expected return on assets	(33,768)	(28,473)	-	-
Loss recognized due to temporary deviation in substantive plan	-	-	148	198
Amortization of prior service cost	1,070	1,290	-	-
Amortization of unrecognized net actuarial loss (gain)	916	1,727	(341)	(430)
Curtailment expense	1,375	-	-	-
Net periodic benefit cost	<u>12,234</u>	<u>12,598</u>	<u>1,131</u>	<u>1,015</u>
Other changes in retirement benefits recognized in unrestricted net assets consist of:				
Current-year actuarial (gain) loss	4,593	-	(1,122)	-
Recognized actuarial gain (loss)	(916)	-	341	-
Amortization of prior service cost	(1,070)	-	-	-
Current-year prior service credit and curtailment gain	(17,000)	-	-	-
Total recognized in unrestricted net assets	<u>(14,393)</u>	<u>-</u>	<u>(781)</u>	<u>-</u>
Change in accumulated unrestricted net assets due to adoption of SFAS 158	-	(63,392)	-	5,536
Total recognized in net periodic benefit cost and unrestricted net assets	<u>\$ (2,159)</u>	<u>\$ (50,794)</u>	<u>\$ 350</u>	<u>\$ 6,551</u>

WellSpan Health

Notes to Consolidated Financial Statements (continued)

11. Retirement Benefits (continued)

The estimated amounts of net actuarial loss (gain) and the prior service cost that are expected to be amortized from other changes in unrestricted net assets into net periodic benefit cost for the next fiscal year are as follows:

	Pension Benefits	Other Benefits	Total
	<i>(In Thousands)</i>		
Prior service cost	\$ 770	\$ –	\$ 770
Net loss (gain)	769	(619)	150
Total	<u>\$ 1,539</u>	<u>\$ (619)</u>	<u>\$ 920</u>

	Pension Benefits		Other Benefits	
	2008	2007	2008	2007
Assumptions				
Weighted-average assumptions used to determine benefit obligations at June 30				
Discount rate	7.20%	6.45%	7.20%	6.45%
Rate of increase in future compensation levels	4.75%	4.75%	N/A	N/A
Weighted-average assumptions used to determine net periodic benefit cost for the years ended June 30				
Discount rate	6.45%	6.70%	6.45%	6.70%
Rate of increase in future compensation levels	4.75%	4.75%	N/A	N/A
Expected long-term rate of return on assets	8.75%	8.75%	N/A	N/A

To develop the expected long-term rate of return on assets assumption, WSH considered the historical returns and the future expectations for returns for each asset class, as well as the target asset allocation of the pension portfolio.

WellSpan Health

Notes to Consolidated Financial Statements (continued)

11. Retirement Benefits (continued)

The WSH Plan weighted average asset allocations by asset category are as follows:

Asset category	Asset Allocation			June 30	
	Minimum	Target	Maximum	2008	2007
Equity securities	45%	50%	55%	51%	56%
Debt securities	15	20	25	17	15
Other	25	30	35	32	29
				<u>100%</u>	<u>100%</u>

The above allocation reflects policies that are established to ensure that the portfolio is invested according to modern portfolio theory. The asset allocation is developed to generate growth in asset value by utilizing higher-returning asset classes and proper diversification.

	June 30	
	2008	2007
	<i>(In Thousands)</i>	
Effect of 1% increase/decrease in health care cost trend rates on		
Postretirement benefit obligation	\$ 44	\$ 49
Total of service cost and interest cost component	3	2

The health care cost trend rate for purposes of determining the net periodic benefit cost and disclosure was 5.25% and 5.00% in 2008 and 2007, respectively.

Cash Flows

Contributions

WSH expects to contribute during the 2009 fiscal year the amount of the net periodic pension expense for 2009, which is estimated to be \$12,500,000 and for the other benefits \$599,000.

WellSpan Health

Notes to Consolidated Financial Statements (continued)

11. Retirement Benefits (continued)

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Fiscal year	Pension Benefits	Other Benefits
	<i>(In Thousands)</i>	
2009	\$ 10,630	\$ 599
2010	12,307	872
2011	13,995	874
2012	16,357	1,008
2013	18,629	968
2014-2017	135,424	5,287

12. Minority Interest

AHSCP is a Pennsylvania limited partnership. WSH has a 66.7% ownership in the partnership units of AHSCP. A minority interest is recorded on the consolidated balance sheets as of June 30, 2008 and 2007 representing the remaining limited partnership units owned by qualified physicians, podiatrists and dentists as described in the limited partnership agreement.

Q-WH is a Pennsylvania limited liability company. WHCS has a controlling 50% ownership of stock of Q-WH. A minority interest is recorded on the consolidated balance sheets as of June 30, 2008 and 2007 representing the remaining ownership by others.

CHIP is a Pennsylvania limited partnership. WHCS has a controlling 49.4% ownership in the limited partnership units of CHIP. A minority interest is recorded on the consolidated balance sheets as of June 30, 2008 and 2007 representing the remaining ownership by others.

CTCC is a Pennsylvania limited partnership. WHCS has a controlling 50% ownership in the limited partnership units of CTCC. A minority interest is recorded on the consolidated balance sheets as of June 30, 2008 and 2007 representing the remaining ownership by others.

WellSpan Health

Notes to Consolidated Financial Statements (continued)

13. Concentration of Credit Risk

WSH grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors was as follows:

	June 30	
	2008	2007
Medicare	30%	31%
Medicaid	14	10
Blue Cross/Blue Shield	16	17
Other third-party payors	23	24
Self-pay	17	18
	100%	100%

14. Investments in Joint Ventures

In 2008 and 2007, WSH accounted for the following investments in joint ventures on the equity method of accounting, and recorded the related equity in (loss) and income on joint ventures:

	Investment at June 30		Equity in (Loss) Income on Investments for the Year Ended June 30	
	2008	2007	2008	2007
	<i>(In Thousands)</i>			
LHCP	\$ 1,274	\$ 1,275	\$ 49	\$ 3
PHO	112	102	10	20
GASC	212	623	(411)	(37)
QUEST	54	54	-	6
CPAL	348	345	3	-
	\$ 2,000	\$ 2,399	\$ (349)	\$ (8)

WHCS guarantees a note related to a loan agreement made by a local bank to LHCP. WHCS and an unaffiliated health care provider each own 50% of LHCP. The loan balance was \$866,000 and \$930,000 at June 30, 2008 and 2007, respectively. The loan agreement and note originated in June 1997 for the development and construction of health care facilities located in Littlestown, Pennsylvania, and amortizes to December 2017. The note is collateralized by the value of the land and facilities owned by the partnership.

WellSpan Health

Notes to Consolidated Financial Statements (continued)

15. Commitments and Contingencies

Health Care Regulatory Environment and Reliance on Government Programs

The health care industry in general and the services that WSH provides are subject to extensive federal and state laws and regulations. Additionally, a portion of WSH's revenue is from payments by government-sponsored health care programs, principally Medicare and Medicaid, and is subject to audit and adjustments by applicable regulatory agencies. Failure to comply with any of these laws or regulations, the results of regulatory audits and adjustments, or changes in the amounts payable for WSH's services under these programs could have a material adverse effect on WSH's financial position and results of operations.

Operating Leases

WSH leases office space and medical practice sites under operating leases. The following is a summary of future minimum rental payments under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2008 (*in thousands*):

2009	\$ 4,501
2010	3,092
2011	2,469
2012	1,804
2013	1,231
2014 and thereafter	1,909
Total minimum payments required	<u>\$ 15,006</u>

Rent expense under operating leases was \$4,780,000 and \$4,573,000 for the years ended June 30, 2008 and 2007, respectively, and is included in supplies and other expenses in the consolidated statements of operations.

Commitment

In December 2006, WSH entered into a five-year fixed technology fee arrangement with its primary inpatient Electronic Health Record (EHR) software vendor. This vendor is one of the industry's leading suppliers of healthcare information technology solutions and already supplies WSH with the operating system for its EHR, and many of the key clinical applications already in place or currently being implemented.

WellSpan Health

Notes to Consolidated Financial Statements (continued)

15. Commitments and Contingencies (continued)

Commitment (continued)

The five-year agreement is for a total of \$30,428,000 and will be paid over the contract term in equal quarterly payments. At June 30, 2008, \$18,159,000 of this commitment remains. It provides for acquisition of a specific set of software subscriptions from its catalogue of products, a given amount of implementation support services and software maintenance support over the contract period. To provide flexibility regarding changes in software packages to be implemented within the five-year period, WSH has the option to trade the value of software and implementation support identified in the agreement for other software and related implementation costs.

Litigation

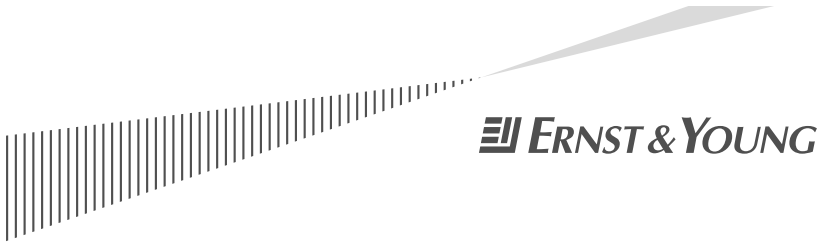
WSH is involved in litigation and regulatory investigations arising in the normal course of business. After consultation with legal counsel, management believes that these matters will be resolved without material adverse effect on WSH's future financial position or results of operations.

16. Functional Expenses

WSH provides general health care services to residents within its geographic location. Expenses related to providing these services are as follows:

	Year Ended June 30	
	2008	2007
	<i>(In Thousands)</i>	
Program activities	\$ 785,206	\$ 681,471
General and administrative	113,403	97,953
	\$ 898,609	\$ 779,424

Other Financial Information



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Report of Independent Auditors on Other Financial Information

Board of Directors
WellSpan Health

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The following financial information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements of WellSpan Health. Such information has been subjected to the auditing procedures applied in our audit 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 22, 2008

WellSpan Health
Consolidating Balance Sheet

June 30, 2008

(In Thousands)

	WellSpan Health	York Hospital	WellSpan Health Care Services Consolidated	WellSpan Medical Group	York Health Plan	Apple Hill Surgical Center Partners	WellSpan Reciprocal Risk Retention Group	York VNA Home Care Inc. Consolidated	York Provider Network	Gettysburg Hospital Consolidated	York Health Foundation	Consolidating Eliminations	Consolidated Totals
Assets													
Current assets:													
Cash and cash equivalents	\$ 53	\$ 1,200	\$ 1,887	\$ 2,762	\$ 1,157	\$ 1,945	\$ 325	\$ 505	\$ -	\$ 3,148	\$ 856	\$ (7,007)	\$ 6,831
Due from affiliates	1,960	154	147	1,440	149	-	-	-	-	-	-	(3,850)	-
Assets limited as to use	-	761	-	-	-	-	3,357	-	-	-	-	-	4,118
Patient accounts receivable, net	-	89,392	3,081	15,091	-	1,197	-	2,424	-	11,877	-	-	123,062
Other receivables	1,020	3,557	216	2,099	184	-	269	3	-	821	7	-	8,176
Inventories	-	2,088	2,298	368	-	304	-	-	-	780	-	-	5,838
Prepaid expenses	7,785	2,589	329	486	161	21	85	32	-	107	4	-	11,599
Other current assets	147	-	-	-	-	-	-	-	-	-	-	-	147
Total current assets	10,965	99,741	7,958	22,246	1,651	3,467	4,036	2,964	-	16,733	867	(10,857)	159,771
Investments													
Assets limited as to use:	-	-	2,557	-	-	-	-	8,723	-	607	-	-	11,887
Board-designated	-	398,700	210	-	-	-	-	19,515	-	72,690	-	-	491,115
Under bond indenture	-	23,590	40,477	-	-	-	-	-	-	8,790	-	-	72,857
Self-insurance trust	-	-	-	-	-	-	12,728	-	-	-	-	-	12,728
	-	422,290	40,687	-	-	-	12,728	19,515	-	81,480	-	-	576,700
Pledges receivable, net	-	-	-	-	-	-	-	71	-	115	3,171	-	3,357
Temporarily restricted investments	-	4,072	-	-	-	-	-	921	-	600	5,051	-	10,644
Permanently restricted investments	-	325	-	-	-	-	-	2,489	-	-	-	-	2,814
Beneficial interest in perpetual trusts	-	6,859	-	-	-	-	-	3,222	-	3,677	-	-	13,758
Property and equipment, net	28,527	245,104	76,886	10,246	109	5,234	-	464	-	33,057	13	-	399,640
Investments in joint ventures	3,284	1,323	1,623	303	-	25	-	41	-	374	-	(4,973)	2,000
Notes receivable - affiliates	7,838	51,194	-	-	-	-	-	-	-	-	-	(59,032)	-
Deferred financing costs, net	35	4,114	804	-	-	22	-	-	-	333	-	-	5,308
Interest in net assets of Foundation	-	5,051	-	-	-	-	-	-	-	-	-	(5,051)	-
Other assets	4,080	99	170	-	-	-	-	-	-	3,019	-	-	7,368
Total assets	\$ 54,729	\$ 840,172	\$ 130,685	\$ 32,795	\$ 1,760	\$ 8,748	\$ 16,764	\$ 38,410	\$ -	\$ 139,995	\$ 9,102	\$ (79,913)	\$ 1,193,247

WellSpan Health

Consolidating Balance Sheet (continued)

June 30, 2008

(In Thousands)

	WellSpan Health	York Hospital	WellSpan Health Care Services Consolidated	WellSpan Medical Group	York Health Plan	Apple Hill Surgical Center Partners	WellSpan Reciprocal Risk Retention Group	York VNA Home Care Inc. Consolidated	York Provider Network	Gettysburg Hospital Consolidated	York Health Foundation	Consolidating Eliminations	Consolidated Totals
Liabilities and net assets													
Current liabilities:													
Current portion of long-term debt	\$ -	\$ 5,440	\$ 2,997	\$ -	\$ -	\$ 250	\$ -	\$ -	\$ -	\$ 95	\$ -	\$ -	\$ 8,782
Notes payable	-	45,000	45,000	-	-	-	-	-	-	15,000	-	-	105,000
Accounts payable and accrued expenses	5,901	10,240	673	2,027	347	224	137	208	-	1,166	6	-	20,929
Bank payable	2,171	-	4,836	-	-	-	-	-	-	-	-	(7,007)	-
Accrued interest payable	-	1,512	190	-	-	8	-	-	-	59	-	-	1,769
Accrued salaries and wages	7,695	20,718	626	10,027	409	366	-	715	-	3,705	-	-	44,261
Advances from third-party payor	84	2,391	-	7	106	-	-	176	-	423	72	-	3,259
Self-insurance costs and postretirement benefits	10,771	1,241	-	-	-	-	3,357	-	-	-	-	-	15,369
Estimated third-party payor settlements	-	3,426	-	-	-	-	-	-	-	403	-	-	3,829
Due to affiliates	-	-	1,944	-	-	397	-	333	273	559	344	(3,850)	-
Total current liabilities	26,622	89,968	56,266	12,061	862	1,245	3,494	1,432	273	21,410	422	(10,857)	203,198
Estimated self-insurance costs	17,790	227	-	-	-	-	10,959	-	-	-	-	-	28,976
Long-term debt, less current portion	2,533	254,154	51,163	-	-	3,021	-	-	-	20,064	-	-	330,935
Accrued retirement benefits	6,962	13,366	-	-	-	-	-	-	-	-	-	-	20,328
Note payable – affiliates	51,194	-	-	7,838	-	-	-	-	-	-	-	(59,032)	-
Interest rate swap agreements	-	10,362	2,629	-	-	-	-	-	-	1,181	-	-	14,172
Other noncurrent liabilities	-	1,525	-	-	-	-	-	-	-	-	-	-	1,525
Total liabilities	105,101	369,602	110,058	19,899	862	4,266	14,453	1,432	273	42,655	422	(69,889)	599,134
Minority interests	-	-	2,826	-	-	-	-	-	-	-	-	1,493	4,319
Net assets:													
Unrestricted	(50,713)	451,132	17,401	12,869	898	4,482	2,311	30,241	(273)	92,893	617	(6,466)	555,392
Temporarily restricted	341	7,203	400	27	-	-	-	1,026	-	751	8,063	-	17,811
Permanently restricted	-	7,184	-	-	-	-	-	5,711	-	3,696	-	-	16,591
Interest in net assets of Foundation	-	5,051	-	-	-	-	-	-	-	-	-	(5,051)	-
Total net assets	(50,372)	470,570	17,801	12,896	898	4,482	2,311	36,978	(273)	97,340	8,680	(11,517)	589,794
Total liabilities and net assets	\$ 54,729	\$ 840,172	\$ 130,685	\$ 32,795	\$ 1,760	\$ 8,748	\$ 16,764	\$ 38,410	\$ -	\$ 139,995	\$ 9,102	\$(79,913)	\$ 1,193,247

WellSpan Health
Consolidating Statement of Operations

Year Ended June 30, 2008

(In Thousands)

	WellSpan Health	York Hospital	WellSpan Health Care Services Consolidated	WellSpan Medical Group	York Health Plan	Apple Hill Surgical Center Partners	WellSpan Reciprocal Risk Retention Group	York VNA Home Care Inc. Consolidated	York Provider Network	Gettysburg Hospital Consolidated	York Health Foundation	Consolidating Eliminations	Consolidated Totals
Unrestricted revenues, gains, and other support													
Net patient service revenue	\$ -	\$ 644,120	\$ 7,294	\$ 89,142	\$ -	\$ 11,078	\$ -	\$ 12,255	\$ -	\$ 97,919	\$ -	\$ 1,807	\$ 863,615
Capitation revenue	-	-	-	5,369	-	-	-	-	-	-	-	-	5,369
Other revenue	152,652	10,259	35,951	23,399	6,713	6	4,944	12	-	777	677	(190,284)	45,106
Net assets released from restrictions used for operations	1,068	3,375	-	29	-	-	-	71	-	346	1,171	-	6,060
Total revenues, gains, and other support	153,720	657,754	43,245	117,939	6,713	11,084	4,944	12,338	-	99,042	1,848	(188,477)	920,150
Expenses													
Salaries and wages	39,437	220,006	6,363	85,547	3,572	3,045	-	8,515	-	38,532	332	-	405,349
Employee benefits	87,814	64,426	1,776	19,054	1,128	976	-	2,384	-	10,932	100	(77,577)	111,013
Professional fees	755	54,432	1,409	1,803	695	488	167	173	-	9,755	24	(59,393)	10,308
Supplies and other	43,416	192,660	27,843	23,782	1,499	3,640	4,762	1,893	-	22,324	1,390	(50,868)	272,341
Depreciation and amortization	4,050	30,110	3,004	1,997	102	577	-	190	-	4,786	2	-	44,818
Interest	1,073	13,378	2,566	-	-	164	-	-	-	968	-	(791)	17,358
Provision for bad debts	-	27,290	159	2,846	1	92	-	28	-	4,939	-	-	35,355
Loss on early extinguishment of debt	-	886	886	-	-	-	-	-	-	295	-	-	2,067
Total operating expenses	176,545	603,188	44,006	135,029	6,997	8,982	4,929	13,183	-	92,531	1,848	(188,629)	898,609
Operating income (loss)	(22,825)	54,566	(761)	(17,090)	(284)	2,102	15	(845)	-	6,511	-	152	21,541
Other income (expense)													
Contributions	-	120	88	-	-	-	-	280	-	45	87	639	1,259
Investment income, net	9	(5,655)	292	131	66	8	694	257	-	797	25	(791)	(4,167)
Equity in income of joint ventures	1,352	473	(292)	108	-	9	-	14	-	104	-	(2,117)	(349)
Gain (loss) on sale of assets/other	30	(302)	(76)	-	-	-	-	-	-	(44)	-	-	(392)
Change in fair value of interest rate swap agreements	-	(11,855)	(4,408)	-	-	-	-	-	-	(1,988)	-	-	(18,251)
Other income (expense)	(28)	(1,138)	(3)	(2)	-	(8)	-	179	-	(355)	-	-	(1,355)
Total other income (expense)	1,363	(18,357)	(4,399)	237	66	9	694	730	-	(1,441)	112	(2,269)	(23,255)
Excess (deficiency) of revenues over expenses before minority interests	(21,462)	36,209	(5,160)	(16,853)	(218)	2,111	709	(115)	-	5,070	112	(2,117)	(1,714)
Minority interests	-	-	(729)	-	-	-	-	-	-	-	-	(703)	(1,432)
Excess (deficiency) of revenues over expenses	(21,462)	36,209	(5,889)	(16,853)	(218)	2,111	709	(115)	-	5,070	112	(2,820)	(3,146)
Other changes in unrestricted net assets:													
Change in unrealized gains and losses on assets limited as to use and investments	-	-	-	-	-	-	554	-	-	-	-	-	554
Net assets released from restrictions for purchase of property and equipment	5	536	(10)	-	-	-	-	-	-	-	-	-	531
Distributions to partners	-	-	-	-	-	(2,221)	-	-	-	-	-	2,221	-
Other change in retirement liability	14,393	781	-	-	-	-	-	-	-	-	-	-	15,174
Transfers with affiliates	34,911	(45,100)	(961)	20,050	-	-	-	-	-	(8,900)	-	-	-
Increase (decrease) in unrestricted net assets	\$ 27,847	\$ (7,574)	\$ (6,860)	\$ 3,197	\$ (218)	\$ (110)	\$ 1,263	\$ (115)	\$ -	\$ (3,830)	\$ 112	\$ (599)	\$ 13,113

WellSpan Health

Consolidating Statement of Changes in Net Assets

Year Ended June 30, 2008

(In Thousands)

	WellSpan Health	York Hospital	WellSpan Health Care Services Consolidated	WellSpan Medical Group	York Health Plan	Apple Hill Surgical Center Partners	WellSpan Reciprocal Risk Retention Group	York VNA Home Care Inc. Consolidated	York Provider Network	Gettysburg Hospital Consolidated	York Health Foundation	Consolidating Eliminations	Consolidated Totals
Unrestricted net assets													
Excess (deficiency) of revenues over expenses	\$(21,462)	\$ 36,209	\$ (5,889)	\$(16,853)	\$ (218)	\$ 2,111	\$ 709	\$ (115)	\$ -	\$ 5,070	\$ 112	\$ (2,820)	\$ (3,146)
Other changes in unrestricted net assets:													
Change in unrealized gains and losses on assets limited as to use and investments	-	-	-	-	-	-	554	-	-	-	-	-	554
Net assets released from restrictions for purchase of property and equipment	5	536	(10)	-	-	-	-	-	-	-	-	-	531
Distributions to partners	-	-	-	-	-	(2,221)	-	-	-	-	-	2,221	-
Other change in retirement liability	14,393	781	-	-	-	-	-	-	-	-	-	-	15,174
Transfers with affiliates	34,911	(45,100)	(961)	20,050	-	-	-	-	-	(8,900)	-	-	-
Increase (decrease) in unrestricted net assets	27,847	(7,574)	(6,860)	3,197	(218)	(110)	1,263	(115)	-	(3,830)	112	(599)	13,113
Temporarily restricted net assets													
Change in unrealized gains and losses on investments	-	(253)	-	-	-	-	-	(34)	-	(91)	(406)	-	(784)
Net investment income	-	237	-	-	-	-	-	51	-	-	183	-	471
Change in net assets of Foundation	-	162	-	-	-	-	-	-	-	-	-	(162)	-
Contributions	1,286	3,938	400	53	-	-	-	69	-	482	1,289	-	7,517
Net assets released from restrictions	(1,063)	(3,911)	-	(29)	-	-	-	(71)	-	(346)	(1,171)	-	(6,591)
Increase (decrease) in temporarily restricted net assets	223	173	400	24	-	-	-	15	-	45	(105)	(162)	613
Permanently restricted net assets													
Change in beneficial interest in perpetual trusts and investment gains	-	(366)	-	-	-	-	-	(313)	-	(557)	-	-	(1,236)
Increase in permanently restricted net assets	-	(366)	-	-	-	-	-	(313)	-	(557)	-	-	(1,236)
Increase (decrease) in net assets	28,070	(7,767)	(6,460)	3,221	(218)	(110)	1,263	(413)	-	(4,342)	7	(761)	12,490
Net assets													
Beginning of year	(78,442)	478,337	24,261	9,675	1,116	4,592	1,048	37,391	(273)	101,682	8,673	(10,756)	577,304
End of year	\$(50,372)	\$ 470,570	\$ 17,801	\$ 12,896	\$ 898	\$ 4,482	\$ 2,311	\$ 36,978	\$(273)	\$ 97,340	\$ 8,680	\$(11,517)	\$ 589,794

WellSpan Health Care Services

Consolidating Balance Sheet

June 30, 2008

(In Thousands)

	WellSpan Health Care Services	WellSpan Properties, Inc.	Apple Hill Surgical Center Inc.	WellSpan Pharmacy, Inc.	Healthy Community Pharmacy, Inc.	Community Healthcare Imaging Partners	Q-WH, LLC	Cherry Tree Cancer Center	Consolidating Eliminations	Consolidated Totals
Assets										
Current assets:										
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 1,033	\$ 494	\$ 155	\$ 33	\$ 172	\$ -	\$ 1,887
Due from affiliates	7	-	98	-	-	34	-	15	(7)	147
Patient accounts receivable, net	-	-	-	2,480	8	589	-	4	-	3,081
Other receivables	8	35	-	159	-	-	-	14	-	216
Inventories	-	-	-	2,234	40	24	-	-	-	2,298
Prepaid expenses	-	139	-	33	1	72	9	75	-	329
Total current assets	15	174	98	5,939	543	874	42	280	(7)	7,958
Investments	-	2,557	-	-	-	-	-	-	-	2,557
Assets limited as to use:										
Board-designated	-	210	-	-	-	-	-	-	-	210
Under bond indenture	-	40,477	-	-	-	-	-	-	-	40,477
Property and equipment, net	1,941	68,005	-	1,251	208	2,150	-	3,331	-	76,886
Investments in joint ventures	9,365	-	136	-	-	-	24	-	(7,902)	1,623
Notes receivable – affiliates	-	-	280	-	-	-	-	-	(280)	-
Deferred financing costs, net	-	804	-	-	-	-	-	-	-	804
Other assets	-	25	-	145	-	-	-	-	-	170
Total assets	\$ 11,321	\$ 112,252	\$ 514	\$ 7,335	\$ 751	\$ 3,024	\$ 66	\$ 3,611	\$ (8,189)	\$ 130,685
Liabilities and net assets										
Current liabilities:										
Current portion of long-term debt	\$ -	\$ 2,782	\$ -	\$ -	\$ -	\$ 215	\$ -	\$ -	\$ -	\$ 2,997
Notes payable	-	45,000	-	-	-	-	-	-	-	45,000
Accounts payable and accrued expenses	4	573	3	94	10	140	10	29	-	863
Bank payable	-	4,836	-	-	-	-	-	-	-	4,836
Accrued salaries and wages	-	-	-	477	18	78	-	53	-	626
Due to affiliates	-	133	-	1,710	108	-	-	-	(7)	1,944
Total current liabilities	4	53,324	3	2,281	136	433	10	82	(7)	56,266
Long-term debt, less current portion	-	50,661	-	-	-	502	-	-	-	51,163
Note payable – affiliates	280	-	-	-	-	-	-	-	(280)	-
Interest rate swap contracts	-	2,629	-	-	-	-	-	-	-	2,629
Total liabilities	284	106,614	3	2,281	136	935	10	82	(287)	110,058
Minority interests	-	-	-	-	-	-	-	-	2,826	2,826
Net assets:										
Unrestricted	11,037	5,638	511	5,054	215	2,089	56	3,529	(10,728)	17,401
Temporarily restricted	-	-	-	-	400	-	-	-	-	400
Total liabilities and net assets	\$ 11,321	\$ 112,252	\$ 514	\$ 7,335	\$ 751	\$ 3,024	\$ 66	\$ 3,611	\$ (8,189)	\$ 130,685

WellSpan Health Care Services
Consolidating Statement of Operations

Year Ended June 30, 2008

(In Thousands)

	WellSpan Health Care Services	WellSpan Properties, Inc.	Apple Hill Surgical Center Inc.	WellSpan Pharmacy, Inc.	Healthy Community Pharmacy, Inc.	Community Healthcare Imaging Partners	Q-WH, LLC	Cherry Tree Cancer Center	Consolidating Eliminations	Consolidated Totals
Unrestricted revenues, gains, and other support										
Net patient service revenue	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 5,742	\$ –	\$ 1,552	\$ –	\$ 7,294
Other revenue	177	6,824	331	28,206	498	–	101	–	(186)	35,951
Total revenues, gains, and other support	177	6,824	331	28,206	498	5,742	101	1,552	(186)	43,245
Expenses										
Salaries and wages	–	–	–	3,834	303	1,511	–	715	–	6,363
Employee benefits	–	–	–	1,075	108	389	–	204	–	1,776
Professional fees	13	153	252	305	17	555	105	110	(101)	1,409
Supplies and other	14	2,637	12	23,190	407	1,151	1	516	(85)	27,843
Depreciation and amortization	–	2,103	–	262	37	402	–	200	–	3,004
Interest	–	2,519	–	–	7	40	–	–	–	2,566
Provision for bad debts	–	–	–	81	–	78	–	–	–	159
Loss on early extinguishment of debt	–	886	–	–	–	–	–	–	–	886
Total operating expenses	27	8,298	264	28,747	879	4,126	106	1,745	(186)	44,006
Operating income (loss)	150	(1,474)	67	(541)	(381)	1,616	(5)	(193)	–	(761)
Other income (expense)										
Contributions	–	–	–	–	88	–	–	–	–	88
Investment income, net	–	170	–	28	3	12	–	79	–	292
Equity in income of joint ventures	(168)	–	64	–	–	–	19	–	(207)	(292)
Gain on sale of assets/other	–	–	–	–	–	–	–	(76)	–	(76)
Change in fair value of interest rate swap agreement	–	(4,408)	–	–	–	–	–	–	–	(4,408)
Other income, net	–	–	–	(13)	–	8	2	–	–	(3)
Other income (expense)	(168)	(4,238)	64	15	91	20	21	3	(207)	(4,399)
Excess (deficiency) of revenues over expenses before minority interests	(18)	(5,712)	131	(526)	(290)	1,636	16	(190)	(207)	(5,160)
Minority interests	–	–	–	–	–	–	–	–	(729)	(729)
Excess (deficiency) of revenues over expenses	(18)	(5,712)	131	(526)	(290)	1,636	16	(190)	(936)	(5,889)
Other changes in unrestricted net assets:										
Net assets released from restrictions for purchase	–	–	–	–	(10)	–	–	–	–	(10)
Dividends paid/stock issued	125	–	(125)	–	–	(1,923)	–	–	1,923	–
Transfers with affiliates	(1,316)	–	–	–	355	–	–	–	–	(961)
Increase (decrease) in unrestricted net assets	\$ (1,209)	\$ (5,712)	\$ 6	\$ (526)	\$ 55	\$ (287)	\$ 16	\$ (190)	\$ 987	\$ (6,860)

WellSpan Health Care Services
Consolidating Statement of Changes in Net Assets

Year Ended June 30, 2008

(In Thousands)

	WellSpan Health Care Services	WellSpan Properties, Inc.	Apple Hill Surgical Center Inc.	WellSpan Pharmacy, Inc.	Healthy Community Pharmacy, Inc.	Community Healthcare Imaging Partners	Q-WH, LLC	Cherry Tree Cancer Center	Consolidating Eliminations	Consolidated Totals
Unrestricted net assets										
Excess (deficiency) of revenues over expenses	\$ (18)	\$ (5,712)	\$ 131	\$ (526)	\$ (290)	\$ 1,636	\$ 16	\$ (190)	\$ (936)	\$ (5,889)
Other changes in unrestricted net assets:										
Net assets released from restrictions for purchase of property and equipment	-	-	-	-	(10)	-	-	-	-	(10)
Dividends received (paid)	125	-	(125)	-	-	(1,923)	-	-	1,923	-
Transfers with affiliates	(1,316)	-	-	-	355	-	-	-	-	(961)
Increase (decrease) in unrestricted net assets	(1,209)	(5,712)	6	(526)	55	(287)	16	(190)	987	(6,860)
Temporarily restricted net assets										
Contributions	-	-	-	-	400	-	-	-	-	400
Increase in temporarily restricted net assets	-	-	-	-	400	-	-	-	-	400
Increase (decrease) in net assets	(1,209)	(5,712)	6	(526)	455	(287)	16	(190)	987	(6,460)
Net assets										
Beginning of year	12,246	11,350	505	5,580	160	2,376	40	3,719	(11,715)	24,261
End of year	\$ 11,037	\$ 5,638	\$ 511	\$ 5,054	\$ 615	\$ 2,089	\$ 56	\$ 3,529	\$(10,728)	\$ 17,801

York VNA Home Care, Inc.

Consolidating Balance Sheet

June 30, 2008

(In Thousands)

	York VNA Home Care Inc.	VNA Home Health Services	VNA Community Services	Consolidating Eliminations	Consolidated Totals
Assets					
Current assets:					
Cash and cash equivalents	\$ 673	\$ (60)	\$ (108)	\$ –	\$ 505
Patient accounts receivable, net	94	2,234	190	(94)	2,424
Other receivables	2	1	–	–	3
Prepaid expenses	6	26	–	–	32
Total current assets	775	2,201	82	(94)	2,964
Investments	4,588	3,308	827	–	8,723
Assets limited as to use – Board-designated	19,515	–	–	–	19,515
Pledges receivable, net	–	71	–	–	71
Temporarily restricted investments	890	31	–	–	921
Permanently restricted investments	2,389	100	–	–	2,489
Beneficial interest in perpetual trusts	3,054	168	–	–	3,222
Property and equipment, net	134	308	22	–	464
Other assets	41	–	–	–	41
Total assets	\$ 31,386	\$ 6,187	\$ 931	\$ (94)	\$ 38,410
Liabilities and net assets					
Current liabilities:					
Accounts payable and accrued expenses	\$ 98	\$ 58	\$ 52	\$ –	\$ 208
Accrued salaries and wages	58	590	67	–	715
Advances from third-party payors	–	176	–	–	176
Due to affiliates	40	327	60	(94)	333
Total current liabilities	196	1,151	179	(94)	1,432
Net assets:					
Unrestricted	24,858	4,637	746	–	30,241
Temporarily restricted	890	130	6	–	1,026
Permanently restricted	5,442	269	–	–	5,711
Total net assets	31,190	5,036	752	–	36,978
Total liabilities and net assets	\$ 31,386	\$ 6,187	\$ 931	\$ (94)	\$ 38,410

York VNA Home Care, Inc.

Consolidating Statement of Operations and Changes in Net Assets

Year Ended June 30, 2008

(In Thousands)

	York VNA Home Care Inc.	VNA Home Health Services	VNA Community Services	Consolidating Eliminations	Consolidated Totals
Unrestricted revenues, gains, and other support					
Net patient service revenue	\$ –	\$ 10,882	\$ 1,373	\$ –	\$ 12,255
Other revenue	958	3	9	(958)	12
Net assets released from restrictions used for operations	–	71	–	–	71
Total revenues, gains, and other support	958	10,956	1,382	(958)	12,338
Expenses					
Salaries and wages	465	6,939	1,111	–	8,515
Employee benefits	144	1,875	365	–	2,384
Professional fees	115	864	152	(958)	173
Supplies and other	211	1,527	155	–	1,893
Depreciation	24	163	3	–	190
Provision for bad debts	–	22	6	–	28
Total operating expenses	959	11,390	1,792	(958)	13,183
Operating loss	(1)	(434)	(410)	–	(845)
Other income (expense)					
Contributions	73	207	–	–	280
Investment income, net	236	23	(2)	–	257
Equity in income of joint ventures	14	–	–	–	14
Other income, net	169	10	–	–	179
Total other income (expense)	492	240	(2)	–	730
Excess (deficiency) of revenues over expenses	491	(194)	(412)	–	(115)
Increase (decrease) in unrestricted net assets	491	(194)	(412)	–	(115)

York VNA Home Care, Inc.

Consolidating Statement of Operations and Changes in Net Assets (continued)

Year Ended June 30, 2008

(In Thousands)

	York VNA Home Care Inc.	VNA Home Health Services	VNA Community Services	Consolidating Eliminations	Consolidated Totals
Unrestricted net assets					
Excess of revenues over expenses	\$ 491	\$ (194)	\$ (412)	\$ –	\$ (115)
Increase in unrestricted net assets	491	(194)	(412)	–	(115)
Temporarily restricted net assets					
Change in unrealized gains and losses on investments	(46)	12	–	–	(34)
Investment income, net	51	–	–	–	51
Contributions	–	71	(2)	–	69
Net assets released from restrictions	–	(71)	–	–	(71)
Increase (decrease) in temporarily restricted net assets	5	12	(2)	–	15
Permanently restricted net assets					
Change in beneficial interest in perpetual trusts and investment gains	(396)	83	–	–	(313)
Increase (decrease) in permanently restricted net assets	(396)	83	–	–	(313)
Increase (decrease) in net assets	100	(99)	(414)	–	(413)
Net assets					
Beginning of year	31,090	5,135	1,166	–	37,391
End of year	\$ 31,190	\$ 5,036	\$ 752	\$ –	\$ 36,978

York Hospital and Gettysburg Hospital (Obligated Group)

Combining Balance Sheet

June 30, 2008

(In Thousands)

	York Hospital	Gettysburg Hospital (Only)	Combining Eliminations	Combined Totals
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,200	\$ 2,770	\$ –	\$ 3,970
Due from affiliates	154	–	(154)	–
Assets limited as to use	761	–	–	761
Patient accounts receivable, net	89,392	11,877	–	101,269
Other receivables	3,557	805	–	4,362
Inventories	2,088	780	–	2,868
Prepaid expenses	2,589	93	–	2,682
Total current assets	99,741	16,325	(154)	115,912
Assets limited as to use:				
Board-designated	398,700	67,870	–	466,570
Under bond indenture	23,590	8,790	–	32,380
	422,290	76,660	–	498,950
Temporarily restricted investment	4,072	161	–	4,233
Permanently restricted investment	325	–	–	325
Beneficial interest in perpetual trusts	6,859	–	–	6,859
Property and equipment, net	245,104	33,041	–	278,145
Investments in joint ventures	1,323	374	–	1,697
Notes receivable – affiliates	51,194	–	–	51,194
Deferred financing costs, net	4,114	333	–	4,447
Interest in the net assets of the Foundation	5,051	10,211	–	15,262
Other assets	99	2,755	–	2,854
Total assets	\$ 840,172	\$ 139,860	\$ (154)	\$ 979,878
Liabilities and net assets				
Current liabilities:				
Current portion of long-term debt	\$ 5,440	\$ 95	\$ –	\$ 5,535
Notes payable	45,000	15,000	–	60,000
Accounts payable and accrued expenses	10,240	1,062	–	11,302
Accrued interest payable	1,512	59	–	1,571
Accrued salaries and wages	20,718	3,705	–	24,423
Advances from third-party payor	2,391	423	–	2,814
Estimated third-party payor settlements	3,426	403	–	3,829
Estimated self-insurance costs and postretirement benefits	1,241	–	–	1,241
Due to affiliates	–	528	(154)	374
Total current liabilities	89,968	21,275	(154)	111,089
Estimated self-insurance costs	227	–	–	227
Long-term debt, less current portion	254,154	20,064	–	274,218
Accrued retirement benefits	13,366	–	–	13,366
Interest rate swap contracts	10,362	1,181	–	11,543
Other noncurrent liabilities	1,525	–	–	1,525
Total liabilities	369,602	42,520	(154)	411,968
Net assets:				
Unrestricted	451,132	86,954	–	538,086
Temporarily restricted	7,203	175	–	7,378
Permanently restricted	7,184	–	–	7,184
Interest in net assets of the Foundation	5,051	10,211	–	15,262
Total net assets	470,570	97,340	–	567,910
Total liabilities and net assets	\$ 840,172	\$ 139,860	\$ (154)	\$ 979,878

York Hospital and Gettysburg Hospital (Obligated Group)

Combining Statement of Operations

Year Ended June 30, 2008

(In Thousands)

	York Hospital	Gettysburg Hospital (Only)	Combining Eliminations	Combined Totals
Unrestricted revenues, gains, and other support				
Net patient service revenue	\$ 644,120	\$ 97,919	\$ –	\$ 742,039
Other revenue	10,259	777	(426)	10,610
Net assets released from restrictions used for operations	3,375	128	–	3,503
Net revenues, gains, and other support	657,754	98,824	(426)	756,152
Expenses				
Salaries and wages	220,006	38,402	–	258,408
Employee benefits	64,426	10,923	–	75,349
Professional fees	54,432	9,727	–	64,159
Supplies and other	192,660	21,978	(426)	214,212
Depreciation and amortization	30,110	4,784	–	34,894
Interest	13,378	968	–	14,346
Provision for bad debts	27,290	4,939	–	32,229
Loss on early extinguishment of debt	886	295	–	1,181
Total operating expenses	603,188	92,016	(426)	694,778
Operating income	54,566	6,808	–	61,374
Other income (expense)				
Contributions	120	–	–	120
Investment income, net	(5,655)	955	–	(4,700)
Equity in income of joint ventures	473	104	–	577
Gain on sale of assets/other	(302)	(44)	–	(346)
Change in fair value of interest rate swap agreements	(11,856)	(1,988)	–	(13,844)
Other income, net	(1,137)	(616)	–	(1,753)
Total other expense	(18,357)	(1,589)	–	(19,946)
Excess of revenues over expenses	36,209	5,219	–	41,428
Other changes in unrestricted net assets:				
Net assets released from restrictions used for purchase of property and equipment	536	–	–	536
Other change in retirement liability	781	–	–	781
Transfers with affiliates	(45,100)	(8,900)	–	(54,000)
Decrease in unrestricted net assets	\$ (7,574)	\$ (3,681)	\$ –	\$ (11,255)

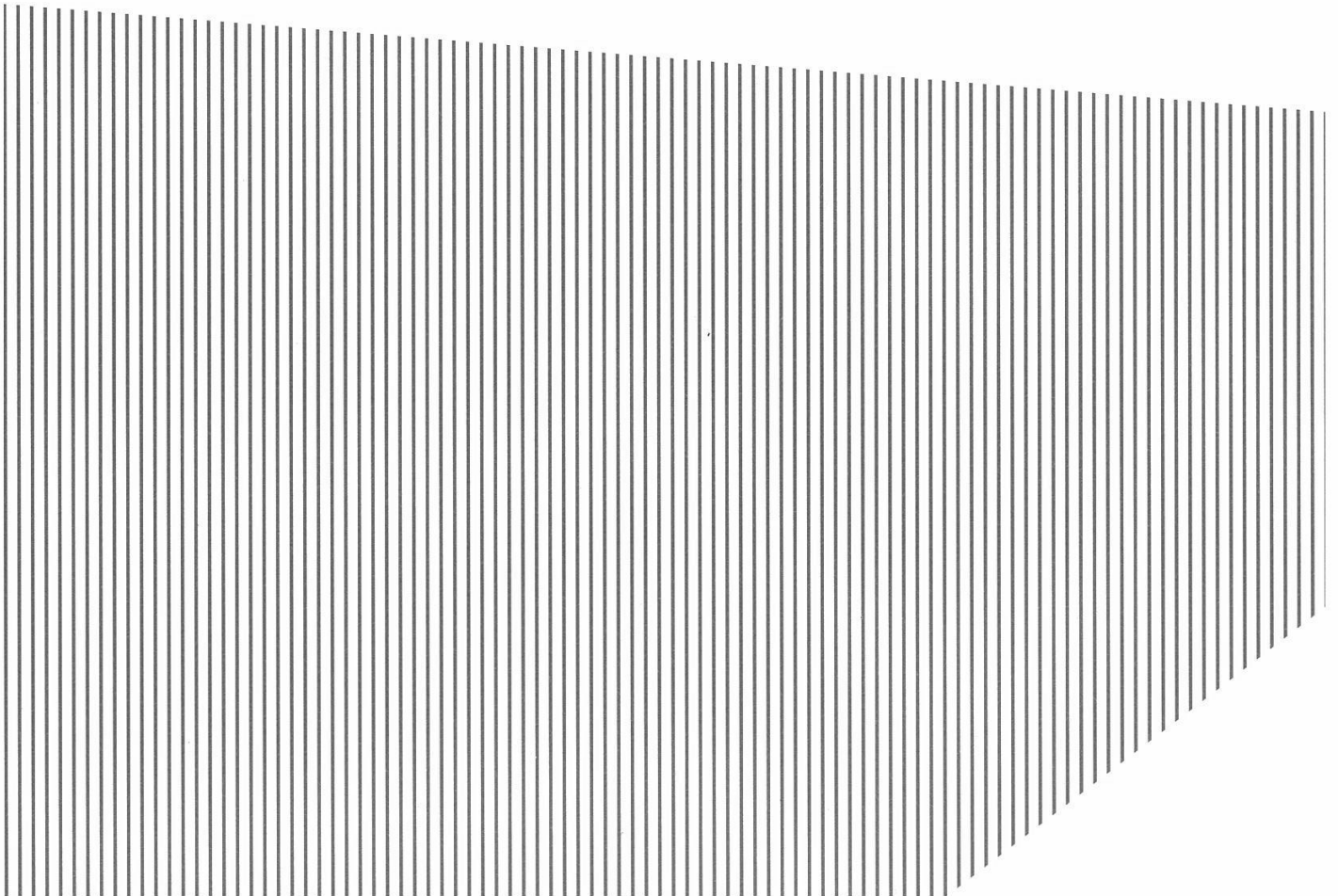
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APPENDIX C

SUMMARY OF PRINCIPAL DOCUMENTS

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DEFINITIONS OF CERTAIN TERMS

In addition to the terms defined in the Official Statement, the following terms, when used in this Appendix C or Appendix D, have the meanings ascribed to them below:

“Act” means the Pennsylvania Municipality Authorities Act (Act of June 19, 2001, P.L. 22, as amended).

“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 any attorney at law or firm of attorneys selected by the Borrowers and reasonably acceptable to the Trustee and the Issuer 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 Fund” means the fund created in the Bond Indenture.

“Bondholder” or “Holder” or “owner” means, as of any time, the registered owner of any Bond as shown in the register kept by the Trustee as bond registrar.

“Bond Indenture” or “Indenture” means the Trust Indenture dated as of November 1, 2008 between the Issuer and the Trustee pursuant to which the 2008A Bonds will be issued, and any amendments and supplements thereto.

“Bond Trustee” means Manufacturers and Traders Trust Company and its successors and assigns.

“Bond Year” means the period beginning on the Closing Date and ending on the day prior to the first anniversary of the Closing Date and each one year period ending on the day prior to the anniversary of the Closing Date thereafter.

“Bonds” or “Series 2008A Bonds” means the 2008A Bonds from time to time Outstanding under the Bond Indenture.

“Borrowers” means, collectively, jointly and severally, Gettysburg Hospital, York Hospital and WellSpan Properties, Inc., and their successors and assigns.

“Borrower Representative” means the Senior Vice President – Finance of WellSpan Health and the Director of Treasury Management of WellSpan Health or any other person or persons at the time designated in writing to the Trustee and the Issuer by a certificate signed by an authorized officer of the Borrowers to represent the Borrowers, which certificate shall set forth the specimen signature of such person or persons.

“Borrower Security Instruments” means each of (a) the Loan Agreement, (b) the Master Note and (c) each of such additional or supplemental notes and other instruments as any of the Borrowers or any other Person from time to time may enter into in favor of the Trustee for the purpose of securing or supporting the obligations of the Borrowers to pay all or any portion of the Loan Payments or for the purpose of securing all or any portion of the 2008A Bonds and as shall be identified as a “Borrower Security Instrument” for the purpose of this Indenture by written agreement of the Borrowers and the 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 Trustee responsible for the administration of this Indenture is located and (b) in the city in which the corporate trust office of the Master Trustee responsible for the administration of the Master Indenture is located.

“Closing Date” means the date of delivery of the 2008A Bonds to the Underwriter against payment therefor.

“Code” means the Internal Revenue Code of 1986, as from time to time amended, and any regulations promulgated thereunder.

“Commonwealth” means the Commonwealth of Pennsylvania.

“Cost” or “Costs” or “Project Cost” or “Project Costs” in connection with the Project means all expenses which are properly chargeable thereto under generally accepted accounting principles or which are incidental to the financing of the Project, or which are otherwise financeable under the Act.

“Co-Trustee” means any Co-Trustee appointed by the 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, including an attorney employed by the Borrowers or one of its affiliates.

“DTC” means The Depository Trust Company, New York, New York.

“Electronic Notice” means notice transmitted through a time-sharing terminal, if operative as between any two parties, or if not operative, by telecopier, tested telex, facsimile transmission, in writing or by telephone (promptly confirmed in writing or by facsimile transmission).

“Eleventh Supplemental Loan and Trust Agreement” means the Eleventh Supplemental Loan and Trust Agreement dated as of November 1, 2008, pursuant to which the Master Note is being issued.

“Event of Default” means any of the events listed under the subheading “THE BOND INDENTURE – Events of Default” contained in this Appendix C.

“Existing Agreement” means a certain Loan and Trust Agreement dated as of June 1, 1993 by and among the York Authority, York Hospital and the York Trustee, as amended and supplemented by a First Supplemental Loan and Trust Agreement dated as of September 1, 1997, a Second Supplemental Loan and Trust Agreement dated as of December 20, 2000, a Third Supplemental Loan and Trust Agreement dated as of June 15, 2001, a Fourth Supplemental Loan and Trust Agreement dated April 1, 2002, a Fifth Supplemental Loan and Trust Agreement dated November 1, 2003, a Sixth Supplemental Loan and Trust Agreement dated as of May 1, 2005, a Seventh Supplemental Loan and Trust Agreement dated as of May 1, 2005, an Eighth Supplemental Loan and Trust Agreement dated as of June 1, 2005, a Ninth Supplemental Loan and Trust Agreement dated as of June 1, 2007 and a Tenth Supplemental Loan and Trust Agreement dated as of November 14, 2007.

“Existing Master Indenture” means the Master Trust Indenture dated as of June 15, 2001 by and among York Hospital, Gettysburg Hospital and the Master Trustee, as amended and supplemented by a Supplemental Master Trust Indenture No. 1 dated as of June 15, 2001, a Supplemental Master Trust Indenture No. 2 dated as of April 1, 2002, a Supplemental Master Trust Indenture No. 3 dated as of November 1, 2003, a Supplemental Master Trust Indenture No. 4 dated as of May 1, 2005, a Supplemental Master Trust Indenture No. 5 dated as of May 1, 2005, a Supplemental Master Trust Indenture No. 6 dated as of June 1, 2005, a Supplemental Master Trust Indenture No. 7 dated as of June 1, 2007 and a Supplemental Master Trust Indenture No. 8 dated as of November 14, 2007.

“Facilities” means the facilities owned and operated by the Borrowers, the costs of which were financed or refinanced with the proceeds of the 2008A Bonds.

“Favorable Opinion of Bond Counsel” means, with respect to any action relating to the 2008A Bonds, the occurrence of which requires such an opinion, a written legal opinion of Bond Counsel addressed to the Issuer, the Trustee and the Borrowers, to the effect that such action will not impair the exclusion of interest on the 2008A

Bonds from gross income for purposes of federal income taxation or the exemption of interest on the 2008A Bonds from personal income taxation under the laws of the Commonwealth (subject to customary exceptions).

“Fitch” means Fitch Ratings, 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, shall be deemed to refer to any other nationally recognized securities rating agency designated by the Borrowers by notice to the Issuer and the Trustee.

“Fund” means any of the Project Fund, the Bond Fund and the Rebate Fund.

“Gettysburg Hospital” means The Gettysburg Hospital, a nonprofit corporation organized under the laws of the Commonwealth, which owns and operates hospital facilities in the Borough of Gettysburg, Pennsylvania.

“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 Issuer or the Borrowers.

“Interest Payment Date” means each June 1 and December 1 commencing December 1, 2008.

“Issuer” means the General Authority of Southcentral Pennsylvania and its successors and assigns.

“Issuer Representative” means the Chairman, the Vice Chairman, the Secretary any Assistant Secretary or any other officer of the Issuer or other person designated by certified resolution of the governing body of the Issuer to act for any of the foregoing, either generally or with respect to the execution of any particular document or other specific matter.

“Loan” means the loan by the Issuer to the Borrowers of the proceeds of the 2008A Bonds pursuant to the Loan Agreement.

“Loan Agreement” means the Loan Agreement dated as of November 1, 2008 between the Issuer and the Borrowers, and any amendments and supplements thereto.

“Loan and Trust Agreement” or “Agreement” means the Existing Agreement, as amended and supplemented from time to time.

“Loan Payment” means a payment by the Borrowers pursuant to the Loan Agreement or by the Obligated Group pursuant to the Master Note of amounts which correspond to interest, or principal and interest then due on account of debt service on the 2008A Bonds, plus related fees and expenses, all in accordance with the Loan Agreement and the Master Note.

“Majority of the Bondholders” means the Holders of more than 50 percent of the aggregate principal amount of the Outstanding 2008A Bonds.

“Master Indenture” means the Existing Master Indenture, as amended and supplemented from time to time.

“Master Note” means the Series 2008A Master Note (WellSpan Health Obligated Group), dated the date of issuance of the 2008A Bonds, delivered by the Obligated Group to the Trustee pursuant to the Master Indenture.

“Master Trustee” means Manufacturers and Traders Trust Company, in its capacity as successor master trustee under the Master Indenture.

“Members” means collectively, York Hospital and Gettysburg Hospital, and their successors and assigns.

“Moody’s” means Moody’s Investors Service, Inc., 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 Borrowers by notice to the Issuer and the Trustee.

“Ninth Supplemental Master Indenture” means the Ninth Supplemental Master Indenture dated as of November 1, 2008 among the Obligated Group and the Master Trustee.

“Obligated Group” means the Obligated Group established from time to time under the Master Indenture, initially consisting of Gettysburg Hospital and York Hospital.

“Official Statement” means this Official Statement relating to the 2008A Bonds, including all appendices thereto.

“Outstanding Bonds” or “Bonds outstanding” means the amount of principal of the 2008A Bonds 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 which has become due (whether by maturity, call for redemption or otherwise) and for which provision for payment as required in the Bond Indenture has been made, and (c) for purposes of any direction, consent or waiver under the Bond Indenture, Bonds deemed not to be outstanding pursuant to the Bond Indenture.

“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 Trustee or any other paying agent appointed in accordance with the Bond Indenture.

“Payment Date” means each Interest Payment Date or any other date on which any principal of, premium, if any, or interest on any Bond is due and payable for any reason, including without limitation upon any redemption of Bonds pursuant to 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.

“Principal Office” means, with respect to the 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 Issuer and the Borrowers.

“Project” means (a) the current refunding of \$17,000,000 aggregate principal amount of Adams County Industrial Development Authority Variable Rate Demand Bonds (WellSpan Properties) Series 2002; (b) the current refunding of \$36,155,000 aggregate principal amount of the Issuer's Revenue Bonds, Series 2005A (WellSpan Health Obligated Group), \$89,635,000 aggregate principal amount of the Issuer's Revenue Bonds, Series 2005B (WellSpan Health Obligated Group), \$40,775,000 aggregate principal amount of the Issuer's Revenue Bonds, Series 2005C (WellSpan Health Obligated Group) and \$40,725,000 aggregate principal amount of the Issuer's Revenue Bonds, Series 2005D (WellSpan Health Obligated Group); (c) the current refunding of \$70,000,000 aggregate principal amount of the Issuer's Revenue Bonds Series 2007A (WellSpan Health Obligated Group) and \$70,000,000 aggregate principal amount of the Issuer's Revenue Bonds Series 2007B (WellSpan Health Obligated Group); (d) the current refunding of various loans made by the Health Care Facilities Authority of Sayre from proceeds of its revenue bonds, (e) the financing of the acquisition, construction, renovation, improvement and equipping of certain facilities for the Borrowers and (f) the payment of certain costs of issuance of the 2008A Bonds including the costs of any credit enhancement.

“Project Fund” means the fund so named and created pursuant to the Bond Indenture.

“Qualified Investments” means investments identified in Exhibit B to the Bond Indenture.

“Rating Agency” means, as of any date, each of Moody’s, if the applicable Series of 2008A Bonds are then rated by Moody’s, Fitch, if the applicable Series of 2008A Bonds are then rated by Fitch, and S&P, if the applicable Series of 2008A 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 the fund created pursuant to the Bond Indenture.

“Record Date” means each May 15 and November 15.

“Responsible Officer” means, with respect to the 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 Trustee customarily performing functions similar to those performed by any of the above designated officers to whom a particular matter is referred by the Trustee because of such officer’s or authorized representative’s knowledge of and familiarity with the particular subject.

“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 Borrowers by notice to the Issuer and the Trustee.

“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 Bond Indenture.

“Securities Exchange Act” means the Securities Exchange Act of 1934, as amended, and any successor thereto.

“Trust Estate” means the property and other rights assigned by the Issuer to the 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.

“Trustee” means the Bond Trustee.

“2008A Bonds” means the Issuer’s Revenue Bonds, Series 2008A (WellSpan Health Obligated Group).

“Unassigned Issuer’s Rights” means all of the rights of the Issuer to receive fees and expenses under the Loan Agreement, to be held harmless and indemnified under the Loan Agreement, to give the approval described in the Loan Agreement, to inspect the Facilities as provided in the Loan Agreement, to be reimbursed for attorney’s fees and expenses under the Loan Agreement and to give or withhold consent to or approval of amendments, modifications, termination or assignment of the Loan Agreement.

“Underwriter” means Citigroup Global Markets Inc.

“Uniform Commercial Code” means 13 Pa.C.S. §1101, et seq., 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 by, the United States of America, which obligations are noncallable.

“WPI” means WellSpan Properties, Inc., a nonprofit corporation organized under the laws of the Commonwealth, which owns various healthcare related facilities in York County and Adams County in Pennsylvania.

“York Authority” means the York County Hospital Authority, York, Pennsylvania, and its successors and assigns.

“York Hospital” means York Hospital, a nonprofit corporation organized under the laws of the Commonwealth of Pennsylvania, which owns and operates hospital facilities in the City of York, Pennsylvania.

THE BOND INDENTURE

The following is a summary of certain provisions of the Bond Indenture. This summary does not purport to be complete and is qualified in its entirety by reference to the Bond Indenture.

Defeasance of Lien

When the Issuer has paid or has been deemed to have paid to the Holders of all of the 2008A Bonds, the principal and interest and premium, if any, due or to become due with respect to such Series of 2008A Bonds at the times and in the manner stipulated therein and in the Bond Indenture, and all other obligations owing to the Trustee under the Bond Indenture or under the Loan Agreement have been paid or provided for with respect to such Series of 2008A Bonds, the lien of the Bond Indenture on the Trust Estate with respect to such Series of 2008A Bonds shall terminate. Upon the written request of the Issuer or the Borrowers, the Trustee shall, upon the termination of the lien of the Bond Indenture, promptly execute and deliver to the Issuer, with a copy to the Borrowers, an appropriate discharge of the Bond Indenture except that, subject to the provisions of the Bond Indenture, the Trustee shall continue to hold in trust amounts held pursuant to the Bond Indenture for the payment of the principal of, premium, if any, and interest on such Series of 2008A Bonds.

Outstanding 2008A Bonds shall be deemed to have been paid within the meaning of the Bond Indenture if the Trustee shall have paid to the Holders of such 2008A 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 and premium, if any, on such 2008A Bonds to the date of maturity or redemption, as the case may be; provided that if any such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been duly given to the Bondholders and the Borrowers or irrevocable provision satisfactory to the Trustee shall have been duly made for the giving of such notice.

Outstanding 2008A Bonds also shall be deemed to have been paid for the purposes of this Section if the Trustee shall be holding in trust for and shall have irrevocably committed to the payment of such Outstanding 2008A Bonds cash or noncallable United States Obligations, 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 such 2008A Bonds to the date of maturity or redemption, as the case may be; provided, that if any of such 2008A Bonds are deemed to have been paid prior to the earlier of the redemption or the maturity thereof, the Trustee, the Issuer and the Borrowers shall have received a report in form and substance acceptable to the Trustee and the Borrowers of a firm of independent public accountants acceptable to the Trustee and the Borrowers verifying that the payments on such United States Obligations, 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 and premium, if any, on such 2008A Bonds to the date of maturity or redemption, as the case may be; and provided, further, that if any such 2008A Bonds are to be redeemed prior to the maturity thereof, unconditional notice of such redemption shall have been duly given or irrevocable provision satisfactory to the Trustee shall have been duly made for the giving of such notice.

Any moneys held by the Trustee in the manner provided by the provisions of this Section shall be invested by the Trustee in the manner provided by the Bond Indenture (but only to the extent that such investments are available) only in United States Obligations 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.

Funds and Accounts

Project Fund. There will be established with the Trustee a Project Fund. Upon the issuance and delivery of the 2008A Bonds, a portion of the proceeds of the sale thereof shall be deposited in the Project Fund, which will be used to pay costs incurred by the Issuer and the Borrowers in connection with the issuance of the 2008A Bonds. If the principal of the 2008A Bonds shall have become due and payable pursuant to the Bond Indenture, any balance remaining in the Project Fund shall without further authorization be transferred into the Bond Fund.

Bond Fund. There will be established with the Trustee a Bond Fund, which shall be used to pay when due the principal of, premium, if any, and interest on the 2008A Bonds. Moneys shall be deposited in the Bond Fund from time to time and shall be applied solely to pay principal and redemption price of and interest on the 2008A Bonds.

Rebate Fund. There will be established with the Trustee a Rebate Fund. So long as any Bonds remain Outstanding, moneys held in the Rebate Fund shall be held separate and apart from all other funds and accounts established under the Bond Indenture. The Borrowers have agreed to pay or provide the Trustee with funds sufficient to pay the amounts (if any) payable pursuant to Section 148(f) of the Code with respect to the 2008A Bonds.

Investment of Moneys in Funds

Any moneys held as a part of the Project Fund or the other funds established under the Bond Indenture shall be invested or reinvested by the Trustee, to the extent permitted by law, at the written request of and as directed by a Borrower Representative, in any Qualified Investments. In the absence of such direction, the Trustee shall deposit such moneys in a money market fund or funds of a quality described in the Bond Indenture.

The Issuer covenants and certifies to and for the benefit of the Owners of the 2008A Bonds Outstanding that so long as any of the 2008A Bonds remains Outstanding, the Issuer shall not direct that moneys on deposit in any fund or account in connection with the 2008A Bonds (whether or not such moneys were derived from the proceeds of the sale of the 2008A Bonds or from any other sources), be used in a manner which will cause the 2008A Bonds to be classified as “arbitrage bonds” within the meaning of Section 148 of the Code. The Issuer further agrees to cooperate with any reasonable request of the Borrowers relating to maintaining the exclusion of interest on the 2008A Bonds from gross income; provided, however, that the Issuer 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.

The Issuer covenants that it will file such returns and make payments as directed by the Borrowers (but only from moneys provided to the Issuer by or on behalf of the Borrowers expressly for such purposes), if any, required to be made to the United States pursuant to the Code in order to establish or maintain the exclusion of the interest on the 2008A Bonds from gross income for federal income tax purposes.

Avoidance of Arbitrage

In reliance upon the covenant of the Borrowers in the Loan Agreement regarding avoidance of arbitrage, the Issuer agrees that it will not take or cause, or fail to take or cause, any action which may cause interest on the 2008A Bonds to become includable in gross income for federal income tax purposes. Without limiting the generality of the foregoing, the Issuer agrees that it will take all actions reasonably requested by the Borrowers to comply with the provisions of Section 148 of the Code, provided, however, that the Borrowers and not the Issuer or the Trustee shall be responsible for the computation of all amounts required to be paid pursuant to Section 148 of the Code.

Covenant Against Encumbrances

The Issuer covenants that it will not voluntarily create any lien, encumbrance or charge upon the Loan Agreement or the Master Note, the payments made pursuant thereto or the Trust Estate, except the pledge, lien and charge for the security of the 2008A Bonds created by the Bond Indenture.

Events of Default

The occurrence of any one or more of the following events shall constitute an “Event of Default” under the Bond Indenture:

- (a) failure to pay interest on any Bond when due and payable;

(b) failure to pay any principal of or premium on any Bond when due and payable, whether at stated maturity or pursuant to any redemption requirement under the Bond Indenture;

(c) failure of the Issuer to duly and punctually perform any other of the covenants, conditions, agreements and provisions on its part contained in the 2008A Bonds or in the Bond Indenture, which failure shall continue for 60 days after written notice specifying such default and requiring the same to be remedied has been given to the Issuer and the Borrowers by the Trustee; provided, however, if the failure stated in such notice cannot be corrected within the applicable period, the Trustee will not unreasonably withhold its consent to an extension of such time if it is possible to correct such failure and corrective action is instituted by the Issuer within the applicable period and is diligently pursued until such failure is corrected; or

(d) the occurrence of a Loan Default under the Loan Agreement as defined in the Bond Indenture.

Within five days after actual knowledge by a Responsible Officer of the Trustee of an Event of Default under subsection (a), (b), or (d) above, the Trustee shall give written notice, by registered or certified mail, to the Issuer, the Borrowers, the Master Trustee, and the Bondholders, and upon notice as provided in the Bond Indenture, shall give similar notice of any other Event of Default.

Acceleration

If an Event of Default shall occur and be continuing, then in each and every such case the Trustee may, and upon the written request of a Majority (100%, the case of an Event of Default described in clause (c) under “Events of Default” above) of the Bondholders, the Trustee shall, by notice to the Issuer and the Borrowers: (a) proceed to protect and enforce its rights of the owners of the 2008A Bonds under the laws of the Commonwealth and under the Loan Agreement and the Bond Indenture by a suit, action or special proceeding in equity or at law, by mandamus or otherwise, either for the specific performance of any covenant or agreement contained in the Bond Indenture or in aid or execution of any power in the Bond Indenture granted or for any enforcement of any proper legal or equitable remedy as the Trustee, being advised by Counsel, shall deem most effectual to protect and enforce the rights aforesaid; and (b) proceed to protect and to enforce its rights as a holder of the Master Note, on behalf of the Bondholders, in accordance with the Master Indenture.

Upon the happening of an Event of Default, then and in every such case, the Trustee may, and upon written request of the Bondholders of a Majority (100%, the case of an Event of Default described in clause (c) under “Events of Default” above) of the Bondholders, the Trustee shall, by notice delivered to the Issuer and the Borrowers, declare the principal of all 2008A Bonds then Outstanding and the interest accrued thereon to be immediately due and payable. The Trustee shall give notice of any Event of Default and any such declaration as soon as practicable to the Master Trustee by telephone or telecopy, promptly confirmed in writing.

However, the right of the Trustee or the owners of a Majority of the Bondholders to make any such declaration as aforesaid is subject to the condition that if, at any time after such declaration, but before the 2008A Bonds shall have been paid in full, all overdue installments of interest upon such 2008A Bonds, together with interest on such overdue installments of interest to the extent permitted by law, and the reasonable and proper charges, expenses and liabilities of the Trustee, and all other sums then payable by the Issuer under the Bond Indenture (except the principal of and interest accrued since the next preceding Interest Payment Date on the 2008A Bonds due and payable solely by virtue of such declaration) shall either be paid by or for the account of the Issuer or provision satisfactory to the Trustee shall be made for such payment, all defaults under the 2008A Bonds or under the Bond Indenture (other than the payment of principal and interest due and payable solely by reason of such declaration) shall be made good or be secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefore, then and in every such case, the Trustee may rescind such declaration and annul such default in its entirety, but no such rescission or annulment shall extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon. The Trustee shall give notice of any such rescission to the Master Trustee.

In lieu of or in addition to a declaration of acceleration, the Trustee also may exercise any other right or remedy available to it at law or in equity, including the appointment of a receiver to the extent permitted by law or any other right or remedy available under the Act or the Uniform Commercial Code.

Other Remedies; Rights of Bondholders

Whenever any Event of Default shall have happened and be continuing, the Trustee may, and upon the written request of a Majority of the Bondholders, the Trustee shall take the following remedial steps:

(a) In the case of an Event of Default described in clauses (a) and (b) under “Events of Default” above, the Trustee may take whatever action at law or in equity is necessary or desirable to collect the Loan Payments then due or payments due under the Master Note;

(b) In the case of an Event of Default described in clause (c) under “Event of Default” above, the Trustee may take whatever action at law or in equity is necessary or desirable to enforce the performance, observance or compliance by the Issuer with any covenant, condition or agreement by the Issuer under the Bond Indenture;

(c) By mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Bondholders, and require the Issuer to carry out any agreements with or for the benefit of the Bondholders and to perform its duties under the Act or the Loan Agreement;

(d) By action or suit in equity require the Issuer to account as if it were the trustee of an express trust for the Bondholders;

(e) By action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Bondholders; and

(f) To bring suit upon the 2008A Bonds.

Upon the continuation of an Event of Default, if so requested by a Majority of the Bondholders, and if satisfactory indemnity has been furnished to it, the Trustee shall exercise such of the rights and powers conferred by the Bond Indenture and the Borrower’s Security Instruments as the Trustee, being advised by counsel, shall deem most effective to enforce and protect the interests of the Bondholders; provided that the Trustee may take action with respect to the Loan Agreement only to enforce the rights expressly and specifically assigned to the 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 or now or thereafter existing. No delay or omission to exercise any right or power shall impair such right or power or constitute a waiver of any Event of Default or acquiescence therein; and each such right and power may be exercised as often as deemed expedient. No waiver by the Trustee or the Bondholders of any Event of Default shall extend to any subsequent Event of Default.

Right of Bondholders to Direct Proceedings

Anything in the Bond Indenture to the contrary notwithstanding, a Majority of the Bondholders shall have the right, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under the Bond Indenture or under the Borrower’s Security Instruments in respect of the 2008A Bonds; provided that such direction shall not be otherwise than in accordance with law and the Bond Indenture and, if applicable, the Borrower’s Security Instruments and the Trustee shall be indemnified to its satisfaction against the costs, expenses and liabilities which may be incurred therein or thereby.

Application of Moneys

All moneys received by the Trustee pursuant to any right given or action taken under the provisions of this heading shall, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances owing to or incurred or made by the 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 the 2008A 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 2008A 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 2008A 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 and premium, if any, on any of the 2008A Bonds which shall have become due (other than 2008A 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 and premium, if any, to the extent permitted by law, at the rate of interest borne by the 2008A Bonds) and, if the amount available shall not be sufficient to pay in full all 2008A 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 premium, if any, and interest on the 2008A Bonds which may thereafter become due and, if the amount available shall not be sufficient to pay in full 2008A Bonds, due on any particular date, together with interest and premium, if any, 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 the 2008A Bonds 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 2008A 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 2008A Bonds over any other 2005 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 2008A Bonds.

(c) If the principal of all the 2008A Bonds shall have been declared due and payable and if such declaration shall thereafter have been rescinded and annulled under the provisions of this heading, then, subject to the provisions of paragraph (b) above, in the event that the principal of all the 2008A Bonds shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of paragraph (a) above.

Rights and Remedies of Bondholders

No Holder of any of the 2008A Bonds shall have any right to institute any suit, action or proceeding in equity or in law for the execution of any trust under the Bond Indenture, or for any other remedy under the Bond Indenture or on the 2008A Bonds unless (a) such Holder previously shall have given to the Trustee written notice of an event of default as above provided, (b) a Majority of the Bondholders shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted above, or to

institute such action, suit or proceeding in its name, (c) there shall have been offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities which may be incurred therein or thereby, and (d) the Trustee shall have refused or neglected to comply with such question with a reasonable period of time. The parties to the Bond Indenture intend that no one or more Holders of the 2008A Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Bond Indenture, or to enforce any right under the Bond Indenture, except in the manner provided in the Bond Indenture, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Bond Indenture and for the equal benefit of all Holders of the Outstanding 2008A Bonds.

However, nothing in the Bond Indenture shall affect or impair the right of any Holder of a 2008A Bond, which is absolute and unconditional, to enforce the payment of the principal of and interest on such Holder's 2008A Bonds out of the moneys provided for such payment, or the obligation of the Issuer to pay the same out of the sources pledged under the Bond Indenture, at the time and place expressed in the Bond Indenture.

Waivers of Events of Default

The Trustee shall waive any Event of Default under the Bond Indenture and its consequences and rescind any declaration of acceleration of principal upon the written request of (a) a Majority of the Bondholders, in respect of which default in the payment of principal or interest, or both, exists or (b) a Majority of the Bondholders in the case of any other Event of Default; and provided that there shall not be waived any Event of Default specified in subsection (a) or (b) of Section 801 in the Bond Indenture unless prior to such waiver or rescission, the Borrowers shall have caused to be paid to the Trustee (i) all arrears of principal and interest (other than principal of or interest on the 2008A Bonds, which became due and payable by declaration of acceleration), with interest at the rate then borne by the 2008A Bonds on overdue installments, to the extent permitted by law, and (ii) all expenses of the Trustee in connection with such Event of Default. In case of any waiver or rescission described above, or in case any proceeding taken by the Trustee on account of any such Event of Default shall have been discontinued or concluded or determined adversely, then and in every such case the Issuer, the Trustee and the Holders of 2008A Bonds shall be restored to their former positions and rights under the Bond Indenture, respectively, but no such waiver or rescission shall extend to any subsequent or other Event of Default, or impair any right consequent thereon.

Trustee and Bondholders Entitled to all Remedies Under Act

It is the purpose of the Bond Indenture to provide such remedies to the Trustee and the Bondholders as may be lawfully granted under the provisions of the Act; but should any remedy granted in the Bond Indenture to be held unlawful, the Trustee and the Bondholders shall nevertheless be entitled to every other remedy provided by the Act. It is further intended that, insofar as lawfully possible, the provisions of the Bond Indenture shall apply to and be binding upon the trustee or receiver appointed under the Act.

Resignation by Trustee; Removal

The Trustee may at any time resign from the trusts created by the Bond Indenture by giving 45 days' written notice to the Issuer, to the Borrowers and to each Bondholder, but such resignation shall not take effect until the appointment of a successor Trustee, acceptance by the successor Trustee of such trusts and assignment to such successor Trustee of the rights of the predecessor Trustee under the Borrower's Security Instruments. The Trustee may be removed at any time by an instrument or concurrent instruments in writing delivered to the Trustee, the Issuer and the Borrowers and signed by the Borrowers or a Majority of the Bondholders, but such removal shall not take effect until the appointment of a successor Trustee and acceptance by the successor Trustee of such trusts. The Trustee also may be removed at any time for any breach of trust, or for acting or proceeding in violation of, or for failing to act or proceeding in accordance with, any provision of the Bond Indenture with respect to the duties and obligations of the Trustee, by any court of competent jurisdiction upon the application of the Issuer, the Borrowers or a Majority of the Bondholders.

Appointment of Successor Trustee

If the Trustee under the Bond Indenture shall resign or be removed, or be dissolved, or otherwise become incapable of acting under the Bond Indenture, or in case it shall be taken under the control of any public officer or officers, or of a receiver appointed by a court, a successor shall be appointed by the Borrowers. If the Borrowers do not appoint a successor Trustee within 45 days of the Trustee providing notice of its resignation, the Trustee may petition a court of competent jurisdiction to appoint a successor Trustee. At any time within one year after any such vacancy shall have occurred and provided a court has not appointed a successor Trustee as provided above, a Majority of the Bondholders may appoint a successor Trustee by an instrument or concurrent instruments in writing signed by or on behalf of such Holders, which appointment shall supersede any Trustee theretofore appointed by the Borrowers. Each successor Trustee shall be a trust company or bank having the powers of a trust company which is in good standing and has a reported capital, surplus and undivided profits of not less than \$100,000,000. Any such successor Trustee shall become Trustee upon giving notice to the Borrowers, the Issuer and the Bondholders, if any, of its acceptance of the appointment, vested with all the property, rights and powers of the Trustee under the Bond Indenture, without any further act or conveyance. Any predecessor Trustee shall execute, deliver and record and file such instruments as the Trustee may reasonably require to confirm or perfect any such succession.

Trustee Authorized to Vote Master Indenture Obligations; Exercise of Remedies

Except as provided below, the Trustee, as assignee of the Master Note, shall be entitled to vote the Master Note or the indebtedness represented thereby in connection with any proposed amendment, change, modification, waiver or consent (hereinafter in this paragraph referred to as an “amendment”) to or in respect of the Master Indenture. The Trustee may agree to any such amendment, without obtaining the consent of or the provision of notice to the owners of the 2008A Bonds as provided in the Bond Indenture. The Trustee shall exercise the rights available to it as the holder of the Master Note under the Master Trust Indenture in accordance with the terms thereof for the equal and ratable benefit and protection of the Holders of all Outstanding 2008A Bonds.

Supplemental Indentures Not Requiring Consent of Bondholders

The Issuer and the Trustee from time to time and at any time, subject to the conditions and restrictions in the Bond Indenture contained and to the written consent of the Borrowers, may enter into an indenture or indentures supplemental to the Bond Indenture, which indenture or indentures thereafter shall form a part of the Bond Indenture, for any one or more or all of the following purposes:

(a) to add to the covenants and agreements of the Issuer in the Bond Indenture contained, other covenants and agreements thereafter to be observed or to surrender, restrict or limit any right or power reserved in the Bond Indenture to or conferred upon the Issuer;

(b) to make such provisions for the purpose of curing any ambiguity, or curing, correcting or supplementing any defective provision, contained in the Bond Indenture as may be requested or required by any nationally recognized rating agency, or in regard to matters or questions arising under the Bond Indenture, as the Issuer may deem necessary or desirable and not inconsistent with the Bond Indenture;

(c) to modify, amend or supplement the Bond Indenture or any indenture supplemental to the Bond Indenture in such manner as to permit the qualification of the Bond Indenture and thereof under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect or any state securities or trust indenture law and, if they so determine, to add to the Bond Indenture, or any indenture supplemental to the Bond Indenture, such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar federal statute or such state securities or trust indenture law;

(d) to grant additional rights and powers to the Trustee;

(e) to create such accounts or subaccounts within the funds and accounts created under the Bond Indenture as the Borrowers shall deem necessary or desirable to enable the Borrowers to account for expenditures of 2008A Bond proceeds or as otherwise shall be requested by the Borrowers;

(f) to provide for, or modify existing provisions to, a book-entry system of registration for the 2008A Bonds;

(g) to obtain, maintain or improve a rating on the 2008A Bonds from any Rating Agency; or

(h) to make any change that, in the judgment of the Trustee, does not materially adversely affect the right of any Bondholder (and the release and substitution of the Master Indenture Note shall be deemed to have no material adverse effect on the rights of any Bondholder).

In the event any Rating Agency has issued a rating of any of the 2008A Bonds, such Rating Agency or Rating Agencies, as the case may be, shall receive prior written notice from the Trustee of the proposed amendment but such notice shall not be a condition of the effectiveness of such amendment.

Supplemental Indentures Requiring Consent of Bondholders

Upon notice to the Bondholders and with the consent of a Majority of the Bondholders which would be affected and the consent of the Borrowers, the Issuer and the Trustee may from time to time and at any time enter into an indenture or indentures supplemental to the Bond Indenture for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Bond Indenture or of any Supplemental Indenture; provided, however, that no such Supplemental Indenture shall (a) extend the fixed maturity of any bond or reduce the rate of interest thereon or extend the time for payment of interest, or reduce the amount of the principal thereof, or reduce or extend the time for payment of any premium payable on the redemption thereof, without the consent of the owners of each bond so affected, or (b) reduce the aforesaid percentage of owners of 2008A Bonds required to approve any such Supplemental Indenture, or (c) deprive the Holders of the 2008A Bonds (except as aforesaid) of the lien created by the Bond Indenture without the consent of all of the 2008A Bonds then Outstanding affected thereby, or (d) adversely affect the tax-exempt status of the 2008A Bonds, without the consent of the Bondholders of all the 2008A Bonds then Outstanding affected thereby.

In the event any Rating Agency has issued a rating of any of the 2008A Bonds, such Rating Agency or Rating Agencies, as the case may be, shall receive prior written notice from the Trustee of the proposed amendment but such notice shall not be a condition of the effectiveness of such amendment.

Borrower's Consent

Anything in the Bond Indenture to the contrary notwithstanding, a supplemental indenture under the Bond Indenture shall not become effective unless and until the Borrowers shall have consented to the execution and delivery of such supplemental indenture.

Modification by Unanimous Consent

Notwithstanding anything contained elsewhere in the Bond Indenture, the rights and obligations of the Borrowers, the Issuer, the Trustee and the Holders of the 2008A Bonds and the terms and provisions of the 2008A Bonds and the Bond Indenture or any supplemental agreement may be modified or altered in any respect with the consent of the Borrowers, the Issuer, the Trustee and the Holders of all of the 2008A Bonds then Outstanding.

Execution of Amendments and Supplements by Bond Trustee

The Trustee shall not be obligated to sign any amendment or supplement to the Bond Indenture or the 2008A Bonds if the amendment or supplement, in the judgment of the Trustee, could adversely affect the rights, duties, liabilities, protections, privileges, indemnities or immunities of the Trustee. In signing an amendment or supplement, the Trustee (subject to 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 2008A Bonds.

Amendments to Loan Agreement and Master Note Not Requiring Consent of Bondholders

The Issuer and the Borrowers may from time to time and at any time, with the consent of the Trustee, enter into a supplemental loan agreement or an amendment or supplement to the Master Note for any one or more of the following purposes:

(a) to add to the covenants and agreements of the Borrowers contained therein, other covenants and agreements thereafter to be observed or to surrender, restrict or limit any right or power in the Bond Indenture reserved to or conferred upon the Borrowers;

(b) to make such provisions for the purpose of curing any ambiguity, or curing, correcting or supplementing any defective provision, contained in the Loan Agreement or the Master Note, or in regard to matters or questions arising under the Loan Agreement or the Master Note, as the Issuer and the Borrowers may deem necessary or desirable and not inconsistent therewith and which shall not materially adversely affect the interest of the registered owners of the 2008A Bonds;

(c) to make any changes in the Loan Agreement or the Master Note required in connection with a supplemental indenture authorized under the Bond Indenture or a supplement to the Master Indenture authorized pursuant to the Bond Indenture;

(d) to grant additional rights and powers to the Trustee or the Issuer; or

(e) to make revisions to the Loan Agreement or the Master Note which shall be effective only upon, and in connection with, the remarketing of all of the 2008A Bonds then Outstanding.

Any supplemental loan agreement authorized by the foregoing provisions of this Section may be executed by the Issuer and the Borrowers, and consented to by the Trustee, without the consent or notice to the owners of any of the 2008A Bonds at the time Outstanding.

Amendments to Loan Agreement and Master Note Requiring Consent of Bondholders

Without limiting the provisions described under the subheading “Amendments to Loan Agreement and Master Note Not Requiring Consent of Bondholders” above, if the Issuer and the Borrowers propose to amend the Loan Agreement or the Master Note in such a manner as would adversely affect the interests of the Bondholders, the Trustee shall notify the Bondholders of the proposed amendment and may consent thereto with the consent of at least a Majority of the Bondholders which would be affected by the action proposed to be taken; provided, that the Trustee shall not, without the unanimous consent of the owners of all 2008A Bonds then Outstanding, consent to any amendment which would (a) decrease the amount payable on the Master Note or under the Loan Agreement or (b) change the date of payment of principal of or interest on the Master Note or change any of the prepayment provisions of the Master Note.

Supplements to the Master Indenture

If the consent of the Trustee, as the registered owner of the Master Note, is required for any supplement to the Master Indenture pursuant to the terms thereof, the Trustee shall consent to any such supplement if (a) the Trustee determines that such supplement is not of a type described in the Bond Indenture, and (b) the Trustee has received the consent of the Holders of a Majority of the 2008A Bonds affected thereby, and (c) in the opinion of Bond Counsel, the tax-exempt status of the 2008A Bonds will not be adversely affected; provided, however, that no such supplement to the Master Indenture shall extend the maturity of the Master Note 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 2008A Bonds pursuant to a Supplemental Indenture authorized pursuant to the Bond Indenture.

Execution of Amendments and Supplements by Master Trustee

The Trustee shall not be obligated to sign any amendment or supplement to the Master Indenture, the Loan Agreement or the Master Note if the amendment or supplement, in the judgment of the Trustee, could adversely affect the rights, duties, liabilities, protections, privileges, indemnities or immunities of the Trustee. In signing an amendment or supplement, the Trustee (subject to 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 2008A Bonds.

Bonds Owned by Issuer or Borrowers

In determining whether Holders of the requisite aggregate principal amount of the 2008A Bonds have concurred in any direction, consent or waiver under the Bond Indenture, Borrower's Bonds (unless one or more of such Persons own all of the 2008A Bonds which are then Outstanding are Borrower's Bonds, determined without regard to this paragraph) shall be disregarded and deemed not to be outstanding for the purpose of any such determination, except that, for the purpose of determining whether the Trustee shall be protected in relying on any such direction, consent or waiver, only 2008A Bonds which the Trustee knows are Borrower's Bonds shall be so disregarded. 2008A Bonds so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such 2008A Bonds and that the pledgee is not the Issuer or the Borrowers (unless all of the 2008A Bonds which are then Outstanding are Borrower Bonds, determined without regard to this paragraph). In case of a dispute as to such right, any decision by the Trustee taken in good faith upon the advice of counsel shall be full protection to the Trustee in accordance with its standards of performance under the Bond Indenture.

THE LOAN AGREEMENT

The following is a summary of certain provisions of the Loan Agreement. This summary does not purport to be complete and is qualified in its entirety by reference to the Loan Agreement.

Certain Covenants of the Borrowers

Preservation of Tax-Exempt Status. The Borrowers agree that throughout the term of the Loan Agreement:

(a) Notwithstanding any provision in the Loan Agreement or in the Bond Indenture to the contrary, it will not take (or permit an Obligated Group Member to take) any action or permit any action to be taken on its behalf or cause or permit any circumstance within its control to arise or continue (including, without limitation, any action or circumstance which would result in the revocation or modification of its status (or the status of an Obligated Group Member) as an organization described in Section 501(c)(3) of the Code), if such action or circumstance would adversely affect the validity of the 2008A Bonds or cause the interest on the Bonds to be included in the gross income of the Holders thereof for purposes of federal income taxation.

(b) Neither it nor any Person related to it within the meaning of Section 147(a)(2) of the Code shall purchase bonds of the Issuer in an amount related to the total amount payable under and secured by the Loan Agreement.

(c) It shall not carry on or permit to be carried on in the Facilities, or any other property now or hereafter owned by the Borrowers or an Obligated Group Affiliate (or with the proceeds of Bonds, or the proceeds of any loan refinanced with the proceeds of Bonds), any trade or business the conduct of which would cause the interest on the Bonds to be included in the gross income of the Holders thereof for purposes of federal income taxation.

(d) It will cooperate with the Issuer in the preparation and filing of any information, report or other document with respect to the Bonds which may at any time be required, in the judgment of the Issuer, to be filed with the Internal Revenue Service pursuant to the Code.

(e) It will comply with the provisions of the Tax Certificate, as required under the Loan Agreement.

Arbitrage Rebate. As provided in the Bond Indenture, the Trustee will invest moneys held by the Trustee as directed by the Borrowers. The Issuer and the Borrowers covenant with each other and with the holders of the Bonds that, notwithstanding any other provision of the Loan Agreement or any other instrument, they will neither make nor instruct the Trustee to make any investment or other use of the proceeds of the Bonds, or take or omit to take any other action which would cause the Bonds to be arbitrage bonds under Section 148 of the Code and the regulations thereunder, and that they will comply with the requirements of the Code and regulations throughout the terms of the Tax-Exempt Bonds.

The Borrowers shall determine or retain an experienced arbitrage rebate consultant (a “Rebate Consultant”) to determine, within 60 days after each Bond Year the amount required to be rebated to the United States pursuant to Section 148(f) of the Code, as calculated from the date of original delivery of the Bonds. Notwithstanding the foregoing, the Borrowers shall not be required to make such determination, except as required in connection with making the payments to the United States Treasury described under the next paragraph, if during the preceding Bond Year there have been no investments made of amounts on deposit in any fund or account established under the Bond Indenture in “nonpurpose investments” (as defined in Section 148(f)(6) of the Code) having a yield higher than the end yield of the Bonds and the Borrowers shall not be required to make such determination with respect to any portion of the Bonds which is, or is reasonably expected to be, exempt from rebate by virtue of the six-month, 18-month, or two-year construction issue rebate exemptions of Section 148 of the Code. The Borrowers shall notify the Trustee in writing if such determination is not required to be made and the basis therefore.

The Borrowers shall at their option either pay to the Trustee for deposit in the Rebate Fund, or pay, or cause to be paid, to the United States Treasury (a) not less frequently than 60 days after the end of every fifth Bond year, an amount, as determined by the Borrowers or a Rebate Consultant, at least equal to 90% of the amount required to be rebated pursuant to Section 148(f) of the Code, with respect to the Bonds, giving effect to any prior payments made pursuant to this paragraph, and (b) not later than 60 days after the retirement of the last Bonds, 100% of the aggregate amount required to be rebated pursuant to Section 148(f) of the Code.

If the Borrowers have directed the Issuer to elect that in lieu of arbitrage rebate, a portion of the Bonds of any Series shall be subject to penalties on unspent proceeds in the event of failure to comply with the two-year schedule of expenditures for construction issues pursuant to Section 148(f)(4)(C) of the Code, the Borrowers or the Rebate Consultant shall calculate the penalty as of the end of each six-month period from the date of issuance of the Bonds and shall pay over such amount to the United States Treasury Department within 90 days after each six-month period any penalty amount due.

The Borrowers will pay to or for the account of the Issuer all amounts needed to comply with the requirements of Section 148 of the Code, concerning arbitrage bonds, including Section 148(f), which requires generally a rebate payment to the United States of arbitrage profit from investment of the proceeds of the 2008A Bonds in obligations other than tax-exempt obligations. The obligation of the Borrowers to make such payments is unconditional and is not limited to funds representing the proceeds of the 2008A Bonds or income from the investment thereof or any other particular source.

Concerning the Project. The proceeds of the 2008A Bonds shall be applied by the Trustee to the payment of the Costs of the Project or other purposes for which the Bonds were issued in accordance with the Bond Indenture, and pending such application, such money shall be invested and reinvested in accordance with the Bond Indenture. The Borrowers shall pay that portion of the Costs of the Project as may be in excess of the money available therefor under the Bond Indenture. If after exhaustion of the money in the Project Fund, the Borrowers should pay any portion of the Costs of the Project, it shall not be entitled to any reimbursement therefor from the Issuer or the Trustee, and shall not be entitled to any abatement, diminution or postponement of Loan Payments or other amounts payable under the Loan Agreement.

Borrowers to Perform Certain Covenants Under Indenture and Master Indenture. Each Borrower acknowledges that it has received an executed copy of the Bond Indenture, that it is familiar with its provisions and agrees to be bound to the fullest extent permitted by law to all provisions thereof directly or indirectly relating to it, that it will take all such actions as are required or contemplated of it under the Bond Indenture to preserve and protect the rights of the Trustee and of the Holders thereunder and that it will not take or effect any action which would cause a default thereunder or jeopardize such rights.

The Members shall perform their covenants under the Master Indenture, as amended from time to time, or any successor agreement thereto while the Master Indenture or any successor agreement is in effect.

The Loan; Repayment

Master Note. In order to evidence the Loan and the obligation of the Borrowers to repay the same, the Obligated Group shall execute and deliver to the Trustee, as assignee and pledgee of the Issuer, the Master Note. The Master Note shall be dated the date of the initial authentication of the Bonds and shall provide for payment of amounts, which among other things, correspond as to time and amount with payments due on the Bonds. The Master Note shall be an obligation secured under the Master Indenture. All payments received under the Master Note shall be credited against the loan payment obligations of the Borrowers set forth in the Loan Agreement.

Obligations Unconditional. All payment and other obligations of the Borrowers under the Loan Agreement and of the Obligated Group under the Master Note are and shall be general obligations of the Borrowers and/or the Obligated Group, as applicable, to which its full faith and credit are pledged. The Borrowers will pay without abatement, diminution or deduction (whether for taxes, loss of use, in whole or in part, of the Facilities or otherwise) all such amounts regardless of any cause or circumstance whatsoever, which may now exist or may arise, including without limitation, any defense, set-off, recoupment or counterclaim which the Borrowers may have or assert against the Issuer, the Trustee, any Bondholder or any other person.

Repayment. The obligation to pay the Loan shall be a direct, general unconditional obligation of the Borrowers. The Borrowers shall pay or cause to be paid to the Trustee, as assignee of the Issuer, for deposit in the Bond Fund the following sums as repayments of the Loan at the following times:

(a) On or before the close of business on the day preceding each Interest Payment Date for the Bonds, the amount which, together with other available funds in the Bond Fund established under the Bond Indenture, is necessary to provide for the payment of interest on the Bonds becoming due on such Interest Payment Date.

(b) On or before the close of business on the day preceding each principal payment date or Mandatory Sinking Fund Redemption date for the Bonds, the amount which, together with other available funds in the Bond Fund established under the Bond Indenture, is necessary to provide for the payment of the principal amount or Mandatory Sinking Fund Redemption amount of the Bonds becoming due on such principal payment date or Mandatory Sinking Fund Redemption date.

Prepayment. The Borrowers shall be permitted, at any time and from time to time, upon 45 days written notice to the Issuer and the Trustee (or such shorter notice period as is acceptable to the Trustee), to prepay all or any part of the amounts payable under the Loan Agreement together with such other amounts as shall be sufficient to purchase or redeem all or a portion of the Bonds in accordance with the Bond Indenture. All sums prepaid in accordance with this paragraph shall be applied to the redemption or purchase of the Bonds in the manner and to the extent provided in the Bond Indenture. At the request of the Borrowers or the Trustee, the Issuer shall take all steps required of it under the applicable provisions of the Bond Indenture or the Bonds to effect the redemption of all or a portion of the Bonds.

Defaults and Remedies

Loan Defaults. Each of the following shall constitute a “Loan Default” under the Loan Agreement:

(a) failure by the Borrowers to pay any Loan Payment or other payment required to be paid under the Loan Agreement or under the Master Note on or before the date on which such Loan Payment is due and payable;

(b) failure by the Borrowers to observe and perform any covenant, condition or agreement on their part to be observed or performed under the Loan Agreement other than the failure referred to in the Loan Agreement for a period of 30 days after written notice specifying such failure and requesting that it be remedied, is given to the Borrowers by the Issuer or the Trustee, unless the Issuer and the Trustee shall agree in writing to an extension of such time prior to its expiration; provided, however, that if the failure stated in the notice is correctable but cannot be corrected within the applicable period, no Loan Default shall be deemed to have occurred or to exist if, and so long as, the Borrowers shall commence such observance or performance within such 30-day period and shall diligently and continuously prosecute the same to completion (the Issuer and the Trustee will not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the Borrowers within the applicable period and diligently pursued until such failure is corrected);

(c) the filing by the Borrowers 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 Borrowers of an answer consenting to, admitting the material allegations of or otherwise not controverting, or the failure of the Borrowers 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 Borrowers or the failure of the Borrowers 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 Borrowers 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 Borrowers bankrupt or insolvent under, or ordering relief against the Borrowers under, or approving as properly filed a petition seeking relief against the Borrowers 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 Borrowers or of all or any substantial portion of the property of the Borrowers, or ordering the reorganization, winding up or liquidation of the affairs of the Borrowers, or the expiration of 60 days after the filing of any involuntary petition against the Borrowers seeking any of the relief described in this subheading without the petition being dismissed prior to that time;

(e) an event of default shall occur under the Bond Indenture; or

(f) receipt of notice from the Master Trustee to the effect that an “event of default” under the Master Indenture shall have occurred.

The foregoing provision (b) of this subheading is subject to the following limitation: if by reason of *force majeure*, the Borrowers are unable in whole or in part to carry out the agreements on its part under the Loan Agreement, the Borrowers 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 Commonwealth 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 or accident to machinery, transmission pipes or canals.

Remedies. Whenever any Loan Default shall have occurred and be continuing, the Issuer and the Trustee may, in addition to any other remedies provided in the Loan Agreement or by law, without any further demand or notice, to take one or any combination of the following remedial steps:

(a) declare all amounts due under the Loan Agreement to be immediately due and payable, and upon notice to the Borrowers the same shall become immediately due and payable without further notice or demand; or

(b) declare all amounts due under the Master Note to be immediately due and payable, and upon notice to the Borrowers the same shall become immediately due and payable without further notice or demand; or

(c) 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 under the Master Note or to enforce any other rights of the Trustee or the Issuer under the Loan Agreement or as the owner of a Master Indenture Obligation (as defined in the Master Indenture) issued under the Master Indenture. Any amounts collected pursuant to action under this heading shall be paid into the Bond Funds pro-rata and applied in accordance with the provisions of the Bond Indenture.

Unassigned Issuer Rights

Notwithstanding anything in the Loan Agreement to the contrary, upon the occurrence of an Event of Default thereunder that constitutes a breach of a provision of the Loan Agreement that is an Unassigned Issuer Right, the Issuer reserves the right to exercise (or refrain from exercising) remedies under the Loan Agreement with respect to such Event of Default; provided however that the Issuer shall give the Borrowers at least ten days prior written notice of its intent to exercise such remedies. Any Event of Default occurring under the Loan Agreement that constitutes a breach of a provision thereof that is an Unassigned Issuer Right may not be waived without first obtaining the prior written consent of the Issuer.

Assignment of Loan Agreement

The Borrowers may assign their interest in the Loan Agreement, in whole or in part, to a related Person (i.e., a Person controlling, controlled by or under common control with the Borrowers without the prior written consent of the Issuer or the Trustee. Except as provided in the preceding sentence, any assignment by the Borrowers of their interest in the Loan Agreement shall be subject to the prior written consent of the Issuer, which consent shall be granted by the Issuer if the Borrowers shall provide the Trustee and the Issuer with: (a) a certificate of a Borrower's Representative to the effect that such assignment will not result in any event of default, or event which, with the passage of time or the giving of notice or both, would constitute such event of default under the Master Indenture; (b) a Favorable Opinion of Bond; and (c) a true and complete copy of each such assignment and assumption of obligation.

Amendments, Changes and Modifications

The Loan Agreement may not be amended by the Issuer and the Borrowers unless such amendment is consented to in writing by the Trustee and made in accordance with the Bond Indenture. Copies of any such amendments shall be provided to the Rating Agencies.

THE MASTER INDENTURE

The following is a summary of certain provisions of the Master Indenture. This summary does not purport to be complete and is qualified in its entirety by reference to the Master Indenture.

Definitions

“Accountant” means a Person engaged in the practice of accounting who is a certified public accountant and who (except as otherwise expressly provided in the Master Indenture) may be employed by or affiliated with any member of the Combined Group.

“Affiliate” of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, “control” when used with respect to any specified Person means the power to direct the policies of such Person, directly or indirectly, whether through the power to appoint and remove its directors or trustees, the ownership of voting securities, by contract, or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“Annual Debt Service Requirements” (i) when used in connection with the Bond Indenture, means the aggregate amount of principal and interest on the Bonds coming due in the current or any future fiscal year; (ii) when used in connection with the Master Indenture, of any specified Person means, for any Fiscal Year, the principal of (and premium, if any) and interest and other debt service charges (which include for purposes of the Master Indenture, any fees or premiums for any letter of credit, surety bond, policy of insurance, bond purchase agreement, or any similar credit or liquidity support secured in connection therewith) on all Long Term Debt of such Person coming due at Maturity or Stated Maturity, and, for such purposes, any one or more of the following rules will apply at the election of the Obligated Group Agent:

(i) Committed Take Out - if such Person has received a binding commitment, within normal commercial practice, from any bank, savings and loan association, insurance company, or similar institution to refund or purchase any of its Long Term Debt at its Stated Maturity (or, if due on demand, or payable in respect of any required purchase of such Debt by such Person, at any date on which demand may be made), then the portion of the Long Term Debt committed to be refunded or purchased will be excluded from such calculation and the principal of (and premium, if any) and interest on the Long Term Debt incurred for such refunding or purchase that would be due in the Fiscal Year for which the calculation is being made, if incurred at the Maturity or purchase date of the Long Term Debt to be refunded or purchased, will be added;

(ii) Pro Forma Refunding - in the case of Balloon Debt, the Person obligated thereon must after consultation with a nationally recognized firm of investment bankers or financial consultants deliver to the Master Trustee an Officer’s Certificate dated 90 days prior to the date of delivery of such certificate to the Master Trustee stating that financing at a stated interest rate (which will not be less than the *Bond Buyer Revenue Bond Index*) with a Stated Maturity not greater than 30 years is reasonably attainable on the date of such certificate to refund any of such Balloon Debt, then any installment of principal of (and premium, if any) and interest and other debt service charges on such Balloon Debt that could so be refunded will be excluded from such calculation and the principal of (and premium, if any) and interest and other debt service charges on the Long Term Debt which would result from the financing so certified due in such Fiscal Year must be added;

(iii) Consensual Sinking Fund - in the case of Balloon Debt, if the Person obligated thereon must deliver to the Master Trustee a Board Resolution of such Person providing for the retirement of (and the instrument creating such Balloon Debt permits the retirement of), or for the establishment of a sinking fund for, such Balloon Debt according to a fixed schedule not in excess of 30 years stated in such resolution ending on or before the Fiscal Year in which such principal (and premium, if any) is due, then for so long as all installments previously scheduled have been paid or deposited to the sinking fund established with respect to such Debt on or before the times required by such schedule, the principal of (and, in the case of retirement, or to the extent provided for by the sinking fund, the premium, if any, and interest and other debt service charges on) such Balloon Debt will be computed as if the same were due in accordance with such schedule;

(iv) Prefunded Payments - principal of (and premium, if any) and interest and other debt service charges on Debt, or portions thereof, is not included in the computation of the Annual Debt Service Requirements for any Fiscal Year for which such principal, premium, interest, or other debt service charges are payable from funds irrevocably deposited or set aside in trust for the payment thereof at the time of such calculations (including without limitation capitalized interest and accrued interest so deposited or set aside in trust or escrowed with the Master Trustee or another Independent Person approved by the Master Trustee);

(v) Variable Rate Debt - as to any Debt that bears interest at a variable interest rate which cannot be ascertained at the time of calculation, an interest rate equal to the lesser of an annual interest rate equal to the Bond Buyer Revenue Bond Index and the average rate of interest born by such Debt (or other indebtedness of comparable credit quality, maturity and purchase terms in the event that such Debt was not outstanding) during the preceding

Fiscal Year (or any period of comparable length ending within 180 days) prior to the date of calculation will be presumed to apply for all future dates; and

(vi) Contingent Obligations - in the case of any guarantees or other Debt described in clause (iii) of the definition of Debt, the principal of (and premium, if any) and interest and other debt service charges on such Debt for any Fiscal Year will be deemed to be 25% of the principal of (and premium, if any) and interest and other debt service charges on the indebtedness guaranteed due in such Fiscal Year; provided, however, that if the Person which guarantees or is otherwise obligated in respect of such Debt is actually required to make any payment in respect of such Debt, the total amount payable by such Person in respect of such guarantee or other obligation in such Fiscal Year is included in any computation of the Annual Debt Service Requirements of such Person for such year and the amount payable by such Person in respect of such guarantee or other obligation in any future Fiscal Year is included in any computation of the estimated Annual Debt Service Requirements for such Fiscal Year; and

(vii) Financial Products - If a Financial Products Agreement has been entered into by any Member with respect to Long Term Debt, interest on such Long Term Debt shall be included in the calculation of Annual Debt Service Requirements by including for such period an amount equal to the amount payable on such Long Term Debt in such period at the rate or rates stated in such Long Term Debt plus any payments by such Person in respect of such Financial Products Agreement minus any payments receivable by such Person in respect of such Financial Products Agreement.

“Annual Period” as of any date means the period commencing on the 365th day preceding such date and ending on such date.

“Authorized Newspaper” means a newspaper of general circulation in the relevant area, printed in the English language and customarily published on each business day, whether or not published on Saturdays, Sundays or holidays. Whenever successive weekly publications in an Authorized Newspaper are required under the Master Indenture they may be made (unless otherwise expressly provided in the Master Indenture) on the same or different days of the week and in the same or in different Authorized Newspapers.

“Available Revenues” of any specified Person means, for any period, the amount of excess (deficit) of Gross Revenues over Expenses of such Person for such period, plus income, if any, for such period from the investment of unrestricted or restricted funds not otherwise included in such Gross Revenues (but only to the extent that the Annual Debt Service Requirements of such Person for such period includes amounts to which such income may be applied, assuming any necessary action by the Governing Body of such Person), plus amounts which have been deducted for such period for or to make provision for:

- (i) interest and other debt service charges on Long Term Debt;
- (ii) amortization of Debt discount; and
- (iii) property retirement, depreciation, depletion, obsolescence, and other items not requiring an outlay of cash;

but less: (a) any income from any amounts deposited for payment of principal (and premium, if any) and interest and other debt service charges (1) as provided in the definition of Debt or (2) to the extent such income was used in any adjustment of Annual Debt Service Requirements pursuant to clause (iv) of the definition of Annual Debt Service Requirements, (b) any interest or other debt service charges on Long Term Debt thereby excluded from the definition of Annual Debt Service Requirements and (c) pledges for such period to make a donation, gift, or other charitable contribution to the extent encumbered, as permitted in the Master Indenture to secure the payment of Debt that is not Long Term Debt.

“Balloon Debt” means Long Term Debt where the principal of (and premium, if any) and interest and other debt service charges on such Long Term Debt due (or payable in respect of any required purchase of such Debt by such Person on demand) in any Fiscal Year either are equal to at least 25% of the total principal of (and premium, if any) and interest and other debt service charges on such Long Term Debt or exceed by more than 50% the greatest

amount of principal of (and premium, if any) and interest and other debt service charges on such Long Term Debt due in any preceding or succeeding Fiscal Year.

“Board Resolution” of any specified Person means a copy of a resolution certified by the Person responsible for maintaining the records of the Governing Body of such Person to have been duly adopted by the Governing Body of such Person and to be in full force and effect on the date of such certification and delivered to the Master Trustee.

“Book Value” means (a) when used with respect to Property of a Member, the value of such Property, net of accumulated depreciation and amortization, as reflected in or derived from the most recent audited financial statements of such Member of the Obligated Group which have been prepared in accordance with generally accepted accounting principles; and (b) when used with respect to Property of all Members, the aggregate of the values of such Property, net of accumulated depreciation and amortization, as reflected in or derived from the most recent audited consolidated financial statements, provided that such aggregate must be calculated in such a manner that no portion of the value of any Property of any Member is included more than once.

“Combined Group” means the Obligated Group Agent, all other Members of the Obligated Group and all Restricted Affiliates at the relevant time.

“Consent,” “Order” and “Request” of any specified Person mean, respectively, a written consent, order, or request signed in the name of such Person and delivered to the Master Trustee by the chairman of the Governing Body, president, an executive or senior vice president, chief financial officer or any other Person designated by any of such Persons to execute any such instrument as evidenced by an Officer’s Certificate delivered to the Master Trustee.

“Current Value” means (a) with respect to property, plant and equipment, the aggregate fair market value of such property, plant and equipment as determined by (1) a written report of an Independent appraiser acceptable to the Master Trustee and, in the case of real property, who is a member of the American Institute of Real Estate Appraisers (MAI), delivered to the Master Trustee (which report must be dated not more than three years prior to the date as of which Current Value is to be calculated), or (2) a bona fide offer for the purchase of such property made on an arm’s length basis within one year of the date of determination as established by an Officer’s Certificate; and (b) with respect to any other Property, the fair market value of such Property.

“Debt” of any specified Person means all:

- (i) indebtedness incurred or assumed by such Person for borrowed money or for the acquisition, construction or improvement of property other than goods that are acquired in the ordinary course of business of such Person;
- (ii) lease obligations of such Person that, in accordance with generally accepted accounting principles, are shown on the liability side of a balance sheet;
- (iii) all guarantees of indebtedness (other than indebtedness otherwise treated as Debt under the Master Indenture) for borrowed money or the acquisition, construction or improvement of property or capitalized lease obligations guaranteed, directly or indirectly, in any manner by such Person, or in effect guaranteed, directly or indirectly, by such Person through an agreement, contingent or otherwise, to purchase any such indebtedness or to advance or supply funds for the payment or purchase of any such indebtedness or to assure the owner of the indebtedness against loss, or to supply funds to or in any other manner invest in the debtor (including any agreement to pay for property or services irrespective of whether or not such property is delivered or such services are rendered), or otherwise; and
- (iv) all indebtedness secured by any mortgage, lien, charge, encumbrance, pledge or other security interest upon property owned by such Person whether or not such Person has assumed or become liable for the payment thereof.

For the purpose of computing the “Debt” of any Person, there will be excluded any particular Debt if, upon or prior to the Maturity thereof, there has been deposited with the proper depository in trust the necessary funds (or evidences of such Debt or investments that will provide sufficient funds, if permitted by the instrument creating such Debt) for the payment, redemption or satisfaction of such Debt; and thereafter such funds, evidences of Debt and investments so deposited are not included in any computation of the assets of such Person, and the income from any such deposits are not included in the calculation of Gross Revenues or Available Revenues of such Person. Further, for the purpose of computing “Debt” of any Person there shall be excluded inter-company notes among WellSpan Affiliates, cash advances among WellSpan Affiliates and funded depreciation borrowing among WellSpan Affiliates.

“Defeasance Obligations” means, when used in connection with the Master Indenture:

(a) direct obligations of the United States of America or obligations to the full and prompt payment of which the full faith and credit of the United States of America is irrevocably pledged or evidences of direct ownership of interests in future interest and principal payments on such obligations held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor on such obligations, and which underlying obligations are not available to satisfy any claim of the custodian or any person claiming through the custodian or to whom the custodian may be obligated; or

(b) obligations the interest on which is excludable from the gross income of all owners thereof for federal income tax purposes, and provision for the payment of the principal of (and premium, if any) and interest on which has been made by the irrevocable deposit at least 123 days preceding the date of determination with a bank or trust company acting as a trustee or escrow agent for holders of such obligations of money, or obligations described in clause (a) above, the maturing principal of and interest on which, when due and payable, without reinvestment will provide money sufficient to pay when due the principal of (and premium, if any) and interest on such obligations, and which money, or obligations described in clause (a) above, are not available to satisfy any other claim, including any claim of the trustee or escrow agent or any claim of any Person claiming through the trustee or escrow agent or any claim of any Person to whom the Person on whose behalf such irrevocable deposit was made, the trustee or the escrow agent may be obligated, whether arising out of the insolvency of the Person on whose behalf such irrevocable deposit was made, the trustee or escrow agent or otherwise provided that, at the time of their purchase, such obligations are rated in the highest generic long-term debt rating category by each Rating Service.

“Event of Default” means, when used in connection with the Master Indenture, any of the events described under the heading, “The Master Indenture—Defaults and Remedies—Events of Default.”

“Excluded Property” means (a) any assets of “employee pension benefit plans” as defined in the Employee Retirement Income Security Act of 1974, as amended, (b) any assets of a self-insurance trust which prohibits any application of such assets for purposes which are not related to claims as defined in the governing trust document, (c) all endowment funds and property derived from gifts, grants, research contracts, bequests, donations and contributions heretofore or hereafter made to or with any Member which are specifically restricted by the donor, testator or grantor to a particular purpose, and the income and gains derived therefrom, and (d) any other Property that is designated as Excluded Property by the Obligated Group Agent in an Officer’s Certificate delivered to the Master Trustee, accompanied by a report of a Consultant that such property does not constitute a material or integral part of the primary operations of the Combined Group and is not material in the determination of Available Revenues.

“Exempt Person” means a state or local governmental unit or an organization exempt from federal income taxation under Section 501(a) of the Code by reason of being described in Section 501(c)(3) of the Code.

“Expenses” means, for any period of time for which calculated, the total of all operating and non-operating expenses or losses incurred during such period by the Member or group of Members for which such calculation is made, determined in accordance with generally accepted accounting principles, other than (a) interest expense, (b) depreciation and amortization, (c) extraordinary losses resulting from the early extinguishment of debt, (d) the sale or other disposition of assets not in the ordinary course of business or any reappraisal, revaluation or write-down of assets, (e) any other extraordinary losses or expenses, (f) if such calculation is being made with respect to the

Obligated Group, any such expenses attributable to transactions between any Member and any other Member, (g) any expenses attributable to transactions between any Member and any Restricted Affiliate, and (h) any unrealized gain or loss on investments.

“Financial Products Agreement” means any type of financial management instrument or contract, which shall include, but not be limited to, (i) any contract known as or referred to or which performs the function of an interest rate swap agreement, currency swap agreement, forward payment conversion agreement or futures contract; (ii) any contract providing for payments based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices; (iii) any contract to exchange cash flows or payments or a series of payments; (iv) any type of contract called, or designed to perform the function of, interest rate floors or caps, options, puts or calls, to hedge or minimize any type of financial risk, including, without limitation, payment, currency, rate or other financial risk forward supply agreements; and (v) any other type of contract or arrangement that the Governing Body of the Obligated Group Agent or the Member or Restricted Affiliate proposing to enter into such contract or arrangement determines is to be used, or is intended to be used, to manage or reduce the cost of debt (including but not limited to a bond insurance policy), to convert any element of debt from one form to another, to maximize or increase investment return, to minimize investment return risk or to protect against any type of financial risk or uncertainty.

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

“Gettysburg Hospital” means The Gettysburg Hospital, a non-profit corporation organized under the laws of the Commonwealth.

“Governing Body” of any specified Person means the board of directors or board of trustees of such Person or any duly authorized committee of that board, or if there be no board of trustees or board of directors, then the person or body which pursuant to law or the Organizational Documents of such Person is vested with powers similar to those vested in a board of trustees or a board of directors.

“Gross Receipts” means all receipts, revenues, income and other moneys received by or on behalf of an Obligated Group Member or the Obligated Group, including, but without limiting the generality of the foregoing, revenues derived from the ownership or operation of Property of an Obligated Group Member or the Obligated Group, including insurance and condemnation proceeds with respect to such Property or any portion thereof, and all rights to receive the same, whether in the form of accounts, accounts receivable, contract rights or other rights, and the proceeds of such rights, whether now owned or held or hereafter coming into existence; provided, however, that (i) gifts, grants (including Hill-Burton grants), bequests, donations and contributions heretofore or hereafter made and designated or specified by the granting authority, donor or maker thereof as being for specified purposes (inconsistent with the payment of debt service on the Debt) and the income derived therefrom to the extent required by such designation or specification, and (ii) revenues, receipts and income derived from the ownership and operation of Property which secures Non-Recourse Debt, shall be excluded from Gross Receipts.

“Gross Revenues” shall have the meaning given to it in accordance with generally accepted accounting principles applicable to entities like The Gettysburg Hospital and York Hospital.

“Holder” (when used in connection with the Master Indenture) or “Master Note Holder” means a Person in whose name a Master Note is registered in the Master Note Register.

“Independent” means with respect to any specified Person when used in connection with the Master Indenture, such a Person who (i) is in fact independent, (ii) does not have any direct financial interest or any material indirect financial interest in any member of the Combined Group, and (iii) is not connected with any member of the Combined Group as an officer, employee, promoter, trustee, partner, director, or person performing similar functions; whenever it is provided that any Independent Person’s opinion or certificate is to be furnished to the Master Trustee, such Person must be appointed by Order of the Obligated Group Agent making such appointment and such opinion or certificate must state that the signer has read this definition and that the signer is Independent within the meaning of this definition.

“Insurance Consultant” means a Management Consultant or a firm of Independent professional insurance consultants knowledgeable in the operations of hospitals and having a favorable reputation for skill and experience in the field of hospital insurance consultation and which may include a broker or agent with whom any member of the Combined Group transacts business.

“Legal Restrictions” means federal, state, or other applicable governmental laws or regulations affecting any member of the Combined Group and its health care facilities.

“Long Term Debt” of any specified Person means all Debt created, assumed, or guaranteed by such Person that matures by its terms (in the absence of the exercise of any earlier right of demand), or is renewable at the option of such Person to a date, more than one year after the original creation, assumption, or guarantee of such Debt by such Person.

“Management Consultant” means a nationally recognized firm of Independent professional management consultants or an Independent hospital management organization knowledgeable in the operation of hospitals and having a favorable reputation for skill and experience in the field of hospital management consultation.

“Master Note Register” means the registration books maintained by the Note Registrar.

“Master Note Registrar” means the registrar at any time for the Notes issued under the Master Indenture. The Master Trustee is the initial Note Registrar.

“Maturity” means, when used with respect to any Debt (or any Master Note issued under the Master Indenture), the date on which the principal of such Debt (or Master Note) becomes due and payable as provided therein or in the Master Indenture, whether at the Stated Maturity thereof or by declaration of acceleration, call for redemption or otherwise.

“Note” means, when used in connection with the Master Indenture, any obligation of the Obligated Group authenticated and delivered pursuant to the Master Indenture.

“Obligated Group” means all Obligated Group Members.

“Obligated Group Agent” means, until another Person becomes Obligated Group Agent pursuant to the Master Indenture, York Hospital, acting through its Governing Body, the chairman of its Governing Body, its president, a senior vice president or the chief financial officer, Persons holding comparable titles if another Person succeeds York Hospital as Obligated Group Agent, or any other Person designated by any of such Persons to take such action as evidenced by an Officer’s Certificate.

“Obligated Group Member,” “Member” or “Member of the Obligated Group” means York Hospital, Gettysburg Hospital, and any other Person who has satisfied the requirements set forth in the Master Indenture for becoming a Member of the Obligated Group and its permitted successors until such Person or a successor or transferee Person satisfies the requirements set forth in the Master Indenture for ceasing to be a Member of the Obligated Group.

“Officer’s Certificate” of any specified Person means, when used in connection with the Master Indenture, a certificate delivered to the Master Trustee and signed by the chairman of its Governing Body, the president, an executive or senior vice president, chief financial officer or any other Person designated by any of such Persons to execute an Officer’s Certificate as evidenced by a certificate of any of such Persons delivered to the Master Trustee.

“Operating Assets” of any Person means all tangible real or tangible personal property owned by such Person and used in the primary business of such Person.

“Opinion of Counsel” means, when used in connection with the Master Indenture, a written opinion of counsel selected by the Obligated Group Agent, who may (except as otherwise expressly provided) be counsel to any party to any transaction involving the issuance of Master Notes pursuant to the Master Indenture.

“Organizational Documents” of any corporation means the articles of incorporation, certificate of incorporation, corporate charter or other document pursuant to which such corporation was organized, and its bylaws, each as amended from time to time, and as to any other Person, means the instruments pursuant to which it was created and which govern its powers and the authority of its representatives to act on its behalf.

“Outstanding” when used with respect to the Master Notes issued under the Master Indenture means, as of the date of determination, all Master Notes theretofore authenticated and delivered under the Master Indenture, except:

- (1) Master Notes theretofore canceled by the Master Trustee or the Paying Agent;
- (2) Master Notes for whose payment or redemption money (or Defeasance Obligations to the extent permitted by the Master Indenture) in the necessary amount has been theretofore deposited with the Master Trustee or any Paying Agent for such Master Notes in trust for the Holders of such Master Notes pursuant to the Master Indenture or any Supplemental Master Indenture authorizing such Master Notes; provided, that if such Master Notes are to be redeemed, notice of such redemption has been duly given pursuant to the Master Indenture or irrevocable provision therefor satisfactory to the Master Trustee has been made; and
- (3) Master Notes upon transfer of or in exchange for or in lieu of which other Master Notes have been authenticated and delivered pursuant to the Master Indenture or any Supplemental Master Indenture authorizing such Master Notes;

provided, however, that in determining whether the Holders of the requisite principal amount of Outstanding Master Notes have given any request, demand, authorization, direction, notice, consent or waiver under the Master Indenture, Master Notes owned by any member of the Combined Group are disregarded and deemed not to be Outstanding, except that, in determining whether the Master Trustee is protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Master Notes which the Master Trustee knows to be so owned will be so disregarded. Master Notes so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Master Trustee the pledgee’s right so to act with respect to such Master Notes and that the pledgee is not a member of the Combined Group.

“Paying Agent” means, with respect to a series of Master Notes issued under the Master Indenture, the Master Trustee or any other Person authorized by the Obligated Group Agent to pay the principal of (and premium, if any) or interest on such Master Notes.

“Permitted Encumbrances” with respect to any specified Person means:

- (i) liens arising by reason of good faith deposits by or with such Person in connection with tenders, leases of real estate, bids, or contracts (other than contracts for the payment of money), deposits by any such Person to secure public or statutory obligations or to secure, or in lieu of, surety, or appeal bonds, and deposits as security for the payment of taxes or assessments or other similar charges;
- (ii) 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 in the ordinary course of business, or to enable such Person to maintain self-insurance or to participate in any funds established to cover any insurance risks or in connection with worker’s compensation, unemployment insurance, old age pensions, or other social security, or to share in the privileges or benefits required for institutions participating in such arrangements;
- (iii) liens created by or existing from any litigation or legal proceeding which is currently being contested in good faith by appropriate proceedings;
- (iv) rights reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license, permit, or provision of law affecting any property (a) to terminate such right, power,

franchise, grant, license, or permit; provided that the exercise of such right would not in the opinion of the Governing Body of such Person materially impair the use of such property for its intended purpose or materially and adversely affect the value thereof, or (b) to purchase, condemn, appropriate, recapture, or designate a purchaser of such property, or (c) to control, regulate, or zone such property or the use of such property in any manner that in the opinion of the Governing Body of such Person, does not and will not materially impair the use of such property for its intended purposes or materially and adversely affect the value thereof;

(v) liens for taxes or assessments or other governmental charges or levies to the extent not required to be paid pursuant to the Master Indenture;

(vi) pledges or deposits to secure obligations under workmen's compensation laws or similar legislation, including liens of judgments thereunder that are not currently dischargeable;

(vii) materialmen's, mechanics', carriers', workmen's, repairmen's, or other like liens arising in the ordinary course of business, or deposits to obtain the release of such liens;

(viii) leases made, or existing on property acquired, in the ordinary course of business; leases entered into in accordance with the disposition of property provisions of the Master Indenture; and leases, licenses or similar rights to use property, under which a Member is lessor, licensor or grantor, that are existing as of the date of the Master Indenture or the date of entrance of a new Member into the Obligated Group and any renewals and extensions thereof;

(ix) statutory landlords' liens under leases to which such Person is a party;

(x) claims of creditors entitled to priority under the so-called "6 months rule" as applied by courts of equity in proceedings for the administration of insolvent corporations;

(xi) farmout or carried working interest agreements for development by such Person or others of non-producing leases or non-producing portions of oil or gas producing property;

(xii) participations in joint operating agreements and unitization agreements and operations covering oil and gas producing properties;

(xiii) liens on money deposited by patients of such Person as security for or as prepayment for the cost of patient care; and any rights of residents of life care or similar facilities to endowment or similar funds deposited by or on behalf of such residents;

(xiv) liens or encumbrances on property (or on the income therefrom) received by such Person as a gift, grant, or bequest, if such lien or encumbrance constitutes or results from restrictions (other than the requirement that the grantee thereof make payment in respect of Long Term Debt incurred by the grantor with respect to such property) placed on such gift, grant, or bequest (or on the income therefrom) by the grantor thereof;

(xv) liens on money and receivables securing rights of third party payors to recoupment of amounts paid to such Person;

(xvi) any other lien or encumbrance created or incurred in the ordinary course of business that does not secure, directly or indirectly, the repayment of Debt and that, individually or in the aggregate, does not materially impair the value or the utility of the property subject to such lien or encumbrance;

(xvii) liens on proceeds of Debt (or on income from the investment of such proceeds) that secure payment of such Debt;

(xviii) liens on money or obligations deposited with a trustee or escrow agent to cause all or any portion of Debt to be no longer outstanding;

(xix) liens on money or obligations (a) deposited to fund a debt service fund in an amount not exceeding the amount of the Debt to which such debt service fund relates that matures in the Fiscal Year in which such deposit is made plus a reasonable carryover amount or (b) deposited to a reserve fund in an amount not in excess of 15% of the principal amount of the Debt to which such reserve fund relates in accordance with the instrument under which such Debt may be secured;

(xx) easements, zoning restrictions, licenses, restrictions on the use of real property, minor restrictions, or irregularities of title, and other encumbrances that do not, in the opinion of the Governing Body of such Person, materially impair the value of such property or the use of such property in the operation of the business of such Person;

(xxi) liens on debt instruments owned by such Person which have been purchased under a credit or liquidity facility issued to secure or support other Debt;

(xxii) any lien which is existing on the date of execution of the Master Indenture or the date the Person whose Property is affected becomes a member of the Combined Group;

(xxiii) liens on (1) accounts receivable arising as a result of the pledge or sale of such accounts receivable with or without recourse, provided that the principal amount of Debt secured by any such lien does not (A) with respect to the pledge of accounts receivable, exceed the Book Value of such accounts receivable (net of delinquent or uncollected accounts), or (B) with respect to the sale of accounts receivable, exceed the aggregate sales price of such accounts receivable or (2) current assets other than receivables (including inventory, securities or obligations, other than securities or obligations issued by any Member of the Obligated Group, or Related Bonds); and

(xxiv) any liens on property of a Person which becomes a member of the Combined Group or merges into or consolidates with a member after the date of initial execution and delivery of the Master Indenture which liens are in place on the date such member becomes a member of the Combined Group or merges into or consolidates with a member, and which liens and the obligations secured thereby were not imposed or incurred in contemplation of such member joining the Combined Group or merging into or consolidating with a member and which liens and the obligations secured thereby will not be extended, renewed or increased after such date, except to the extent that such lien or obligation could be granted or created or incurred under any provisions of the Master Indenture; and

(xxv) the lien of the trust indenture between York Hospital and Allfirst Bank, as trustee, securing payment of a loan by the United States Department of Housing and Urban Development in the original amount of \$606,000, which is secured by the first \$28,000 received annually from York Hospital's Blue Cross Contract with Capital Blue Cross Association;

(xxvi) the lien of the Existing Agreement; and

(xxvii) any lien on securities owned by a member of the Combined Group which secures payment obligations of such Person in connection with a Financial Products Agreement.

“Person” means any individual, corporation, partnership, joint venture, limited liability company, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

“Preferred Stock,” as applied to the Stock of any corporation, means Stock ranking prior to the shares of at least one other class of Stock of said corporation as to the payment of dividends or the distribution of assets on any voluntary or involuntary liquidation.

“Property” means any and all rights, titles and interests of any Person in and to any and all property whether real or personal, tangible or intangible, and wherever situated including cash. Property does not include Excluded Property.

“Qualified Provider” means any financial institution or insurance company which is a party to a Financial Products Agreement if the unsecured long-term debt obligations of such financial institution or insurance company (or of the parent or a subsidiary of such financial institution or insurance company if such parent or subsidiary guarantees the performance of such financial institution or insurance company under such Financial Products Agreement), or obligations secured or supported by a letter of credit, contract, guarantee, agreement, insurance policy or surety bond issued by such financial institution or insurance company (or such guarantor parent or subsidiary), are rated in one of the two highest rating categories of a Rating Service at the time of the execution and delivery of the Financial Products Agreement.

“Rating Service” means, when used in connection with the Master Indenture, each nationally recognized securities rating service which at the time has a credit rating assigned to any series of Master Notes (or any other indebtedness secured by Master Notes) at the request of the Obligated Group Agent.

“Related Bond Indenture” means any indenture, bond resolution or similar instrument pursuant to which any series of Related Bonds is issued.

“Related Bond Trustee” means any trustee under any Related Bond Indenture and any successor trustee thereunder or, if no trustee is appointed under a Related Bond Indenture, the Related Issuer.

“Related Bondholders” means any registered owner of a Related Bond.

“Related Bonds” means the bonds with respect to which any Master Notes are issued and any other 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 or 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 a Master Note or Master Notes to such governmental issuer.

“Related Issuer” means any issuer of a series of Related Bonds.

“Related Loan Documents” means any loan agreement, credit agreement or other document pursuant to which a Related Issuer loans the proceeds of a series of Related Bonds to any Member of the Obligated Group.

“Responsible Officer” when used with respect to the Master Trustee, means the chairman and vice chairman of the board of directors, the chairman and vice chairman of the executive committee of the board of directors, the president, the chairman of the trust committee, any vice president (whether or not designated by a number or a word or words added before or after the title “vice president”), any assistant vice president, the secretary, any assistant secretary, the treasurer, any assistant treasurer, the cashier, any assistant cashier, any trust officer or assistant trust officer, the controller and any assistant controller or any other officer of the Master Trustee customarily performing functions similar to those performed by any of the above designated officers and also means with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with a particular subject.

“Restricted Affiliate” means any Affiliate of a Member of the Obligated Group that:

(i) is either (a) a non-stock membership corporation of which a Member of the Obligated Group or one of its Restricted Affiliates is the sole member, or (b) a non-stock, non-membership corporation or a trust of which the sole beneficiary is a Member of the Obligated Group or one of its Restricted Affiliates, or (c) a stock corporation of which at least 80% of the outstanding shares of each class of Stock are owned by one or more Members of the Obligated Group or one of its Restricted Affiliates; and

(ii) if it is a non-stock corporation or a trust,

(a) has the legal power, with approval of a majority of the members of its Governing Body but without the consent of any other Person, to transfer to an Obligated Group Member (or to a Restricted Affiliate of which a permissible power is to transfer to a Member) money required for the payment of Debt of a Member; and

(b) in the case of a membership corporation, one or more Members of the Obligated Group or a Restricted Affiliate of such Member has the sole right to elect or appoint and to remove, with or without cause, a majority of the members of the Governing Body thereof; and

(c) has the ability under applicable law and its Organizational Documents, with approval of a majority of the members of its Governing Body, to transfer, upon the liquidation or dissolution of such Affiliate, all assets of such Affiliate remaining after payment of its debts to a Member (or to a Restricted Affiliate whose remaining assets may be so transferred upon liquidation or dissolution), provided that if such Affiliate is an organization described in Section 501(c)(3) of the Code, then for so long as such Member is an organization described in Section 501(c)(3) of the Code, the Organizational Documents of such Affiliate and applicable law may (i) provide for the naming of another Member of the Obligated Group as a substitute beneficiary if the then current beneficiary ceases to be an organization described in Section 501(c)(3) of the Code and (ii) prohibit transfers to organizations not described in Section 501(c)(3) of the Code; and

(iii) has satisfied (or a predecessor has satisfied) the requirements set forth in the Master Indenture for becoming a Restricted Affiliate and has not thereafter ceased to satisfy the requirements of clauses (i) and (ii) above or satisfied the requirements set forth in the Master Indenture for ceasing to be a Restricted Affiliate.

“Series 2008A Master Note” means that certain Master Note (WellSpan Health Obligated Group) Series 2008A.

“Standard & Poor’s” mean Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., or any entity succeeding to the business thereof.

“Stated Maturity” means, when used with respect to any Debt or any Master Note issued under the Master Indenture or any installment of interest thereon, the date specified in such Debt or any Master Note as the fixed date on which the principal of such Debt or any Master Note or such installment of interest is due and payable.

“Stock” includes all shares, interests, participations, or other equivalents (however designated) of or in corporate stock.

“Supplemental Master Indenture” means an indenture amending or supplementing the Master Indenture entered into pursuant to the terms thereof.

“Total Operating Revenues” means total revenues, gains and other support, net of contractual obligations.

“Trust Estate” means the property described as the Trust Estate in the Granting Clauses of the Master Indenture or any Supplemental Master Indenture that is subject to the lien and security interest of the Master Indenture.

“York Hospital” means York Hospital, a nonprofit corporation organized under the laws of the Commonwealth, its permitted successors and assigns, and any resulting, surviving or transferee Person permitted under the Master Indenture.

General

The Members of the Obligated Group have granted a security interest to the Master Trustee in: (a) all Gross Receipts and accounts receivable of each Member of the Obligated Group, including without limitation rights to receive payments from third party payors such as Medicare, Medicaid, and Blue Cross, but except and excluding all

such items, whether now owned or hereafter acquired by each Member of the Obligated Group, which by their terms or by reason of applicable law would become void or voidable if granted, assigned, or pledged under the Master Indenture by the Members of the Obligated Group, or which cannot be granted, pledged, or assigned hereunder without the consent of other parties whose consent is not secured, or without subjecting the Master Trustee to a liability not otherwise contemplated by the provisions hereof, or which otherwise may not be, or are not, under the Master Indenture (or by the instrument described in certain provisions of the Master Indenture) lawfully and effectively granted, pledged, and assigned by the Obligated Group, provided that the Obligated Group may subject to the lien of the Master Indenture any such excepted property, whereupon the same shall cease to be excepted property; (b) all moneys and securities, if any, at any time held by the Master Trustee in the Revenue Fund and any other fund or account established under the terms of this Master Indenture; and (c) any and all other property of every kind and nature from time to time hereafter, by delivery or by writing of any kind, conveyed, pledged, assigned or transferred as additional security under the Master Indenture by any Member or by anyone on their behalf to the Master Trustee, subject to the terms thereof, including without limitation, funds of any Member held by the Master Trustee as security for the Master Notes.

The Master Trustee is required to hold all such property in trust except for any Excluded Property and subject to the Permitted Encumbrances, for the equal and proportionate benefit and security of the Holders from time to time of all Outstanding Master Notes without any priority of any such Master Notes over any other such Master Notes except as otherwise expressly provided in the Master Indenture.

Covenants of the Obligated Group

Payment of Master Notes. Each Member has unconditionally and irrevocably (subject to the right of such Member to cease its status as a Member of the Obligated Group pursuant to the terms and conditions of the Master Indenture), jointly and severally agreed that it will promptly pay the principal of, premium, if any, and interest and any other amount due on every Master Note issued under the Master Indenture at any time at the place, on the dates and in the manner provided in said Master Notes according to the true intent and meaning thereof. Notwithstanding any schedule of payments upon the Master Notes set forth in the Master Notes, each Member has unconditionally and irrevocably (subject to the right of such Member to cease its status as a Member of the Obligated Group pursuant to the terms and conditions of the Master Indenture), jointly and severally agreed to make payments upon each Master Note and be liable therefor at the times and in the amounts (including principal, interest and premium, if any) equal to the amounts to be paid as interest, principal at maturity or by mandatory sinking fund redemption, or premium, or purchase price, if any, upon any Master Notes or Related Bonds from time to time outstanding; provided, that any liability of a Member with respect to any Master Note in excess of its liability in proportion to the portion of the proceeds thereof received by or otherwise applied for the benefit of such Member is limited to the maximum amount that would not (a) cause such liability to be avoidable as a fraudulent transfer or fraudulent conveyance under applicable bankruptcy, insolvency or similar laws or (b) cause such Member, in making any payment with respect to such liability, to be in violation of any law (including, without limitation, the applicable corporation or not-for-profit corporation laws of the state of its incorporation and any state in which such Member is registered as a foreign corporation) restricting the purposes for which its assets may be used.

Solely for purposes of defining their payment responsibilities among themselves and without limiting the provisions of the preceding paragraph, the Members of the Obligated Group have agreed among themselves that, with respect to Debt incurred by or on behalf of a Member or for its direct benefit and secured or evidenced by a Master Note, such Member will be primarily liable among the Members to make full and timely payment on such Master Note and, if another Member or other Members makes payment on behalf of such Member as a result of the joint and several obligations incurred under the Master Indenture, such Member will be obligated to and must reimburse each such other Member or Members for all amounts paid on behalf of such Member.

Each Member of the Obligated Group has agreed that it will not take any action that would limit its ability to make the payments described in this subheading.

Each Member of the Obligated Group covenants that it will cause its Restricted Affiliates to pay such amounts as are necessary to pay the principal, premium, if any, or interest or any other amount due in payment of any Master Note or series of Related Bonds when due, provided that any liability of a Restricted Affiliate with respect to any Master Note in excess of its liability in proportion to the portion of the proceeds thereof received by

or otherwise applied for the benefit of such Restricted Affiliate are limited to the maximum amount that would not (a) cause such liability to be avoidable as a fraudulent transfer or fraudulent conveyance under applicable bankruptcy, insolvency or similar laws or (b) cause such Restricted Affiliate, in making any payment with respect to such liability, to be in violation of any law (including, without limitation, the applicable corporation or not-for-profit laws of the state of its incorporation and any state in which such Member is registered as a foreign corporation) restricting the purposes for which its assets may be used.

Payment of Taxes and Other Claims. Each Member covenants that it will, and will cause each of its Restricted Affiliates to, pay or discharge or cause to be paid or discharged before the same become delinquent: (a) all taxes, assessments, and other governmental charges lawfully levied or assessed or imposed upon it or upon its income, profits, or property, and (b) all lawful claims for labor, materials, and supplies which, if unpaid, might by law become a lien upon its property; provided, however, that no such Person will be required to pay and discharge or cause to be paid and discharged any such tax, assessment, governmental charge, or claim to the extent that the amount, applicability, or validity thereof is currently being contested in good faith by appropriate proceedings and such Person has established and maintained adequate reserves on its books for the payment of the same.

Maintenance of Properties. Each Member covenants that it will, and will require each of its Restricted Affiliates to, cause all its properties used or useful in the conduct of its business to be maintained and kept in good condition, repair, and working order and supplied with all necessary equipment, ordinary wear and tear, casualty, condemnation, and acts of God excepted. Each Member further covenants that it will, and will require each of its Restricted Affiliates to, cause to be made all necessary repairs, renewals, replacements, betterments, and improvements thereof to be made, all as in the judgment of such Member may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times; provided, however, that nothing set forth under this subheading may prevent any such Person from discontinuing the operation and maintenance of any of its properties if such discontinuance is, in the judgment of such Person, and in the judgment of the Governing Body of such Person if the property involved is any substantial part of the properties of such Person taken in the aggregate, desirable in the conduct of its business and not disadvantageous in any material respect to the Master Note Holders.

Statement as to Compliance. The Obligated Group Agent on behalf of itself and any other Members, is required to deliver to the Master Trustee within 120 days after the end of each Fiscal Year, a written statement signed by the president or a senior vice president (or an officer holding a comparable title to either of the above) and by the chief financial officer (or an officer holding a comparable title) of the Obligated Group Agent, stating, as to each signer thereof, that:

- (a) a review of the activities of the Members during such year and of performance under the Master Indenture has been made under the signer's supervision; and
- (b) based on such review and to the best of the signer's knowledge the Members have fulfilled all their obligations under the Master Indenture throughout such year, or, if there has been any default in the fulfillment of any such obligation, specifying each such default known to the signer and the nature and status thereof.

Promptly upon the discovery of any default, the Obligated Group Agent or each Member which is in default is required to deliver to the Master Trustee a written statement describing each default and status thereof which has not been cured or waived under any instrument creating any material Debt of such Member.

Corporate Existence. Except as otherwise permitted in the Master Indenture, each Member covenants that it will (and, subject to certain provisions set forth in the Master Indenture, will require each of its Restricted Affiliates to) do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence, rights (charter and statutory), and franchises; provided, however, that no Person will be required to preserve any right or franchise if the Governing Body of such Person determines that the preservation thereof is no longer desirable in the conduct of its business and that the loss thereof is not disadvantageous in any material respect to the Holders of the Master Notes.

Records; Financial Reports and Right of Inspection. Each Member covenants that it will, and will cause each of its Restricted Affiliates to, at all times keep books of record and account, in accordance with generally

accepted accounting principles, and the Obligated Group Agent will furnish to the Master Trustee as soon as available and in any event within 120 days after the end of each Fiscal Year a combined or consolidated balance sheet of the Combined Group as of the end of such Fiscal Year, and related statements of revenue and expenses, changes in fund balances, and statements of cash flow for such Fiscal Year then ended, shown in each case (to the extent possible) in comparative form with the preceding Fiscal Year, together with the report of a nationally recognized, Independent Accountant selected by the Obligated Group Agent who has examined such statements in accordance with generally accepted auditing standards, as to the fairness of presentation of such statements.

At any and all times during normal business hours, upon the written request of the Master Trustee (who is under no duty to make such request unless directed to do so by the Holders of at least a majority in principal amount of Master Notes then Outstanding), each Member will permit the Master Trustee, by its agents and attorneys, to inspect the property of such Member or any of its Restricted Affiliates, or any of their consolidated subsidiaries and to examine all the books of account, records, reports, and other financial papers of such Persons and to take copies and extracts therefrom, and each Member will, and will cause each of its Restricted Affiliates to, furnish the Master Trustee any and all such other information as the Master Trustee may reasonably request (the Master Trustee is under no duty to make such request unless directed to do so by the Holders of at least a majority in principal amount of Master Notes then Outstanding) with respect to the performance or observance by such Persons of their covenants in the Master Indenture.

The Master Trustee's obligations with respect to the items received by it as provided in the first paragraph under this subheading will be limited to making copies thereof available to any Holder of a Master Note requesting the same.

Insurance. Each Member covenants that it will (and will cause each of its Restricted Affiliates to) at all times keep all its property and operations of an insurable nature and of the character usually insured by companies operating similar properties and engaged in similar operations insured in amounts customarily carried, and against loss or damage from such causes as are customarily insured against, by similar companies. All such insurance is required to be effected with responsible insurance carriers except to the extent a program of self-insurance in compliance with the requirements described below is in effect.

At least once every two Fiscal Years, each Member will file with the Master Trustee (a) an Officer's Certificate containing a detailed list of its insurance and the insurance of its Restricted Affiliates in force on a date therein specified (which date must be within 30 days of the filing of such Officer's Certificate), including the names of the insurers with which the policies and other contracts of insurance are carried, the numbers, amounts, and expiration dates of such policies and other contracts, and the property and hazards covered thereby, and stating that the insurance so listed complies with this subheading and (b) a certificate of an Insurance Consultant which states that such insurance complies with the provisions of the Master Indenture and, if liability for medical malpractice be insured by a policy of insurance with policy limits less than \$1,000,000 per person or \$3,000,000 per occurrence, that, in the judgment of such Insurance Consultant, the coverage afforded by such policy is not less than the amount which should prudently be provided for estimated future losses of the type covered by such policy.

Each Member may (and may permit its Restricted Affiliates to) establish and maintain, in lieu of the maintenance of any policy of insurance against damage or loss otherwise required by the provisions of this subheading, a program of self-insurance against any such damage or loss and, in such event:

(a) the actuarially determined fund reasonably required for such program of self-insurance is required to be held in trust by any corporation designated by the Member, or the Members, organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$50,000,000, and subject to supervision or examination by federal or state authority; and

(b) each Officer's Certificate required by this subheading must also state that, in the opinion of the signer, the amount then held for the credit of such trust fund is not less than the amount reasonably required to satisfy future losses which may result from past acts or omissions of the insured or its agents and employees, to the extent not subject to statutory limitation, as determined actuarially from the claims history of the insured during the period of coverage of such program of self-insurance.

The Master Trustee's obligations with respect to the items received by it as provided in the second paragraph under this subheading will be limited to making copies thereof available to any Holder of a Master Note requesting the same.

Limitation on Liens. Each Member covenants that it will not, and will not permit any of its Restricted Affiliates to, grant, create, assume, or incur or suffer to be granted, created, assumed, or incurred or to exist any mortgage, lien, charge, or encumbrance of any kind upon, or pledge of or security interest in any property of such Person whether owned at the date of the Master Indenture or thereafter acquired except:

(a) Intercompany. Mortgages, liens, charges, encumbrances, pledges, or other security interests created by any member of the Combined Group as security for Debt owed to any other member of the Combined Group; or

(b) Permitted Encumbrances; or

(c) Purchase and Construction Money. Purchase or construction money mortgages, liens, charges, encumbrances, pledges, or security interests (which term for purposes of this clause (3) includes conditional sale agreements or other title retention agreements and leases in the nature of title retention agreements) upon or in property acquired or improved after the date of the Master Indenture, or renewals of any such mortgages, liens, charges, encumbrances, pledges, or security interests in connection with the replacement, extension, or renewal (without increase in principal amount) of the Debt secured thereby, provided that no such mortgage, lien, charge, encumbrance, pledge, or security interest extends or will extend to or cover any property of any member of the Combined Group other than the property then being acquired or constructed or property on which improvements are being so constructed, and fixed improvements then or thereafter erected thereon and related insurance coverage and proceeds; or

(d) Pari Passu. Any mortgage, lien, charge, encumbrance, pledge, or other security interest of any kind upon any property of any character of any Member or any of its Restricted Affiliates including but not limited to the lien of the Loan and Trust Agreement or any conditional sale agreement or similar title retention agreement with respect to any such property, if such Person makes effective provision, and each Member covenants that in any such case it will make or cause to be made effective provision, whereby the Outstanding Master Notes will be directly secured by such mortgage, lien, charge, encumbrance, pledge, or other security agreement equally and ratably upon the same property, or upon other property with a fair market value at least equal to the fair market value of property to be mortgaged, with any and all other obligations and indebtedness thereby secured for so long as such obligations or indebtedness are so secured; or

(e) Pledge Anticipation. Interests in pledges to make donations, gifts, or other charitable contributions to any Member or any Restricted Affiliate to secure Debt described in, and under the circumstances permitted by, clause (c) under the subheading, "The Master Indenture—Covenants of the Obligated Group—Limitations on Debt and Preferred Stock"; or

(f) Nonrecourse. Any mortgage, lien, charge, encumbrance, pledge or other security interest upon any property of a Member or Restricted Affiliate acquired, constructed or improved with the proceeds of the Debt secured thereby or any conditional sale agreement or title retention agreement with respect to any such property if the Debt so secured has been incurred in compliance with the provisions of the Master Indenture and upon any default in payment of such Debt the remedy of the holder thereof is limited under the terms of the instrument creating the Debt to foreclosure or taking possession of such property with no right to seek payment of any deficiency from such Member or Restricted Affiliate or from any other property of such Member or Restricted Affiliate; or

(g) Basket. Any mortgage, lien, charge, encumbrance, pledge or other security interest of any kind if the book value (or, at the option of the Obligated Group Agent, Current Value) of all Property of the Combined Group subjected to mortgages, liens, charges, encumbrances, pledges, or other security interests pursuant to this clause (g) does not exceed 15% of the book value (or, if the Obligated Group Agent chooses to use the Current Value of the property so subjected, 15% of the Current Value) of all Property of the Combined Group; or

(h) Existing Liens. The liens securing debt of Members of the Obligated Group on the effective date of the Master Indenture.

An oil or gas royalty, overriding royalty, or production payment will not be deemed to be a charge or encumbrance upon the related working interest.

Limitations on Debt and Preferred Stock. Each Member covenants that it will not, nor will it permit any of its Restricted Affiliates to, incur, assume, guarantee, or otherwise become liable in respect of any Debt except:

(a) Intercompany. Debt of a member of the Combined Group owing to another member of the Combined Group;

(b) Short Term. Debt payable on demand or that matures not more than one year from the date of incurrence, extension, or renewal (other than Debt which could come due on demand by the holder thereof, but that has a Stated Maturity greater than one year from such date), if:

(i) the aggregate amount of the Debt to be incurred, all other Outstanding Debt incurred pursuant to this clause (b) or clause (h) below by the Combined Group does not exceed 35% of the Total Operating Revenues of the Combined Group or 75% of net accounts receivable for the Fiscal Year preceding, or any consecutive 12-month period of comparable length ending within 180 days preceding, the date of incurrence; and

(ii) there has been a period of 20 days within the 12-month period immediately preceding the date of such incurrence, extension or renewal (and the Members will maintain, or cause to be maintained at least one such period in each Fiscal Year) during which the total amount of Outstanding Debt of the Combined Group incurred pursuant to this clause (b) does not exceed 5% of the Total Operating Revenues of the Combined Group for the Fiscal Year preceding, or any consecutive 12-month period ending within 180 days preceding, the date of incurrence of the Debt to be incurred (or if any of such Outstanding Debt was incurred to finance revenue shortfalls caused by the delay in payments by third party payors, 10% of the Total Operating Revenues of the Combined Group for such Fiscal Year or 12-month period); and

(iii) if the Debt is secured by a pledge of accounts receivable with recourse, such Debt is not in excess of 20% of net accounts receivable.

(c) Pledge Anticipation. Debt the principal of which is fully secured by a security interest in pledges, confirmed in writing, to make a donation, gift, or other charitable contribution on or before the Maturity of such Debt;

(d) Credit Enhancement. Debt consisting of an obligation to reimburse payments made under a letter of credit, surety bond, policy of insurance, bond purchase agreement or similar credit or liquidity support obtained to secure payment of other Debt incurred as permitted by this subheading and to pay interest thereon until paid;

(e) Completion Debt. Debt for the purpose of financing the completion of constructing, renovating, or equipping facilities for which Long Term Debt has theretofore been incurred in accordance with the provisions of the Master Indenture, if an Officer's Certificate is delivered to the Master Trustee stating that the amount of such Debt does not exceed the amount (including reserve funds and capitalized interest) necessary to provide a completed and equipped facility of the type and scope contemplated at the time that such other Debt was originally incurred and that such other Debt was estimated when incurred to be sufficient to provide such a completed and equipped facility;

(f) Subordinated Debt. Debt subordinate in right of payment to the payment of the Master Notes upon liquidation or reorganization and upon the occurrence and continuance of an Event of Default and containing terms not materially less favorable to the Holders of the Master Notes than those set forth in an exhibit to the Master Indenture if the aggregate amount of such Debt does not exceed 30% of the Gross Revenues of the Combined Group for the Fiscal Year preceding, or any consecutive 12-month period ending within 180 days preceding the date of incurrence;

(g) Refunding Debt. Debt incurred to refund or defease any Debt if the maximum Annual Debt Service Requirements in respect of such Debt for the Fiscal Year in which such Debt is to be incurred or any future Fiscal Year does not exceed 110% of the maximum Annual Debt Service Requirements during such period in respect of the Debt being refunded or defeased;

(h) Basket. Installment purchase contracts, capitalized leases, Debt existing at the time of acquisition of property assumed as a full or partial consideration for such acquisition, Debt incurred to finance the construction of property and all other Debt incurred pursuant to this clause (h) or clause (b) above, if such Debt does not exceed 35% of the Total Operating Revenues of the Combined Group (or, in the case of Debt of a Restricted Affiliate, of the Restricted Affiliate incurring such Debt) for the Fiscal Year preceding, or any consecutive 12-month period ending within 180 days preceding, the date of incurrence. In the case of Debt secured by a lien described in clause (c) under “Limitation on Liens” above, such Debt does not exceed 20% of the total Debt then Outstanding. Debt incurred pursuant to this clause (h) ceases to be treated as having been incurred under this clause (h) and instead is treated as incurred under another clause of this subheading on the date on which there are delivered to the Master Trustee the certificates and reports necessary to demonstrate that such Debt could be incurred pursuant to such other clauses of this subheading; and

(i) Long Term Debt. Long Term Debt and Balloon Debt if prior to the incurrence of the Debt there is delivered to the Master Trustee an Officer’s Certificate certifying that:

(i) the Available Revenues of the Combined Group for the two immediately preceding Fiscal Years, prior to the date of the incurrence of such Debt, were at least 125% of the maximum Annual Debt Service Requirements of the Combined Group taking into account the current Outstanding Long Term Debt of the Combined Group during each of such Fiscal Years and the proposed additional Long Term Debt as if it had been incurred at the beginning of the first of such Fiscal Years; or

(ii) the Available Revenues of the Combined Group for the immediately preceding Fiscal Year, or for any consecutive 12-month period ending within 180 days of the date of the incurrence of such Debt, were at least 110% of actual Annual Debt Service Requirements of the Combined Group for the prior Fiscal Year with respect to the Long Term Debt of the Combined Group Outstanding immediately prior to the incurrence of such Debt and the estimated Available Revenues for each of the two Fiscal Years next succeeding the Fiscal Year in which the Debt is to be incurred or, in case any construction project shall be financed with such Debt or shall then be in progress, for each of the two years immediately succeeding the anticipated date of mechanical completion of such construction project, shall be at least 120% of the maximum Annual Debt Service Requirements for any future Fiscal Year with respect to the consolidated Long Term Debt of the Combined Group to be Outstanding immediately after the incurrence of such Debt; provided, however, that (A) if a Management Consultant concludes that applicable laws or regulations have caused the Available Revenues of the Combined Group for such prior period to be less than 120% of such maximum Annual Debt Service Requirements, the requirements of this clause (ii) are satisfied if a certificate of such Management Consultant states that, taking into account such laws or regulations, the Available Revenues of such Persons estimated for the current Fiscal Year and for each of the next two succeeding Fiscal Years should be at least 100% of such maximum Annual Debt Service Requirements, or (B) a Management Consultant concludes that Legal Restrictions require improvements or modifications to the facilities of the Combined Group and that failure to make such improvements or modifications would be likely to impair the ability of the Combined Group to produce Available Revenues sufficient to make payments of the principal of (and premium, if any) and interest and other debt service charges on all Debt of the Combined Group; and

(j) Parity Debt. Debt issued under the Loan and Trust Agreement which also could be incurred under the Master Indenture.

Each Member will not permit any of its Restricted Affiliates to issue its Preferred Stock to anyone other than to a Member or another Restricted Affiliate, and no such Person holding Preferred Stock of any Restricted Affiliate will sell or otherwise dispose of such Preferred Stock except to a Member of the Combined Group.

For all purposes of this subheading:

- (1) Debt is generally deemed to be “incurred” by a Person whenever such Person creates, assumes, guarantees, or otherwise becomes liable in respect thereof.
- (2) The sale or other transfer of Debt of a member of the Combined Group by any member of the Combined Group to any Person not a member of the Combined Group is deemed to be the incurrence of such Debt as of the date of sale or transfer.
- (3) Debt and Preferred Stock of any Person that becomes a member of the Combined Group is deemed to be incurred or issued on the date such Person becomes a member of the Combined Group.
- (4) In conjunction with a Person becoming a Member of the Obligated Group, the Obligated Group may issue a Master Note as an amendment and restatement of any outstanding Debt of such Person so long as the terms of this subheading are met.
- (5) Any Person that becomes a successor to a Member as set forth under the subheadings, “The Master Indenture—Covenants of the Obligated Group—Consolidation, Merger, Conveyance, or Transfer Only on Certain Terms” and “—Successor Borrower Substituted,” will be deemed to incur all Outstanding Debt of such Person at the date of such succession.

So long as the Original Obligations are outstanding under the Loan and Trust Agreement, any Master Notes issued under the Master Indenture must qualify as and be Parity Debt secured under the Loan and Trust Agreement.

Rate Covenant. In each Fiscal Year, the Obligated Group shall (and shall cause each of its Restricted Affiliates to) establish, charge, and use its reasonable efforts to collect rates, fees, and charges for goods and services furnished by, and for the use of, its properties and services which, if collected, would be sufficient to cause the Available Revenues of the Combined Group in such Fiscal Year to be not less than 110% of the maximum Annual Debt Service Requirements of the Debt of the Combined Group for the current or any future Fiscal Year. If Available Revenues of the Combined Group in any Fiscal Year is less than 110% of the maximum Annual Debt Service Requirements of the Combined Group, the Obligated Group Agent, at the expense of the Obligated Group, within 135 days after the close of such Fiscal Year, is required to engage a Management Consultant to make recommended changes in rates, fees, and charges or expenses, or in such other affairs, such that Available Revenues of the Combined Group for the current Fiscal Year will be at least 110% of maximum Annual Debt Service Requirements of the Combined Group for the current or any future Fiscal Year. Subject to any contractual commitments or Legal Restrictions to which each Member and its Restricted Affiliates may be subject, each Member will (and will cause its Restricted Affiliates to) implement such changes to the fullest extent practicable (as determined by the Governing Body of such Member) and permitted by law. Each Member further covenants that it will (and will cause each of its Restricted Affiliates to) establish, change and use its reasonable efforts to collect rates which would cause the Obligated Group to meet its joint and several obligations on the Master Notes. This subheading will not be construed to prohibit any Member from serving indigent patients to the extent required for it to continue its qualification as a tax-exempt organization or from serving any other class or classes of patients without charge or at reduced rates so long as such service does not prevent the Obligated Group from satisfying the other requirements of this subheading.

The failure of the Combined Group to realize Available Revenues at least equal to 110% of maximum Annual Debt Service Requirements of the Combined Group will not be a default under the Master Indenture if such Management Consultant is so retained and the recommendations of such Management Consultant are so implemented and the Available Revenues of the Combined Group are equal to at least 100% of the maximum Annual Debt Service Requirements of the Combined Group. Moreover, if such Management Consultant concludes that applicable Legal Restrictions have caused the Available Revenues of the Combined Group for the prior Fiscal Year to be less than 110% of the maximum Annual Debt Service Requirements of the Combined Group, it will not constitute a default under the Master Indenture if a certificate of such Management Consultant is delivered to the Master Trustee stating that, taking into account such Legal Restrictions, the Available Revenues of the Combined Group estimated for the current Fiscal Year and for each of the next two Fiscal Years will be the maximum amount

permitted by such Legal Restrictions and at least 100% of maximum Annual Debt Service Requirements of the Combined Group for each such Fiscal Year.

Limitation on Disposition of Assets. Except in certain circumstances set forth in the Master Indenture, each Member covenants that it will not (and will not permit any of its Restricted Affiliates to) sell, lease or transfer any properties of such Person (other than Excluded Property) unless:

(a) Ordinary Course or Intercompany – such conveyance or transfer is in the ordinary course of business or to a member of the Combined Group; or

(b) Operating Asset – such property is an Operating Asset; and

(i) the aggregate amount of the Book Value of the Operating Asset to be conveyed or transferred and all other conveyances and transfers of Operating Assets of the Combined Group during the current Fiscal Year pursuant to this clause (i) and not otherwise permitted by this subheading does not exceed 5% of the aggregate Book Value of the consolidated Operating Assets of the Combined Group; and

(ii) the estimated Available Revenues of the Combined Group (assuming the occurrence of such conveyance or transfer) for each of the two immediately succeeding Fiscal Years (or, in case any construction project of any member of the Combined Group is then in progress, for each of the two Fiscal Years immediately following the anticipated date of mechanical completion of such project), is at least:

(1) 250% of the maximum Annual Debt Service Requirements (assuming the occurrence of such conveyance, transfer, or lease) of the Combined Group for any future Fiscal Year; or

(2) if such conveyance or transfer will not result in more than a 20% reduction in the ratio of estimated Available Revenues of the Combined Group during the two Fiscal Years following the Fiscal Year in which the conveyance or transfer is made to the ratio of maximum Annual Debt Service Requirements for such Fiscal Years, then 125% of such maximum Annual Debt Service Requirements; or

(iii) such Operating Assets are obsolete, worn out, or unnecessary, or, in the opinion of the Governing Body of the relevant member of the Combined Group, unprofitable or undesirable; or

(c) such property is cash or other non-Operating Assets, if the aggregate amount of cash and book value of such other non-Operating Assets transferred pursuant to this clause (c) and not otherwise permitted by this subheading within the immediately preceding 12-month period by the Person making such transfer does not exceed 5% of the Gross Revenues of such Person for the preceding Fiscal Year or any other 12-month period ending within 180 days of the date of such transfer; or

(d) such property is cash or other non-Operating Assets and

(i) the ratio of the estimated Available Revenues of the Combined Group for each of the two Fiscal Years next succeeding the Fiscal Year in which the transfer is made to the estimated Annual Debt Service Requirements of the Combined Group for each of such years is no less than 80% of the ratio of Available Revenues to Annual Debt Service Requirements of the Combined Group for the immediately preceding Fiscal Year;

(ii) the estimated Available Revenues of the Combined Group for each of the two immediately succeeding Fiscal Years (or, in case any construction project of any member of the Combined Group is then in progress, for each of the two Fiscal Years immediately following the anticipated date of mechanical completion of any construction project), is at least 125% of the estimated Annual Debt Service Requirements of the Combined Group for each such year; and

(iii) such conveyance or transfer will not reduce the ratio of the consolidated current assets of the Combined Group to the consolidated current liabilities of the Combined Group by more than 20% and such current assets is at least 150% of such current liabilities; or

(e) such conveyance or transfer is, in the opinion of the transferor, for fair market value; or

(f) the Governing Body of the Member has determined in good faith that such conveyance or transfer, when considered together with all prior transfers and conveyances, will not materially and adversely affect the interests of the Holders of the Master Notes or the ability of the Members and the Restricted Affiliates to meet their obligations when they become due.

Except as permitted under the subheading, “The Master Indenture—Covenants of the Obligated Group—Consolidation, Merger, Conveyance, or Transfer Only on Certain Terms,” each Member covenants that it will not and will not permit any Restricted Affiliate within its control to:

(1) Stock Offerings - issue or sell any shares of Stock of such Restricted Affiliate to any Person (other than a member of the Combined Group), except for the purpose of paying a common Stock dividend on, or splitting, common Stock of such Restricted Affiliate;

(2) Disposition of Stock - sell, transfer, or otherwise dispose of any shares of Stock (except to a member of the Combined Group) of such Restricted Affiliate or permit any Restricted Affiliate to sell, transfer, or otherwise dispose of (except to a member of the Combined Group) any shares of Stock of any other Restricted Affiliate except in a transaction in which all shares of stock of such Restricted Affiliate owned by a member of the Combined Group are sold and, after giving effect to such sale, the Member or such Restricted Affiliate could incur \$1.00 of additional Long Term Debt pursuant to clause (i) under the subheading, “The Master Indenture—Covenants of the Obligated Group—Limitations on Debt and Preferred Stock”; or

(3) Mergers - consolidate with or merge into any other corporation or to transfer all or substantially all of its assets to another Person, unless the successor formed by or resulting from such consolidation or merger or the transferee is a member of the Combined Group or, if such successor or the transferee is not a member of the Combined Group, immediately after such consolidation or merger or transfer (A) the Obligated Group is not in default under the Master Indenture and the Obligated Group could incur at least \$1.00 of additional Long Term Debt as set forth under clause (i) under the subheading, “The Master Indenture—Covenants of the Obligated Group—Limitations on Debt and Preferred Stock,” in the absence of such Restricted Affiliate, and (B) there is delivered to the Master Trustee the Officer’s Certificate, certificates, and reports described in the Master Indenture; or

(4) Assign Debt - sell, transfer, or dispose of any Debt of a Restricted Affiliate or permit any Restricted Affiliate to sell, transfer, or dispose of any Debt of a member of the Combined Group, in each case to anyone other than a member of the Combined Group, unless immediately after such sale, transfer, or other disposition and giving effect thereto, the Obligated Group is not in default under the Master Indenture and the Member or such Restricted Affiliate could incur at least \$1.00 of additional Long Term Debt as set forth in clause (i) under the subheading, “The Master Indenture—Covenants of the Obligated Group—Limitations on Debt and Preferred Stock.”

Revenue Fund. There is created by the Obligated Group and established with the Master Trustee the special fund designated the “Obligated Group Revenue Fund” (herein referred to as the “Revenue Fund”). The money deposited to the Revenue Fund, together with all investments thereof and investment income therefrom, is required to be held in trust and applied solely as provided in this subheading and under the subheading, “The Master Indenture—Defaults and Remedies—Application of Money Collected.”

If an Event of Default (a “Payment Default”) described in clause (a) under the subheading, “The Master Indenture—Defaults and Remedies—Events of Default,” occurs and continues while the Loan and Trust Agreement is still in effect, each Member is required to deposit with the Master Trustee for transfer to the Trustee under the Loan and Trust Agreement all of its Gross Receipts during each succeeding month, beginning on the first day thereof and on each day thereafter, until no Payment Default under the Master Indenture or the Loan and Trust Agreement then exists. The Trustee under the Loan and Trust Agreement shall administer remedies on behalf of all owners of Obligations, including the Master Notes, which are secured by the Trust Estate under the Loan and Trust Agreement on a parity.

Upon termination of the Loan and Trust Agreement, if a Payment Default under the Master Indenture occurs and is continuing each Obligated Group Member shall deposit with the Master Trustee all of its Gross Receipts during each succeeding month beginning on the first day thereof and on each day thereafter until no Payment Default then exists.

On the fifth business day preceding the end of each month in which the Members have made payments to the Master Trustee for deposit into the Revenue Fund, the Master Trustee is required to withdraw and pay or deposit from the amounts on deposit in the Revenue Fund the following amounts in the order indicated:

- (a) to the Master Trustee any fees or expenses which are then payable;
- (b) equally and ratably to the Holder of each Master Note on which there has been a Payment Default an amount equal to all defaulted principal of (and premium, if any) and interest on such Master Note;
- (c) equally and ratably to the Holder of each Master Note an amount equal to all interest accrued on such Master Note during the current month plus 1/12 of the principal of and any mandatory sinking fund redemption payments on such Master Note (other than by reason of acceleration of maturity or other demand for payment) within the next 12-month period;
- (d) to the Holder of any Master Note entitled to maintain a reserve fund for the payment of such Master Note, an amount sufficient to cause the balance on deposit in such reserve fund to equal the required balance in 12 equal monthly installments; and
- (e) to each Obligated Group Member, the amount specified in a Request of such Obligated Group Member as the amount of ordinary and necessary expenses of such Obligated Group Member for its operations for the following month.

Any amounts remaining on deposit in the Revenue Fund on the last day of any Fiscal Year, or on the day following the end of the month in which all Payment Defaults have been cured or waived, are required to be paid to the Obligated Group Members to be used for any lawful purpose.

Pending disbursements of the amounts on deposit in the Revenue Fund, the Master Trustee is required to promptly invest and reinvest such amounts in the Defeasance Obligations specified in any Obligated Group Agent Order. All such investments are required to have a maturity not greater than 91 days from the date of purchase.

Waiver of Certain Covenants. The Members are not obligated to comply with certain covenants or conditions set forth in the Master Indenture if before or after the time for such compliance the Holders of the same percentage in principal amount of all Master Notes then Outstanding the consent of which would be required to amend the provisions of the Master Indenture to permit such noncompliance will either waive such compliance in such instance or generally waive compliance with such covenant or condition, but no such waiver will extend to or affect such covenant or condition except to the extent so expressly waived and, until such waiver becomes effective, the obligations of the Members and the duties of the Master Trustee in respect of any such covenant or condition will remain in full force and effect.

Consolidation, Merger, Conveyance, or Transfer Only on Certain Terms. Each Member covenants that it will not consolidate with or merge into any corporation or convey or transfer its properties substantially as an entirety to any Person, unless:

- (a) such consolidation, merger, or transfer:
 - (i) is between such Member and another Member of the Obligated Group; and
 - (ii) the surviving Person is a Member; or

(b) all of the following conditions exist:

(i) the Person formed by such consolidation or into which the Member merges or the Person which acquires substantially all of the properties of such Member as an entirety is a Person organized and existing under the laws of the United States of America or any state or the District of Columbia and expressly assumes by instrument supplemental to the Master Indenture executed and delivered to the Master Trustee, in form satisfactory to the Master Trustee, the due and punctual payment of the principal (and premium, if any) and interest on the Master Notes and any other amounts due thereunder or in accordance with the Master Indenture and the performance and observance of every covenant and condition of the Master Indenture on the part of such Member to be performed or observed;

(ii) the Member would be permitted to incur at least \$1.00 of additional Long Term Debt as set forth in clause (i) under the subheading, “The Master Indenture—Covenants of the Obligated Group—Limitations on Debt and Preferred Stock,” after giving effect to such consolidation, merger, or transfer;

(iii) immediately after giving effect to such transaction, no default under the Master Indenture has occurred and is continuing;

(iv) the Member has delivered to the Master Trustee an Officer’s Certificate and an Opinion of Counsel, each of which states that such consolidation, merger, conveyance, or transfer and such supplemental instrument comply with this subheading and the subheading, “The Master Indenture—Covenants of the Obligated Group—Successor Borrower Substituted,” that such consolidation, merger, conveyance, or transfer will not affect the status of interest on any indebtedness secured by Outstanding Master Notes under the Code, and that all conditions precedent relating to such transaction provided for in the Master Indenture have been complied with; and

(v) the unrestricted fund balance of the Combined Group would not be less than 90% of what it was before the merger, consolidation or transfer.

Successor Member Substituted. Upon any consolidation or merger, or any conveyance or transfer of the properties and assets of any Member substantially as an entirety as set forth in the previous subheading, the successor Person formed by such consolidation or into which such Member is merged or to which such conveyance or transfer is made succeeds to, and shall be substituted for, and may exercise every right and power of, such Member under the Master Indenture with the same effect as if such successor Person had been named as the Member in the Master Indenture; provided, however, that no such conveyance or transfer will have the effect of releasing any other Person which will theretofore have become a Member in the manner described in the Master Indenture from its liability as obligor and/or maker on any of the Master Notes.

Additional Covenants of the Obligated Group in the Ninth Supplemental Master Indenture

The Ninth Supplemental Master Indenture provides for the following covenants of the Obligated Group in addition to the covenants of the Obligated Group located in the Master Indenture.

York Hospital Not to Withdraw from the Obligated Group. So long as any Related Bonds are outstanding, York Hospital covenants not to withdraw as a member of the Obligated Group.

Accounts Receivable. Each Member shall not, nor shall it permit its Restricted Affiliates to, securitize, sell or encumber more than 50% of the net accounts receivable of the Combined Group outstanding at any time.

Limitation on Transfers of Cash. Each Member shall not, nor shall it permit its Restricted Affiliates to, transfer any cash or investments to any Person unless (i) immediately after such transfer, the Unrestricted Cash and Investments of the Obligated Group will equal at least 70 Days of Operating Expenses and (ii) the aggregate amount of cash and investments transferred within the then current Fiscal Year does not exceed 5% of the net patient revenues of the Members for the immediately preceding Fiscal Year. No transfers of cash or investments shall be made pursuant to subsections (c) and (d) of the “Limitation of Disposition of Assets” covenant described above. The limitation on transfers of cash pursuant to this paragraph shall replace subsections (c) and (d) of the “Limitation

of Disposition of Assets” covenant described above from and after the date either (i) all Master Notes issued prior to the issuance of the Series 2008A Master Note shall be paid or deemed paid in accordance with the Master Indenture or (ii) the Holders of a majority in principal amount of the Outstanding Master Notes have agreed or deemed to agree to such amendment. By their purchase of the 2008A Bonds, the holders of the 2008A Bonds will be deemed to have agreed to such amendment.

Statement as to Compliance. The Ninth Supplemental Master Indenture amends this covenant by replacing the words “within 120 days after the end of each Fiscal Year” with the words “within 150 days after the end of each Fiscal Year”. Such amendment shall become effective when either (i) all Master Notes issued prior to the issuance of the Series 2008A Master Note shall be paid or deemed paid in accordance with the Master Indenture or (ii) the Holders of a majority in principal amount of the Outstanding Master Notes have agreed or deemed to agree to this amendment. By their purchase of the 2008A Bonds, the holders of the 2008A Bonds will be deemed to have agreed to such amendment.

Records; Financial Reports and Right of Inspection. The Ninth Supplemental Master Indenture amends this covenant by replacing the words “within 120 days after the end of each Fiscal Year” with the words “within 150 days after the end of each Fiscal Year”. Such amendment shall become effective when either (i) all Master Notes issued prior to the issuance of the Series 2008A Master Note shall be paid or deemed paid in accordance with the Master Indenture or (ii) the Holders of a majority in principal amount of the Outstanding Master Notes have agreed or deemed to agree to this amendment. By their purchase of the 2008A Bonds, the holders of the 2008A Bonds will be deemed to have agreed to such amendment.

Membership in the Combined Group

Admission of Additional Obligated Group Members. Any Person may become a Member of the Obligated Group if:

(a) such Person executes and delivers to the Master Trustee a Supplemental Master Indenture acceptable to the Master Trustee which is executed by the Master Trustee, containing the agreement of such Person (i) to become a Member of the Obligated Group and thereby to become subject to compliance with all provisions of the Master Indenture, (ii) unconditionally and irrevocably (subject to the right of such Person to cease its status as a Member of the Obligated Group pursuant to the terms and conditions set forth under the subheading, “The Master Indenture—Membership in the Combined Group—Withdrawal of Obligated Group Members”) agreeing to make payments upon each Master Note at the times and in the amounts provided in each such Master Note pursuant to the terms of the Master Indenture, and (iii) pledging its Gross Receipts to the Master Trustee as part of the Trust Estate as security for payment of the Master Notes;

(b) the Obligated Group Agent, by appropriate action of its Governing Body, has approved the admission of such Person to the Obligated Group;

(c) the Master Trustee has received an Officer’s Certificate of the Obligated Group Agent which demonstrates that, immediately upon such Person becoming a Member of the Obligated Group, (i) the Members would not, as a result of such transaction (including but not limited to the assumption of any Debt of such Person), be in default in the performance or observance of any covenant or condition to be performed or observed by the Obligated Group under the Master Indenture, and (ii) the Obligated Group could meet the conditions described in clause (i) of the subheading, “The Master Indenture—Covenants of the Obligated Group—Limitations on Debt and Preferred Stock,” for the incurrence of \$1.00 of additional Long Term Debt; and

(d) the Master Trustee has received an Opinion of Counsel to the effect that

(i) the instrument described in clause (a) above has been duly authorized, executed and delivered and constitutes a legal, valid and binding agreement of such Person, enforceable in accordance with its terms subject to certain exceptions set forth in an exhibit to the Master Indenture,

(ii) the addition of such Person to the Obligated Group will not adversely affect the status as a tax-exempt entity of any Member which otherwise has such status,

(iii) if any Related Bonds or Master Notes are Outstanding, under then existing law the consummation of such transaction, whether or not contemplated on the date of delivery of any such Related Bonds, would not adversely affect the validity of any Related Bonds or the exemption from federal or state income taxation of interest payable on any such Related Bonds otherwise entitled to such exemption, and would not adversely affect the exemption from registration of any Related Bonds under the Securities Act of 1933, as amended, or the qualification of the Related Bond Indenture under the Trust Indenture Act of 1939, as amended, or that any such registration or qualification requirements have been satisfied; and

(iv) the Person which is to become a Member of the Obligated Group is liable on all Master Notes Outstanding under the Master Indenture, as if such Master Notes were originally issued by such Person, subject only to certain exceptions set forth in an exhibit to the Master Indenture.

Each successor, assignee, surviving, resulting or transferee corporation of a Member must agree to become or to withdraw from being, 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.

Obligated Group Members. Upon any Person's becoming an Obligated Group Member as provided in the preceding subheading:

(a) the Master Trustee may pursue any remedies consequent upon an Event of Default against any Member, or all of them, without notice to, demand upon or joinder of any of the others, or against any one or more or all of them at the same time or at different times without in any way releasing any one or more or all Members against which such remedies were pursued;

(b) any right of contribution or right acquired by subrogation by any Member against any other Member arising out of the payment of Debt is subordinated to the rights of the Master Trustee and the Master Note Holders;

(c) Each Member, by its execution of the Master Indenture and by becoming a Member of the Obligated Group, irrevocably appoints the Obligated Group Agent as its agent and true and lawful attorney-in-fact and grants to the Obligated Group Agent (i) full and exclusive power to execute Supplemental Master Indentures authorizing amendments or supplements to the Master Indenture, including for the purpose of the issuance of Master Notes, and (ii) full power to prepare, or authorize the preparation of, all Related Loan Documents, the Master Notes, and any and all other documents, certificates or disclosure materials reasonably and ordinarily prepared in connection with the issuance of Master Notes under the Master Indenture, or Related Bonds associated therewith, and to execute and deliver all such items to the appropriate parties in connection therewith.

(d) Each Member of the Obligated Group agrees that it interprets the Master Indenture as a continuing agreement which permits the Obligated Group Agent to issue the Master Notes on behalf of any Member of the Obligated Group, and permits any Member of the Obligated Group to issue Master Notes with the consent of the Obligated Group Agent, without further authority or approval from the other Members of the Obligated Group other than the Members on whose behalf the Master Notes are issued, but subject to the provisions set forth under the subheading, "The Master Indenture—Covenants of the Obligated Group—Limitations on Debt and Preferred Stock," and any provisions of any Supplemental Master Indenture authorizing the issuance of Master Notes. Each Member may agree in any Related Bond Indenture or document under which a Master Note is issued to a bank to such representations, warranties, covenants, defaults and other provisions in favor of such bank as the Member may deem appropriate, which representations, warranties, covenants, defaults and other provisions will not be deemed to be included in the Master Indenture.

(e) The Obligated Group Agent is authorized to act as attorney-in-fact with full power of substitution to perform, satisfy, and discharge every obligation, covenant, duty or liability to be performed on the part of the Members of the Obligated Group under the Master Indenture, and to execute and deliver in the name and on behalf

of the Members of the Obligated Group any instrument required to be executed by such Members of the Obligated Group under the Master Indenture. Should York Hospital resign as Obligated Group Agent or withdraw from the Obligated Group as set forth under the subheading, “The Master Indenture—Admission to the Combined Group—Withdrawal of Obligated Group Members,” the remaining Members, by Board Resolution, will designate another Member to be Obligated Group Agent. Should any Person become in control of all Members of the Obligated Group, such Person may be appointed Obligated Group Agent by Resolution of the Governing Body of each of the Members delivered to the Master Trustee.

(f) All Members of the Obligated Group are entitled to the rights and are liable for the obligations, covenants, representations and warranties contained in the Master Indenture.

(g) Notwithstanding anything in this subsection to the contrary, prior to the termination of the Loan and Trust Agreement, upon the occurrence and continuance of an Event of Default, all remedies shall be exercised by the Trustee under the Loan and Trust Agreement.

Withdrawal of Obligated Group Members. Each Member covenants that it will not take any action, corporate or otherwise, which would cause it to cease to be a Member of the Obligated Group (except for a merger of one Member into another Member permitted under the subheading, “The Master Indenture—Covenants of the Obligated Group—Consolidation, Merger, Conveyance, or Transfer Only on Certain Terms”) unless:

(a) the Available Revenues of the Combined Group for the two immediately preceding Fiscal Years, taking into consideration the proposed withdrawal, were at least 125% of the maximum Annual Debt Service Requirements of the Combined Group (or, in case any construction project of any such Persons is then in progress, for each of the two Fiscal Years immediately following the anticipated date of mechanical completion of such project); provided, however that the requirements of this clause (a) shall be deemed satisfied if government restrictions exist, and if there is delivered to the Master Trustee a signed Management Consultant’s opinion to the effect that the projected Available Revenues will not be less than 100% of the maximum Annual Debt Service Requirements for each of the two immediately succeeding Fiscal Years following the transaction in question;

(b) prior to withdrawal, there is delivered to the Master Trustee an opinion of Counsel to the effect that (i) the withdrawal by such Member of its status as a Member of the Obligated Group will not adversely affect the status as a tax-exempt organization of any other Member which otherwise has such status; and (ii) the withdrawal by the Member of its status as a Member will not adversely affect the validity of any Related Bond or the exemption from federal or, if applicable, state income taxation of interest payable on any Related Bond otherwise entitled to such exemption;

(c) the Master Trustee receives an Officer’s Certificate which demonstrates that (i) immediately after such withdrawal the Obligated Group could meet the conditions described in clause (i) under the subheading, “The Master Indenture—Covenants of the Obligated Group—Limitations on Debt and Preferred Stock,” for the incurrence of \$1.00 of additional Long Term Debt; and (ii) if 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 under the subheading, “The Master Indenture—Covenants of the Obligated Group—Limitation on Disposition of Assets,” have been complied with;

(d) prior to and immediately after such withdrawal, no Event of Default exists under the Master Indenture and no event has occurred which with the passage of time or the giving of notice or both would become an Event of Default; and

(e) prior to withdrawal of such status, each Member of the Obligated Group consents in writing to the withdrawal by such Member.

Any Person that has withdrawn as a Member of the Obligated Group may again become a Member of the Obligated Group in accordance with the provisions set forth under the subheading, “The Master Indenture—Admission to the Combined Group—Admission of Obligated Group Members.”

Designation as a Restricted Affiliate. In addition to the Restricted Affiliates listed in and exhibit to the Master Indenture, any Affiliate of any Member or Members of the Obligated Group which satisfies the conditions set forth in the definition of “Restricted Affiliate” may become a Restricted Affiliate. If such Affiliate is a subsidiary that is described in Section 501(c)(3) of the Code, its governing documents may:

- (a) provide for the naming of a substitute beneficiary if the then-current beneficiary ceases to be an organization described in Section 501(c)(3) of the Code; and
- (b) prohibit transfers to organizations that are not organizations described in Section 501(c)(3) of the Code.

Such Affiliate will become a Restricted Affiliate upon Obligated Group Agent Request that such Affiliate be a Restricted Affiliate accompanied by:

- (i) an instrument executed by the chairman of the Governing Body, the president or any vice president of such Affiliate evidencing the agreement of such Affiliate (A) to observe and perform the obligations which the Members have covenanted to cause Restricted Affiliates to observe and perform under the Master Indenture, and (B) to covenant, subject to the legal restrictions relating to disposition of assets by organizations described in Section 501(c)(3) of the Code, that upon the liquidation or dissolution of such Affiliate all remaining assets thereof will be transferred to a Member or another Restricted Affiliate;

- (ii) a Board Resolution of such Affiliate authorizing such instrument;

- (iii) an Officer’s Certificate of the Obligated Group Agent dated within 10 days of the date of such Obligated Group Agent Request, stating that all conditions provided for under the Master Indenture relating to the addition of such Affiliate as a Restricted Affiliate have been complied with and that, were such Affiliate a Restricted Affiliate on the date of such Officer’s Certificate, no Event of Default under the Master Indenture would exist; and

- (iv) the certificates and reports required by the Master Indenture to evidence the ability to issue \$1.00 of additional Long Term Debt pursuant to clause (i) under the subheading, “The Master Indenture—Covenants of the Obligated Group—Limitations on Debt and Preferred Stock,” after the admission of such Person as a Restricted Affiliate.

Release of a Restricted Affiliate. Any Person will be released from its obligations and status as a Restricted Affiliate upon Request of the Obligated Group Agent and such Restricted Affiliate that such Person no longer be a Restricted Affiliate accompanied by:

- (a) the certificates and reports required by the Master Indenture to establish that estimated Available Revenues of the Combined Group (assuming the release of such Restricted Affiliate) for each of the two immediately succeeding Fiscal Years (or, in case any construction project of any such Persons is then in progress, for each of the two Fiscal Years immediately following the anticipated date of mechanical completion of such project), are at least 125% of the maximum Annual Debt Service Requirements (assuming the release of such Restricted Affiliate) of the Combined Group for any future Fiscal Year; provided, however that the requirements of this clause (a) shall be deemed satisfied if government restrictions exist and if there is delivered to the Master Trustee a signed Management Consultant’s opinion to the effect that the projected Available Revenues of the Combined Group will not be less than 100% of the maximum Annual Debt Service Requirements for each of the two immediately succeeding Fiscal Years following the transaction.

- (b) an Officer’s Certificate of the Obligated Group Agent, dated within 10 days of the date of such Request, stating that all conditions precedent provided for under the Master Indenture relating to the release of such Person as a Restricted Affiliate have been complied with and that, were such Person released as a Restricted Affiliate on the date of such Officer’s Certificate, no Event of Default under the Master Indenture would exist; and

(c) the certificates and reports required by the Master Indenture to evidence the ability of the Obligated Group to issue \$1.00 of additional Long Term Debt pursuant to clause (i) under the subheading, “The Master Indenture—Covenants of the Obligated Group—Limitations on Debt and Preferred Stock,” after the release of such Person.

Defaults and Remedies

Events of Default. The phrase “Event of Default”, as used in the Master Indenture, means any of the following events (whatever the reason for such Event of Default and whether it is voluntary or involuntary or comes about or is effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) default in the payment of the principal of (premium, if any) or interest or any other amount due on any Master Note when due; or

(b) default in the performance, or breach, of any covenant or agreement on the part of the Obligated Group contained in the Master Indenture (other than a covenant or agreement the default in the performance or observance of which is elsewhere in this subheading specifically addressed) and continuance of such default or breach for a period of 60 days after a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a “Notice of Default” under the Master Indenture has been given by registered or certified mail by (i) the Holders of at least 25% in principal amount of Master Notes then Outstanding or (ii) the Master Trustee to the Obligated Group Agent (with a copy to the Master Trustee in the case of notice by the Holders); provided that if such default under this clause (b) can be cured by the Obligated Group but cannot be cured within the 60-day curative period described above, it will not constitute an Event of Default if corrective action is instituted by the Obligated Group within such 60-day period and diligently pursued until the default is corrected; or

(c) a decree or order by a court having jurisdiction in the premises is entered adjudging any Member of the Obligated Group a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization or arrangement of any Member of the Obligated Group under the federal Bankruptcy Code of 1978, as amended (the “Bankruptcy Code”) or any other similar applicable federal or state law, and such decree or order continues undischarged and unstayed for a period of 90 days; or a decree or order of a court having jurisdiction in the premises for the appointment of a receiver or trustee or assignee in bankruptcy or insolvency of any Member of the Obligated Group or of any Member of the Obligated Group’s property, or for the winding up or liquidation of any Member of the Obligated Group’s affairs, is entered, and such decree or order remains in force undischarged and unstayed for a period of 90 days; or

(d) any Member of the Obligated Group institutes proceedings to be adjudicated a voluntary bankrupt, or consents to the institution of a bankruptcy proceeding against it, or files a petition or answer or consent seeking reorganization or arrangement under the Bankruptcy Code, as amended, or any other similar applicable federal or state law, or consents to the filing of any such petition, or consents to the appointment of a receiver or trustee or assignee in bankruptcy or insolvency of it or of its property, or makes assignment for the benefit of creditors, or admits in writing its inability to pay its debts generally as they become due, or corporate action is taken by any Member in furtherance of any of the aforesaid purposes; or

(e) an event of default, as therein defined, under any instrument under which any Master Note may be incurred or secured, or under any Related Bond Indenture occurs and is continuing beyond the applicable period of grace, if any; or

(f) a Qualified Provider under a Financial Products Agreement notifies the Master Trustee that an event of default under the Swap Agreement, as therein defined, has occurred and is continuing beyond the applicable grace period, if any; or

(g) the occurrence of an Event of Default under the Loan and Trust Agreement.

Acceleration of Maturity; Rescission and Annulment

(a) If an Event of Default occurs and is continuing prior to the termination of the Loan and Trust Agreement, the Master Trustee will transfer all amounts deposited to the Revenue Fund to the Trustee under the Loan and Trust Agreement to be held pursuant to the Loan and Trust Agreement, and all remedies with respect to payment default on the Master Notes shall be administered by the Trustee under the Loan and Trust Agreement pursuant to the provisions thereof relating to remedies in an Event of Default with respect to Parity Obligations.

(b) After the termination of the Loan and Trust Agreement, if an Event of Default occurs and is continuing, then and in every such case the Master Trustee may, and upon the request of the Holders of not less than 25% in principal amount of the Master Notes Outstanding (or, in the case of any Event of Default described in clause (e) under the previous subheading resulting in the loss of any exclusion from gross income of interest on, or the invalidity of, any Debt secured by a pledge of Master Notes, the Holders of not less than 25% in principal amount of the Master Notes Outstanding of the affected series) must, by a notice in writing to the Obligated Group Agent, accelerate the Maturity of the Master Notes and upon any such declaration such principal (premium, if any) and interest and any other amount due on any Master Note will become immediately due and payable.

(c) At any time after such a declaration of acceleration has been made and before a judgment or decree for payment of the money due has been obtained by the Master Trustee as provided in the Master Indenture, the Holders of a majority in principal amount of the Master Notes Outstanding, by written notice to the Obligated Group Agent and the Master Trustee, may rescind and annul such declaration and its consequences if:

(i) the Obligated Group has caused to be paid or deposited with the Master Trustee a sum sufficient to pay:

(1) all overdue installments of interest on all Master Notes;

(2) the principal of (and premium, if any, on) any Master Notes which have become due otherwise than by such declaration of acceleration and interest thereon at the rate borne by the Master Notes as well as any other amounts due and owing as provided in such Master Notes; and

(3) all sums paid or advanced by the Master Trustee under the Master Indenture and the reasonable compensation, expenses, disbursements and advances of the Master Trustee, its agents and counsel; and

(ii) all Events of Default, other than the non-payment of the principal of Master Notes which have become due solely by such acceleration, have been cured or waived as provided in the Master Indenture.

No such rescission will affect any subsequent default or impair any right consequent thereon.

Collection of Indebtedness and Suits for Enforcement by Master Trustee. Each Member of the Obligated Group covenants that if:

(a) default is made in the payment of any installment of interest on any Master Note when such interest becomes due and payable;

(b) default is made in the payment of the principal of (or premium, if any) on any Master Note when such principal (or premium, if any) becomes due and payable; or

(c) default is made in the payment of any other amount when such amount is due and payable;

the Members of the Obligated Group, jointly and severally, will, upon demand of the Master Trustee, pay to it, for the benefit of the Holders of such Master Notes, the whole amount then due and payable on such Master Notes for principal (and premium, if any) and interest, with interest upon the overdue principal (and premium, if any) and any other amount due; and, in addition thereto, such further amount as is sufficient to cover the costs and expenses of

collection, including the reasonable compensation, expenses, disbursements and advances of the Master Trustee, its agents and counsel.

If the Members of the Obligated Group fail to pay any of the foregoing amounts forthwith upon demand, the Master Trustee, in its own name and as trustee of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid, and may prosecute such proceeding to judgment or final decree, and may enforce the same, jointly and severally, against the Members of the Obligated Group and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the property of the Members of the Obligated Group.

If an Event of Default occurs and is continuing, the Master Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders of Master Notes by such appropriate judicial proceedings as the Master Trustee deems most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in the Master Indenture or in aid of the exercise of any power granted therein, or to enforce any other proper remedy.

Master Trustee May File Proofs of Claim. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to any Member of the Obligated Group or Property of any Member of the Obligated Group or of such other obligor or their creditors, the Master Trustee (irrespective of whether the principal of the Master Notes are then due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Master Trustee has made any demand on any Member of the Obligated Group for the payment of overdue principal or interest) is entitled and empowered, by intervention in such proceeding or otherwise:

(a) to file and prove a claim for the whole amount of principal (and premium, if any) and interest and any other amounts owing and unpaid in respect of the Master Notes and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Master Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Master Trustee, its agents and counsel) and of the Holders of Master Notes allowed in such judicial proceeding; and

(b) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same;

and any receiver, assignee, trustee, liquidator, sequestrator (or other similar official) in any such judicial proceeding is hereby authorized by each Holder of Master Notes to make such payments to the Master Trustee, and in the event that the Master Trustee consents to the making of such payments directly to the Holders of Master Notes, to pay to the Master Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Master Trustee, its agents and counsel, and any other amounts due the Master Trustee under the Master Indenture.

Nothing in the Master Indenture will be deemed to authorize the Master Trustee to authorize or consent to or accept or adopt on behalf of any Holder of Master Notes any plan of reorganization, arrangement, adjustment or composition affecting the Master Notes or the rights of any Holder thereof, or to authorize the Master Trustee to vote in respect of the claim of any Holder of Master Notes in any such proceeding.

Master Trustee May Enforce Claims Without Possession of Master Notes. All rights of action and claims under this Master Indenture or the Master Notes may be prosecuted and enforced by the Master Trustee without the possession of any of the Master Notes or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Master Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Master Trustee, its agents and counsel, be for the ratable benefit of the Holders of the Master Notes in respect of which such judgment has been recovered.

Application of Money Collected. Any money collected by the Master Trustee during an Event of Default and any proceeds of any sale (after deducting the costs and expenses of such sale, including a reasonable

compensation to the Master Trustee, its agents and counsel, and any taxes, assessments, or liens prior to the lien of the Master Indenture, except any thereof subject to which such sale shall have been made), whether made under any power of sale granted in the Master Indenture or pursuant to judicial proceedings, together with, in the case of an entry or sale as otherwise provided herein, any other sums then held by the Master Trustee as part of the Trust Estate will be transferred to the Trustee under the Loan and Trust Agreement for deposit in a revenue fund established pursuant to the Loan and Trust Agreement so long as the Loan and Trust Agreement is in effect and thereafter under the Master Indenture, is required to be deposited in the Revenue Fund, is required to be applied in the order specified under the subheading, “The Master Indenture—Covenants of the Obligated Group—Revenue Fund,” at the date or dates fixed by the Master Trustee and, in case of the distribution of such money on account of principal (or premium, if any), upon presentation of the Master Notes and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid.

Limitation on Suits. No Holder of any Master Note has any right to institute any proceeding, judicial or otherwise, with respect to the Master Indenture, or for the appointment of a receiver or trustee, or for any other remedy under the Master Indenture, unless:

- (a) such Holder has previously given written notice to the Master Trustee of a continuing Event of Default;
- (b) the Holders of not less than 25% in principal amount of the Outstanding Master Notes have made written request to the Master Trustee to institute proceedings in respect of such Event of Default in its own name as Master Trustee under the Master Indenture;
- (c) such Holder or Holders have offered to the Master Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;
- (d) the Master Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and
- (e) no direction inconsistent with such written request has been given to the Master Trustee during such 60-day period by the Holders of a majority in principal amount of the Outstanding Master Notes;

it being understood and intended that no one or more Holders of Master Notes has any right in any manner whatever by virtue of, or by availing of, any provision of the Master Indenture to affect, disturb or prejudice the rights of any other Holders of Master Notes, or to obtain or to seek to obtain priority or preference over any other Holders, or to enforce any right under the Master Indenture, except in the manner provided in the Master Indenture and for the equal and ratable benefit of all the Holders of Master Notes.

Unconditional Right of Holders of Master Notes to Receive Principal, Premium and Interest. Notwithstanding any other provision in the Master Indenture, the Holder of any Master Note has the right which is absolute and unconditional to receive payment of the principal of (and premium, if any) and interest (including the purchase price, if any, specified therein) on such Master Note, but solely from the sources provided in the Master Indenture, on the respective Stated Maturities expressed in such Master Note (or, in the case of redemption, on the redemption date) and to institute suit for the enforcement of any such payment, and such rights will not be impaired without the consent of such Holder.

Control by Holders of Master Notes. The Holders of a majority in principal amount of the Outstanding Master Notes have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Master Trustee or exercising any trust or power conferred on the Master Trustee, provided that such direction is not in conflict with any rule of law or with the Master Indenture, and the Master Trustee may take any other action deemed proper by the Master Trustee which is not inconsistent with such direction.

Loan and Trust Agreement. So long as the Loan and Trust Agreement is in effect, the Master Trustee shall act in conjunction with the Trustee under the Loan and Trust Agreement with respect to the administration of remedies.

Compliance Certificates and Reports

Whenever the amount or date of any of the following is a condition to the taking of any action permitted by the Master Indenture:

(a) Estimated Available Revenues of any Person for any future Fiscal Year will be established by either:

(i) a certificate or report of a Management Consultant stating the amount of such estimated Available Revenues based upon assumptions provided by such Person and stating that such assumptions are, in the opinion of the Management Consultant, reasonable; or

(ii) a report of the Obligated Group Agent stating the amount of such estimated Available Revenues accompanied by an Officer's Certificate of such Person adopting such report and, unless such report demonstrates that the amount of estimated Available Revenues of such Person (assuming the occurrence of such proposed action) for each of the two immediately succeeding Fiscal Years (or, in case any a construction project of any such Person is then in progress, for each of the two Fiscal Years immediately following the anticipated date of mechanical completion of such project), are not less than 151% of the maximum Annual Debt Service Requirements of such Person for any future Fiscal Year, then such report of the Obligated Group Agent must be accompanied by a certificate or report of a Management Consultant stating that it has reviewed the assumptions and methodologies upon which such report is based and that, in the opinion of the Management Consultant, such assumptions and methodologies are reasonable and provide a reasonable basis for the conclusions of such report.

(b) Any of:

(i) Available Revenues of any Person for any prior Fiscal Year or period;

(ii) Gross Revenues of any Person for any prior Fiscal Year or period;

(iii) maximum Annual Debt Service Requirements of any Person;

(iv) principal of (and premium, if any) and interest and other debt service charges on any Debt;

(v) Book Value of any assets;

(vi) accounts receivable of any Person for any period;

(vii) Total Operating Revenues of any Person for any period;

(viii) Property, plant and equipment of any Person; and

(ix) unrestricted fund balance of any Person or Persons at any time

must be established by an Officer's Certificate of such Person stating the amount of such item and that, where such data is historical, such amounts have been derived from the most recent financial statements of the Combined Group delivered to the Master Trustee pursuant to the Master Indenture;

(c) the anticipated date of mechanical completion of any construction project of any Person must be established by an Officer's Certificate of such Person; and

(d) all calculations required to be made under the Master Indenture with respect to the Combined Group are made after elimination of intercompany items on a combined basis. The character or amount of any asset, liability or item of income or expense required to be determined or any consolidation, combination or other accounting computation required to be made for the purposes of the Master Indenture, must be determined or made

in accordance with generally accepted accounting principles at the time in effect, except (i) that assets, liabilities, items of income and expenses of Affiliates which are not included in the Combined Group will not be taken into account, and (ii) where such principles are inconsistent with the requirements of the Master Indenture; provided, however, that there will not be included in the calculation of Gross Revenues, Annual Debt Service Requirements or Available Revenues or accounts receivable of any Person, any item otherwise required to be included in such calculation with respect to any other Person for any period during which it was not a member of the Combined Group, or of any Person which has withdrawn or is withdrawing from the Combined Group or any such item with respect to any material business, properties, or assets acquired (by way of merger, consolidation, purchase, or otherwise) by any Person, for any period prior to the acquisition thereof.

Concerning the Master Trustee

Liability and Duties of Master Trustee. The Master Indenture contains various limitations on the liability of the Master Trustee. The Master Trustee is not liable for any error of judgment made in good faith by a Responsible Officer, unless the Master Trustee was grossly negligent in ascertaining the pertinent facts. The Master Trustee is not liable for any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than a majority in aggregate principal amount of the Master Notes then Outstanding relating to the time, method, and place of conducting any proceeding for any remedy available to the Master Trustee, or exercising any trust or power conferred upon the Master Trustee, under the Master Indenture. No provision of the Master Indenture requires the Master Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Master Indenture or in the exercise of any of its rights or powers, if it has reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability or the payment of its fees and expenses is not reasonably assured to it. In the absence of bad faith on its part, and prior to the occurrence of an event of default and after the curing of all events of default that may have occurred, the Master Trustee may conclusively rely, as to the truth of statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Master Trustee and conforming to the requirements of the Master Indenture, but in the case of any such certificates or opinions which are specifically required by the Master Indenture to be furnished to the Master Trustee, the Master Trustee is under a duty to examine the certificates or opinions for conformity to the specific requirements of the Master Indenture. If an Event of Default under the Master Indenture has occurred and is continuing (of which the Master Trustee has actual knowledge or is deemed to have actual knowledge under the Master Indenture), the Master Trustee is required to exercise the rights and powers vested in it by the Master Indenture, and to use the same degree of care and skill in their exercise, as a reasonably prudent man would exercise or use under the circumstances in the conduct of his own affairs.

Master Trustee May Own Master Notes. The Master Trustee or other agent of any Member, in its individual or any other capacity, may become the owner or pledgee of Master Notes and may otherwise deal with any Member with the same rights it would have if it were not Master Trustee or such other agent.

Moneys to Be Held in Trust. All moneys received by the Master Trustee will, until used or applied as provided in the Master Indenture, be held in trust for the purposes for which they were received, but need not be segregated from other funds except to the extent required by law. The Master Trustee is under no liability for interest on any moneys received by it under the Master Indenture other than such interest as it expressly agrees to pay.

Appointment of Successor Master Trustee. If the Master Trustee resigns, is removed or becomes incapable of acting, or if a vacancy occurs in the office of Master Trustee for any cause, the Obligated Group Agent is required to promptly appoint a successor Master Trustee. If, within three months after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Master Trustee is appointed by act of the Holders of a majority in principal amount of the Outstanding Master Notes delivered to the Obligated Group Agent and the retiring Master Trustee, the successor Master Trustee so appointed is required to, upon its acceptance of such appointment, become the successor Master Trustee and supersede the successor Master Trustee appointed by the Obligated Group Agent. If no successor Master Trustee has been so appointed by the Obligated Group Agent or the Master Note Holders and accepted appointment in the manner provided in the Master Indenture, the Master Trustee or any Master Note Holder who has been a bona fide Master Note Holder for at least 6 months may, on behalf of

himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Master Trustee.

The Obligated Group Agent is required to give notice of each resignation and each removal of the Master Trustee and each appointment of a successor Master Trustee by mailing written notice of such event by first-class mail, postage prepaid, to the Holders of Master Notes at their addresses as shown in the Master Note Register. Each notice is required to include the name and address of the designated corporate trust office of the successor Master Trustee.

Supplements and Amendments

Supplemental Master Indentures Without Consent of Holders of Master Notes. Without the consent of the Holders of any Master Notes, the Obligated Group Agent, when authorized by a Board Resolution of each Member, and the Master Trustee at any time may enter into one or more indentures supplemental to the Master Indenture for any of the following purposes:

(a) to cure any ambiguity or to correct or supplement any provision in the Master Indenture which may be inconsistent with any other provision in the Master Indenture, or to make any other provisions with respect to matters or questions arising under the Master Indenture which are not inconsistent with the Master Indenture, provided such action does not adversely affect the interests of the Holder of any Master Notes;

(b) to grant to or confer upon the Master Trustee for the benefit of the Holders of the Master Notes any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Holders of the Master Notes and the Master Trustee, or either of them, to add to the covenants of the Members of the Obligated Group for the benefit of the Holders of the Master Notes or to surrender any right or power conferred under the Master Indenture upon the Obligated Group;

(c) to assign and pledge under the Master Indenture additional revenues, properties or collateral;

(d) to evidence the succession of another corporation to the agreements of the Master Trustee, or a successor thereof under the Master Indenture;

(e) to evidence the succession of another Person to any Member of the Obligated Group, or successive successions, and the assumption by the successor Person of the covenants, agreements and obligations of any Member of the Obligated Group as permitted by the Master Indenture;

(f) to reflect the admission or withdrawal of a Restricted Affiliate;

(g) to modify or supplement the Master Indenture in such manner as may be necessary or appropriate to qualify the Master Indenture under the Trust Indenture Act of 1939 as then amended, or under any similar federal or state statute or regulation, including provisions whereby the Master Trustee accepts such powers, duties, conditions and restrictions under the Master Indenture and each Member undertakes such covenants, conditions or restrictions additional to those contained in the Master Indenture as would be necessary or appropriate so to qualify the Master Indenture; provided, however, that nothing contained in the Master Indenture will be deemed to authorize inclusion in the Master Indenture or in any indenture supplemental hereto, provisions referred to in Section 316(a)(2) of the said Trust Indenture Act or any corresponding provision provided for in any similar statute hereafter in effect;

(h) to provide for the refunding or advance refunding of any Master Note, in whole or in part;

(i) to provide for the issuance of (1) additional series of Master Notes, or (2) replacement or amended and restated Master Notes upon the admission of an Obligated Group Member;

(j) to reflect the addition of a Member to, or the withdrawal of a Member from, the Obligated Group, or to reflect the succession of another Person as Obligated Group Agent;

(k) to permit a Master Note to be secured by new security which may or may not be extended to all Holders of Master Notes or to establish special funds or accounts under the Master Indenture;

(l) to allow for the issuance of any series of Master Notes in uncertificated form;

(m) to make any other change which does not materially adversely affect the Holders of any of the Master Notes and, in the opinion of each Related Bond Trustee, does not materially adversely affect the owners 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 or any amendment 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;

(n) so long as no Event of Default has occurred and is continuing under the Master Indenture and so long as no event which with notice or the passage of time or both would become an Event of Default under the Master Indenture has occurred and is continuing, to make any other change in the Master Indenture which, in the judgment of an Independent Management Consultant, a copy of whose report is required be filed with the Master Trustee:

(i) is in the best interest of the Members of the Obligated Group;

(ii) provided that, with respect to each applicable series of Related Bonds, an Opinion of Counsel acceptable to the Master Trustee, and on which the Master Trustee may conclusively rely, to the effect that the amendment proposed to be adopted by such Supplemental Master Indenture will not adversely affect the exclusion from gross income for federal income tax purposes of the interest on such Related Bonds otherwise entitled to such exclusion; and

(iii) provided that, no such amendment, directly or indirectly, may (1) change the provisions of this clause (n), (2) make any modification of the type prohibited under clauses (a)(i), (a)(ii), or (a)(iii) under the subheading “The Master Indenture—Supplements and Amendments—Supplemental Master Indentures With Consent of Holders of Master Notes,” (3) make a modification intended to subordinate the right to payment of a Holder of any Master Note to the right of payment of any Holder of any other Master Note or any other Debt, or (4) change any defined term used to calculate any ratio or formula or utilized in the definition of Permitted Encumbrances, or under the subheadings, “The Master Indenture—Covenants of the Obligated Group—Limitation on Liens,” “—Limitations on Debt and Preferred Stock,” and “—Limitation on Disposition of Assets”;

(o) to make any amendment to any provision of the Master Indenture or to any supplemental indenture which is only applicable to Master Notes issued thereafter or which will not apply so long as any Master Notes then Outstanding remains Outstanding; and

(p) to modify, eliminate or add to the provisions of the Master Indenture if the Master Trustee shall have received (i) written confirmation from each Rating Service that such change will not result in a withdrawal or reduction of its credit rating assigned to any series of Master Notes or Related Bonds, as the case may be, and (ii) a Board Resolution to the effect that, in the judgment of the Governing Body of the Obligated Group Agent, such change is necessary to permit any Member of the Obligated Group to affiliate or merge with one or more other health care providers on acceptable terms and such change and affirmation are in the best interests of the Holders of the Outstanding Master Notes.

Supplemental Master Indentures With Consent of Holders of Master Notes.

(a) With the consent of the Holders of not less than a majority in principal amount of the Outstanding Master Notes, by act of said Holders delivered to the Obligated Group Agent and the Master Trustee, the Obligated Group Agent, when authorized by a Board Resolution of the Obligated Group Agent, and the Master Trustee may enter into or consent to an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Master Indenture or of modifying in any manner the rights of the Holders of the Master Notes under the Master Indenture; provided, however, that no such

Supplemental Master Indenture may, without the consent of the Holder of each Outstanding Master Note affected thereby:

(i) change the Stated Maturity of the principal of, or any installment of interest on, any Master Notes or any date for mandatory redemption thereof, or reduce the principal amount thereof or the interest thereon or any premium payable upon the redemption thereof, or change the coin or currency in which, any Master Notes or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the redemption date); or

(ii) reduce the percentage in principal amount of the Outstanding Master Notes, the consent of whose Holders is required for any such supplemental indenture, or the consent of whose Holders is required for any waiver (of compliance with certain provisions of the Master Indenture or certain defaults under the Master Indenture and their consequences) provided for in the Master Indenture; or

(iii) modify any of the provisions of this subheading or certain other provisions of the Master Indenture, except to increase any such percentage or to provide that certain other provisions of the Master Indenture cannot be modified or waived without the consent of the Holder of each Master Note affected thereby.

(b) It is not necessary for any act of Holders of Master Notes under this subheading to approve the particular form of any proposed Supplemental Master Indenture, but it will be sufficient if such act of Holders of Master Notes approves the substance thereof.

Satisfaction and Discharge of Master Indenture

Satisfaction and Discharge of Master Indenture.

(a) If at any time any Member or Members have paid or caused to be paid the principal of (and premium, if any) and interest and all other amounts due and owing on all the Master Notes Outstanding under the Master Indenture, as and when the same have become due and payable, and if such Member or Members also pay or provide for the payment of all other sums payable under the Master Indenture by the Members and the Members have paid or made provisions satisfactory to the Master Trustee for all of the Master Trustee's fees and expenses provided for in the Master Indenture, then the Master Indenture will cease to be of further effect (except as to (i) rights of registration of transfer and exchange, (ii) substitution of mutilated, defaced, or apparently destroyed, lost or stolen Master Notes, (iii) rights of Holders to receive payments of principal thereof (and premium, if any) and interest thereon and remaining obligations of the Members to make mandatory sinking fund payments, (iv) the rights, remaining obligations, if any, and immunities of the Master Trustee under the Master Indenture and (v) the rights of the Holders as beneficiaries of the Master Indenture with respect to the property so deposited with the Master Trustee payable to all or any of them) and the Master Trustee, on Request accompanied by an Officer's Certificate and an Opinion of Counsel to the effect that the conditions precedent to the satisfaction and discharge of the Master Indenture have been fulfilled and at the cost and expense of the Members, is required to execute proper instruments acknowledging satisfaction of and discharging the Master Indenture.

(b) Notwithstanding the satisfaction and discharge of the Master Indenture, the obligations of the Members to the Master Trustee under the Master Indenture and, if funds have been deposited with the Master Trustee pursuant to the following subheading, certain specified obligations of the Master Trustee under the Master Indenture will survive.

Master Notes Deemed Paid. Master Notes of any series will be deemed to have been paid if:

(a) in case said Master Notes are to be redeemed on any date prior to their Stated Maturity, the Obligated Group Agent (or any Member) by Request has given to the Master Trustee in form satisfactory to it irrevocable instructions to give notice of redemption of such Master Notes on said redemption date;

(b) there has been deposited with the Master Trustee either money sufficient, or Defeasance Obligations the principal of and the interest on which will provide money sufficient without reinvestment (as

established by an Officer's Certificate delivered to the Master Trustee accompanied by a report of an Independent certified public Accountant setting forth the calculations upon which such Officer's Certificate is based), to pay when due the principal of (and premium, if any) and interest due and to become due on said Master Notes on and prior to the Maturity thereof;

(c) in the event said Master Notes are not by their terms subject to redemption within the next 45 days, the Obligated Group Agent (or any Member) by Request has given the Master Trustee in form satisfactory to it irrevocable instructions to give a notice to the Holders of such Master Notes that the deposit required by clause (b) above has been made with the Master Trustee and that said Master Notes are deemed to have been paid in accordance with this subheading and stating such Maturity date upon which moneys are to be available for the payment of the principal of (and premium, if any) and interest on said Master Notes; or

(d) if the Related Bonds with respect to that Master Note are no longer outstanding under the Related Bond Indenture.

THE NINTH SUPPLEMENTAL MASTER INDENTURE

In connection with the issuance of the 2008A Bonds, the Obligated Group and the Master Trustee will enter into the Ninth Supplemental Master Indenture authorizing the issuance of the 2008A Master Note. The 2008A Master Note to be issued by the Obligated Group are numbered, bear interest at such times and at such rates and mature on such dates as set forth in the Ninth Supplemental Master Indenture.

THE EXISTING AGREEMENT

The following is a summary of certain definitions and provisions of the Existing Agreement. Such summary does not purport to be complete and is qualified in its entirety by reference to the Existing Agreement.

Definitions

The following definitions apply only to terms as used in the Existing Agreement:

“*1993 Bonds*” means the Hospital Revenue Bonds, Series of 1993 (York Hospital) issued pursuant to the Loan and Trust Agreement.

“*1997 Bonds*” means the Hospital Revenue Bonds, Series of 1997 (York Hospital) issued pursuant to the Loan and Trust Agreement.

“*Accounts Receivable*” means any and all right to payment for services rendered or for goods sold or leased which is not evidenced by an instrument or chattel paper, whether or not it has been earned by performance.

“*Additional Debt*” means any Debt incurred by any Obligated Group Member subsequent to the issuance of the 1993 Bonds.

“*Authority*” means the York Authority.

“*Bond*” or “*Bonds*” means, collectively (i) the 1993 Bonds, (ii) the 1997 Bonds, (iii) except as otherwise expressly excepted by the terms of any specific section under the Loan and Trust Agreement, all additional Parity Bonds, and (iv) except as otherwise provided in the Loan and Trust Agreement, any Bond or Bonds duly issued in exchange or replacement therefor and, where appropriate with respect to redemption and required purchase, portions thereof in authorized denominations.

“*Bond Insurer*” means Ambac Assurance Corporation, a Wisconsin-domiciled stock insurance company which has insured the payment when due of the 1993 Bonds and the 1997 Bonds.

“*Current Assets*” means cash and cash equivalent deposits, marketable securities, Accounts Receivable, accrued interest receivable, funds permitted to be designated by the Governing Body of any Obligated Group Member for any specific purpose and any other intangible assets of any Obligated Group Member ordinarily considered current assets under generally accepted accounting principles.

“*Debt*” means all obligations for payments of principal and interest with respect to money borrowed, incurred or assumed by one or more Obligated Group Members, including without limitation, all Obligations issued under the Loan and Trust Agreement, guaranties, purchase money mortgages, capitalized lease obligations, installment purchase contracts or other similar instruments in the nature of a borrowing by which the Obligated Group Member will be unconditionally obligated to pay, except obligations of one Obligated Group Member to another Obligated Group Member.

“*Event of Bankruptcy*” means (i) any Obligated Group Member shall commence a voluntary case under the federal bankruptcy laws, or shall become insolvent or unable to pay its debts as they become due, or shall make an assignment for the benefit of creditors, or shall apply for, consent to or acquiesce in the appointment of, or taking possession by, a trustee, receiver, custodian or similar official or agent for itself or any substantial part of its

Property, Current Assets or Gross Receipts; (ii) a trustee, receiver, custodian or similar official or agent shall be appointed for any Obligated Group Member or for any substantial part of its Property, Current Assets or Gross Receipts and either such trustee or receiver shall not be discharged, or such Obligated Group Member shall not withdraw from the Obligated Group pursuant to the paragraph under the provisions governing withdrawal from the Obligated Group under the Loan and Trust Agreement, in either case, within ninety (90) days; or (iii) any Obligated Group Member shall have an order or decree for relief in an involuntary case under the federal bankruptcy laws entered against it, or a petition seeking reorganization, readjustment, arrangement, composition, or other similar relief as to it under the federal bankruptcy laws or any similar law for the relief of debtors shall be brought against it and either such order or decree for relief is not discharged or vacated or such Obligated Group Member shall not withdraw from the Obligated Group under the Loan and Trust Agreement, in either case within ninety (90) days.

“*Event of Default*” means any one of the events described below under the heading “Loan and Trust Agreement–Default by the Obligated Group.”

“*Gross Receipts*” means all receipts, revenues, income and other moneys received by or on behalf of an Obligated Group Member or the Obligated Group, including, but without limiting the generality of the foregoing, revenues derived from the ownership or operation of Property of an Obligated Group Member or the Obligated Group, including insurance and condemnation proceeds with respect to such Property or any portion thereof, and all rights to receive the same, whether in the form of accounts, Accounts Receivable, contract rights or other rights, and the proceeds of such rights, whether now owned or held or hereafter coming into existence; provided, however, that (i) gifts, grants (including Hill-Burton grants), bequests, donations and contributions heretofore or hereafter made and designated or specified by the granting authority, donor or maker thereof as being for specified purposes (inconsistent with the payment of debt service on debt) and the income derived therefrom to the extent required by such designation or specification, and (ii) revenues, receipts and income derived from the ownership and operation of Property which secures Non-Recourse Debt, shall be excluded from Gross Receipts.

“*Holder*” or “*Owner*” means the registered owner of any of the Obligations from time to time as shown in the books kept by the Trustee as registrar and transfer agent.

“*Obligated Group*” means, collectively, York Hospital and Gettysburg Hospital and any future Obligated Group Member that qualifies under the Loan and Trust Agreement.

“*Obligated Group Agent*” means York Hospital, or such other Obligated Group Member as the Obligated Group Agent shall designate as a successor by an Officer’s Certificate delivered to the Trustee.

“*Obligations*” means collectively all Bonds and Parity Debt issued under the Loan and Trust Agreement.

“*Original Obligations*” means the \$13,550,000 Hospital Revenue Refunding Bonds, Series A of 1993 (York Hospital); the \$38,850,000 Select Auction Variable Rate Securities, Series B of 1993 (York Hospital); the \$39,665,000 Hospital Revenue Bonds, Series of 1997 (York Hospital); and a \$5,000,000 promissory note payable to the Health Care Facilities Authority of Sayre (Series of 2000 Note), and a Guarantee Agreement in favor of Chase Manhattan Trust Company (Series of 2000 Guarantee), all issued under the Existing Agreement.

“*Outstanding*” when used to modify Obligations, refers to the 1993 Bonds, and all other Parity Bonds and Parity Debt issued under or secured by the Loan and Trust Agreement, excluding: (i) Obligations which have been exchanged or replaced, or delivered to the Trustee for credit against a sinking fund installment; (ii) Obligations which have been paid; (iii) Obligations which have become due and for the payment of which moneys have been duly provided to the Trustee; and (iv) Obligations for which there have been irrevocably set aside with the Trustee sufficient funds, or obligations described under the Loan and Trust Agreement bearing interest at such rates and with such maturities as will provide, in the determination of the Trustee, sufficient funds to pay the principal of, premium, if any, and interest on such Obligations; provided, however, that if any such Obligations are to be redeemed prior to maturity, the Authority or the Obligated Group Agent, as the case may be, shall have taken all action necessary to redeem such Obligations and notice of such redemption shall have been duly mailed in accordance with the Loan and Trust Agreement or irrevocable instructions so to mail shall have been given to the Trustee. When used to modify other Debt, Outstanding refers to Debt which as of such date remains unpaid except Debt for the payment or redemption of which sufficient moneys have been deposited prior to such date in trust for

the holders of such Debt (whether upon or prior to the maturity or redemption date of any such Debt), or which is certified by the Obligated Group's Accountant to have been paid pursuant to the provisions for the documents securing such Debt; provided that if such Debt is to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or irrevocable arrangements shall have been made therefor.

"Parity Bonds" means any bonds issued by the Authority pursuant to the Loan and Trust Agreement secured, on a parity basis with the 1993 Bonds, 1997 Bonds and Parity Debt, by a pledge of Gross Receipts of the Obligated Group or any Obligated Group Member and one or more of the funds established under the Loan and Trust Agreement (excluding the Rebate Fund and the 1993 Bonds Debt Service Reserve Fund and the 1997 Bonds Debt Service Reserve Fund), as provided therein.

"Parity Debt" means any Debt of the Obligated Group or any Obligated Group Member issued pursuant to the Loan and Trust Agreement secured by a pledge of Gross Receipts of the Obligated Group or any Obligated Group Member and one or more of the funds established under the Loan and Trust Agreement (excluding the Rebate Fund and the 1993 Bonds Debt Service Reserve Fund and the 1997 Bonds Debt Service Reserve Fund) on a parity basis with the 1993 Bonds, 1997 Bonds and any issue of Parity Bonds.

"Property" means any and all and, leasehold interests, buildings, machinery, equipment, hardware, and inventory of any Obligated Group Member or the Obligated Group, wherever located and whether now or hereafter acquired, any and all rights, titles and interest in and to any and all tangible property of any Obligated Group Member or the Obligated Group, whether real or personal, and wherever situated and whether now or hereafter acquired.

"York Trustee" means Manufacturers and Traders Trust Company, as successor trustee under the Loan and Trust Agreement.

Default by Obligated Group

"Event of Default" means any one of the events set forth below and *"Default"* means any Event of Default without regard to any lapse of time or notice:

(a) Any principal (including sinking fund installments) of, premium, if any, or interest on any Obligation shall not be paid when due, whether at maturity, by acceleration, upon mandatory sinking fund redemption or otherwise;

(b) The Obligated Group shall fail to make any payment of Debt Service other than payments to the Rebate Fund required under the provisions of the Loan and Trust Agreement within fifteen (15) days following any applicable date upon which the same becomes due and payable (or such lesser number of days as may elapse between the applicable date on which such payment becomes due and payable under the Loan and Trust Agreement and the date on which such payment is required to be applied to pay the principal of, premium, if any or interest on any Obligation when due);

(c) Any rebate amounts owed to the United States pursuant to the Loan and Trust Agreement shall not be paid when due;

(d) The Obligated Group shall fail to make any other required payment to the Trustee or the Authority under the Loan and Trust Agreement, and such failure is not remedied within thirty (30) days after written notice thereof is given by the Authority or the Trustee to the Obligated Group Agent; or the Obligated Group shall fail to observe or perform any of its other agreements, covenants or obligations under the Agreement or any related bond documents and such failure is not remedied within sixty (60) days after written notice thereof is given by the Authority or the Trustee to the Obligated Group Agent; provided, however, that if such observance or performance requires work to be done, actions to be taken or conditions to be remedied, which by their nature cannot reasonably be done, taken or remedied, as the case may be, within such sixty (60) day period, no Event of Default shall be deemed to have occurred or to exist if and so long as the Obligated Group shall commence such observance or

performance within such sixty (60) day period and shall diligently and continuously prosecute the same to completion;

(e) There shall be a material breach of warranty made in the Loan and Trust Agreement by the Obligated Group as of the date it was intended to be effective and the breach is not cured within (60) days after written notice thereof is given by the Authority or the Trustee to the Obligated Group Agent, unless the breach is not curable within sixty (60) days and the Obligated Group Agent notifies the Authority and the Trustee within such sixty (60) days that it is proceeding diligently in its efforts to cure said breach, in which event it shall be an Event of Default if said breach is not cured within ninety (90) days after such notice is given by the Obligated Group Agent to the Authority and the Trustee;

(f) An Event of Bankruptcy shall occur, provided that, in the event of a filing of an involuntary case in bankruptcy under the United States Bankruptcy Code or the commencement of a proceeding under any other applicable law concerning bankruptcy, insolvency or reorganization against any Obligated Group Member, such event shall not be an Event of Default unless such petition or proceeding remains undismissed for a period of ninety (90) days;

(g) An event of default shall occur with respect to any agreement securing Parity Bonds or Parity Debt; and

(h) A breach shall occur (and continue beyond any applicable grace period) with respect to the performance of any agreement securing Additional Debt or other Debt of the Obligated Group for borrowed money in an amount at least equal to \$1,000,000 or pursuant to which the same was issued or incurred, or an event shall occur with respect to provisions of any such agreement, so that a holder or holders of such Debt or a trustee or trustees under any such agreement accelerates such Debt; but an Event of Default shall not be deemed to be in existence or to be continuing under this clause if (i) the Obligated Group is in good faith contesting the existence of such breach or event and if such acceleration is being stayed by judicial proceedings or by agreement of the parties or (ii) such breach or event is remedied and the acceleration, if any, is wholly annulled. The Obligated Group shall notify the Authority and the Trustee of any such breach or event immediately upon the Obligated Group's becoming aware of its occurrence and shall from time to time furnish such information as the Authority or the Trustee may reasonably request for the purpose of determining whether a breach or event described in this clause has occurred and whether such power of acceleration has been exercised or continues to be in effect.

If the Trustee determines that an Event of Default, other than a default in the payment of principal (including sinking fund installments) of, premium, if any, or interest on the Obligations, has been cured before the entry of any final judgment or decree with respect to it, the Trustee may waive the Default and its consequences, including any acceleration, by written notice to the Obligated Group Agent and shall do so upon written instruction of the Holders of at least a majority in principal amount of the Outstanding Obligations.

Remedies Upon Events of Default

Subject to the provisions of the Loan and Trust Agreement described below under "Loan and Trust Agreement–Rights of Bond Insurer," if an Event of Default occurs and is continuing, the Trustee may, with the written consent of the Bond Insurer and upon receipt of written direction from the Holders of the percentage in principal amount of the Obligations specified in the Loan and Trust Agreement, and shall, at the written direction of the Bond Insurer, by written notice to the Obligated Group Agent, the Authority and the Holders of the Obligations, declare immediately due and payable the principal amount of the Outstanding Obligations and the payments to be made by the Obligated Group therefor, and accrued interest on the foregoing, whereupon the same shall become immediately due and payable without any further action or notice. Such acceleration shall be automatic upon the occurrence of the Event of Default described in clause (f) under "Loan and Trust Agreement–Default by the Obligated Group."

Subject to the provisions of the Loan and Trust Agreement described below under the heading "Loan and Trust Agreement–Rights of Bond Insurer," if an Event of Default occurs and is continuing, the Trustee may exercise all of the rights and remedies of a secured party under the Uniform Commercial Code or otherwise with respect to the lien on Gross Receipts created pursuant to the Loan and Trust Agreement. Without limiting the generality of the

foregoing, to the extent permitted by law, the Trustee may realize upon such lien by any one more of the following actions: (i) enter the Property and take possession of the financial books and records of the Obligated Group relating to the Gross Receipts and all checks or other orders for payment of money and cash in the possession of the Obligated Group representing Gross Receipts or proceeds thereof; (ii) notify account debtors obligated on any Gross Receipts to make payment directly to the order of the Trustee (except to the extent prohibited by laws or otherwise); (iii) collect, compromise, settle, compound or extend Gross Receipts which are in the form of Accounts Receivable or contract rights from the Obligated Group's account debtors by suit or other means and give a full acquittance therefor and receipt therefor in the name of the Obligated Group, whether or not the full amount of any such account receivable or contract right owing shall be paid to the Trustee; (iv) require the Obligated Group to deposit all cash, money and checks or other orders for the payment of money which represents Gross Receipts within five (5) Business Days after receipt of written notice of such requirement, and thereafter as received, into a fund or account to be established for such purpose by the Trustee, provided, however, that the requirement to make such deposits shall cease, and the balance of such fund or account shall be paid to the Obligated Group, when all Events of Default have been cured; (v) forbid the Obligated Group to extend, compromise, compound or settle any accounts receivable or contract rights which represent Gross Receipts, or release, wholly or partly, any person liable for the payment thereof (except upon receipt of the full amount due) or allow any credit or discount thereon; and (vi) endorse in the name of the Obligated Group any checks or other orders for the payment of money representing Gross Receipts or the proceeds thereof.

The Trustee may enforce the provisions of the Loan and Trust Agreement by legal proceedings for the specific performance of any covenant, obligation or agreement contained therein, whether or not an event of Default exists, or for the enforcement of any other appropriate legal or equitable remedy, and may recover damages caused by any breach by the Obligated Group or the Authority of the provisions of the Loan and Trust Agreement, including (to the extent the Loan and Trust Agreement may lawfully provide) court costs, reasonable attorneys' fees and other costs and expenses incurred in enforcing the obligations of the Authority and the Obligated Group under the Loan and Trust Agreement.

Application of Gross Receipts after Default

Proceeds from the exercise of the rights and remedies of the Trustee as described in the second paragraph under the heading "Loan and Trust Agreement—Remedies Upon Events of Default" hereof with respect to the lien on Gross Receipts, after payment or reimbursement of the reasonable expenses and fees of the Trustee and the Authority due and unpaid in connection therewith, shall be allocated pro rata to make payments due but unpaid on or with respect to the Obligations. The portion allocable to the Obligations shall be applied to the remaining obligations of the Obligated Group under the Loan and Trust Agreement as described in the Loan and Trust Agreement. Any surplus thereof shall be paid to the Obligated Group as directed by an Officer's Certificate.

Rights of Bond Insurer

The Bond Insurer has issued a municipal bond insurance policy with respect to payment of principal and interest on the 1993 Bonds.

Any provision in the Loan and Trust Agreement to the contrary notwithstanding, for so long as the Bond Insurer is not in default under the Bond Insurance Policy, and the Bond Insurance Policy continues in full force and effect:

(a) the Trustee shall in no event declare the Original Bonds to be immediately due and payable unless the Bond Insurer has consented to or directed such a declaration in writing. Notwithstanding any acceleration of outstanding 1993 Bonds, Holders of the 1993 Bonds shall be entitled from amounts made available by the Bond Insurer under the Bond Insurance Policy only to payments of regularly scheduled principal and interest and no acceleration thereof shall accelerate the payment of the 1993 Bonds except to the extent of any moneys received by the Trustee (other than amounts received under the Bond Insurance Policy) which are to be applied to the partial payment of the 1993 Bonds pursuant to the remedies and proceeds distribution provisions of the Loan and Trust Agreement;

(b) the Bond Insurer shall be deemed to be the Holder of all outstanding 1993 Bonds under the Loan and Trust Agreement for the purpose of giving any consent which may be required of Holders under any provision of the Loan and Trust Agreement, but excluding any consent which requires the unanimous consent of both the affected Holders and the prior written consent of the Bond Insurer; and

(c) the Bond Insurer shall be entitled to control and direct the enforcement of all remedies and rights granted to the Trustee or the Holders under the Loan and Trust Agreement, including the right to cause an acceleration of the 1993 Bonds and an annulment of any such acceleration thereof, but excluding the right of the Trustee to receive compensation for its services and the right of the Trustee to enforce the Bond Insurance Policy, and the Bond Insurer shall also have the sole right to waive any Event of Default.

Proceedings by Holders of Obligations

No Holder of Obligations shall have any right to institute any legal proceedings for the enforcement of the obligations of the Obligated Group under the Loan and Trust Agreement or any applicable remedy thereunder, unless the Holders of Obligations have directed the Authority and the Trustee to act and furnished the Authority and the Trustee indemnity as provided in the Loan and Trust Agreement and have afforded the Authority and the Trustee reasonable opportunity to proceed, and the Authority and the Trustee shall thereafter fail or refuse to take such action. Subject to the foregoing, any Holder of Obligations may by any available legal proceedings enforce and protect its rights under the Loan and Trust Agreement and under the laws of the Commonwealth of Pennsylvania.

THE ELEVENTH SUPPLEMENTAL AGREEMENT

Pledge of Security

The Authority assigns and pledges to the York Trustee in trust and grants to the York Trustee a continuing security interest in, and confirms its prior assignment and pledge and security interest in, the rights, revenues and other property set forth in the Loan and Trust Agreement.

As security for its obligations under the Loan and Trust Agreement, Gettysburg Hospital grants and confirms its prior grant of a security interest in funds held by the York Trustee and its Gross Receipts (as defined in the Loan and Trust Agreement) of Gettysburg Hospital and other rights and property of such entity as set forth in the Loan and Trust Agreement.

As security for its obligations under the Loan and Trust Agreement, York Hospital grants and confirms its prior grant of a security interest in the funds held by the York Trustee and the Gross Receipts of York Hospital as set forth in the Loan and Trust Agreement.

The Master Note is Parity Debt and an Obligation, and is entitled to the benefits and security of the Loan and Trust Agreement equally and ratably with all other Obligations (except as set forth therein), including the pledge of Gross Receipts of the Obligated Group under the Loan and Trust Agreement.

The Master Note is also a “Master Note” under the Master Indenture.

Confirmation of Existing Agreement

The Existing Agreement and the Eleventh Supplemental Agreement will be read, taken and construed as one and the same instrument. Except as amended and supplemented by the Eleventh Supplemental Agreement, the provisions of the Existing Agreement shall remain in full force and effect.

Trustee’s Acceptance

The York Trustee holds the Trusts granted by the Loan and Trust Agreement and agrees to enforce the covenants of the Obligated Group therein and security held thereunder for the benefit of all Holders of Obligations secured thereunder without priority of any Obligations over another.

Future Assignment of Liens

If at any time, the Original Obligations are no longer Outstanding under the Loan and Trust Agreement, or with the consent of all of the Holders of such Obligations, at the direction of the Obligated Group the York Trustee may assign the lien of the Loan and Trust Agreement to the Master Trustee.

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APPENDIX D

**FORM OF
DISCLOSURE AGREEMENT**

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DISCLOSURE DISSEMINATION AGENT AGREEMENT

This Disclosure Dissemination Agent Agreement (the “Disclosure Agreement”), dated as of November 1, 2008, is executed and delivered by York Hospital (“York Hospital”), The Gettysburg Hospital (“Gettysburg Hospital”), WellSpan Properties, Inc. (“WPI” and together with York Hospital and Gettysburg Hospital, the “Obligated Persons”) and Digital Assurance Certification, L.L.C., as exclusive Disclosure Dissemination Agent (the “Disclosure Dissemination Agent” or “DAC”) for the benefit of the Holders (hereinafter defined) of the Bonds (hereinafter defined) and in order to provide certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the “Rule”).

SECTION 1. Definitions. Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Official Statement (hereinafter defined). The capitalized terms shall have the following meanings:

“Annual Report” means an Annual Report described in and consistent with Section 3 of this Disclosure Agreement.

“Annual Filing Date” means the date, set in Sections 2(a) and 2(f), by which the Annual Report is to be filed with the Repositories.

“Annual Financial Information” means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(a) of this Disclosure Agreement.

“Audited Financial Statements” means the consolidated financial statements (if any) of WellSpan Health and related corporations for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(b) of this Disclosure Agreement.

“Bonds” means the bonds as listed on the attached Exhibit A, with the 9-digit CUSIP numbers relating thereto.

“Certification” means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Quarterly Report, Audited Financial Statements, Voluntary Report, or Notice Event notice delivered to the Disclosure Dissemination Agent is the Annual Report, Quarterly Report, Audited Financial Statements, Voluntary Report or Notice Event notice required to be submitted to the Repositories under this Disclosure Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by the Disclosure Representative and include the full name of the Bonds and the 9-digit CUSIP numbers for all Bonds to which the document applies.

“Disclosure Representative” means York Hospital, or such other person as the Obligated Persons shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

“Disclosure Dissemination Agent” means Digital Assurance Certification, L.L.C, acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the Obligated Persons pursuant to Section 10 hereof.

“Holder” means any person (a) having the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (b) treated as the owner of any Bonds for federal income tax purposes.

“Information” means the Annual Financial Information, the Audited Financial Statements (if any) the Notice Event Notices, and the Voluntary Reports.

“Notice Event” means an event listed in Sections 5(a) of this Disclosure Agreement.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

“National Repository” means any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The list of National Repositories maintained by the United States Securities and Exchange Commission shall be conclusive for purposes of determining National Repositories. Currently, the following are National Repositories:

1. DPC Data Inc.
One Executive Drive
Fort Lee, New Jersey 07024
(201) 346-0701 (phone)
(201) 947-0107 (fax)
Email: nrmsir@dpcdata.com
2. Interactive Data Pricing and Reference Data, Inc.
Attn: NRMSIR
100 William Street, 15th Floor
New York, New York 10038
(212) 771-6999 (phone)
(212) 771-7390 (fax for secondary market information)
(212) 771-7391 (fax for primary market information)
Email: NRMSIR@interactivedata.com
3. Bloomberg Municipal Repository
100 Business Park Drive
Skillman, NJ 08558
(609) 279-3225 (phone)
(609) 279-5962 (fax)
Email: Munis@Bloomberg.com
4. Standard & Poor’s Securities Evaluations, Inc.
55 Water Street
45th Floor
New York, New York 10041
(212) 438-4595 (phone)
(212) 438-3975 (fax)
Email: nrmsir_repository@sandp.com

“Official Statement” means that Official Statement delivered by the Obligated Persons in connection with the original issue and sale of the Bonds, as listed on Appendix A.

“Quarterly Filing Date” means the date, set in Section 4(a), by which the Quarterly Report is to be filed with the Repositories.

“Quarterly Report” means a Quarterly Report described in and consistent with Section 4 of this Disclosure Agreement.

“Repository” means the MSRB, each National Repository and the State Depository (if any).

“State Depository” means any public or private depository or entity designated by the Commonwealth of Pennsylvania as a state information depository (if any) for the purpose of the Rule. The list of State Depositories maintained by the United States Securities and Exchange Commission shall be conclusive as

to the existence of a State Depository. Currently, the following depositories are listed by the Securities and Exchange Commission as available State Depositories:

1. Municipal Advisory Council of Michigan
1445 First National Building
Detroit, MI 48226-3517
(313) 963-0420 (phone)
(313) 963-0943 (fax)
MAC@macmi.com
2. Municipal Advisory Council of Texas
PO Box 2177
Austin, TX 78768-2177
(512) 476-6947 (phone)
(512) 476-6403 (fax)
mac@mactexas.com
3. Ohio Municipal Advisory Council
9321 Ravenna Road, Unit K
Twinsburg, OH 44087-2445
(330) 963-7444 (phone)
(800) 969-OMAC (6622) (phone)
(330) 963-7553 (fax)
sid_filings@ohiomac.com

“Trustee” means the institution identified as such in the document under which the Bonds were issued.

“Voluntary Report” means the information provided to the Disclosure Dissemination Agent by the Obligated Person pursuant to Section 8.

SECTION 2. Provision of Annual Reports.

(a) The Obligated Persons shall, or shall cause the Disclosure Representative to, provide annually, an electronic copy of the Annual Report and Certification to the Disclosure Dissemination Agent, together with a copy each for the Trustee, not later than 30 days prior to the Annual Filing Date. Promptly upon receipt of an electronic copy of the Annual Report and the Certification, the Disclosure Dissemination Agent shall provide an Annual Report to each National Repository and the State Depository (if any) not later than 150 days after the end of each fiscal year of WellSpan Health, commencing with the fiscal year ending June 30, 2009. Such date and each anniversary thereof is the Annual Filing Date. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 3 of this Disclosure Agreement.

(b) If on the fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of the Annual Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail), to remind the Obligated Persons of their undertaking to provide the Annual Report pursuant to Section 2(a). Upon such reminder, the Disclosure Representative shall either (i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Report and the Certification no later than two (2) business days prior to the Annual Filing Date, or (ii) instruct the Disclosure Dissemination Agent in writing, that the Obligated Persons will not be able to file the Annual Report within the time required under this Disclosure Agreement, state the date by which the Annual Report for such year will be provided and instruct the Disclosure Dissemination Agent that a Notice Event as described in Section 5(a)(12) has occurred and to immediately send a notice to each National Repository or the MSRB and the State Depository (if any) in substantially the form attached as Exhibit B.

(c) If the Disclosure Dissemination Agent has not received an Annual Report and Certification by 12:00 noon on the first business day following the Annual Filing Date for the Annual Report, a Notice Event described in Section 5(a)(12) shall have occurred and the Disclosure Representative irrevocably directs the Disclosure Dissemination Agent to immediately send a notice to each National Repository or the MSRB and the State Depository (if any) in substantially the form attached as Exhibit B.

(d) If Audited Financial Statements of WellSpan Health and related corporations are prepared but not available prior to the Annual Filing Date, the Obligated Persons shall, when the Audited Financial Statements are available, provide in a timely manner an electronic copy to the Disclosure Dissemination Agent, accompanied by a Certificate, together with a copy for the Trustee, for filing with each National Repository and the State Depository (if any).

(e) The Disclosure Dissemination Agent shall:

- (i) determine the name and address of each Repository each year prior to the Annual Filing Date;
- (ii) upon receipt, promptly file each Annual Report received under Section 2(a) with each National Repository and the State Depository (if any);
- (iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) with each National Repository and the State Depository (if any);
- (iv) upon receipt, promptly file the text of each disclosure to be made with each National Repository and the State Depository (if any) together with a completed copy of the Event Notice Cover Sheet in the form attached as Exhibit C, describing the event by checking the box indicated below when filing pursuant to the Section of this Disclosure Agreement indicated:
 1. “Principal and interest payment delinquencies,” pursuant to Sections 5(c) and 5(a)(1);
 2. “Non-Payment related defaults,” pursuant to Sections 5(c) and 5(a)(2);
 3. “Unscheduled draws on debt service reserves reflecting financial difficulties,” pursuant to Sections 5(c) and 5(a)(3);
 4. “Unscheduled draws on credit enhancements reflecting financial difficulties,” pursuant to Sections 5(c) and 5(a)(4);
 5. “Substitution of credit or liquidity providers, or their failure to perform,” pursuant to Sections 5(c) and 5(a)(5);
 6. “Adverse tax opinions or events affecting the tax-exempt status of the security,” pursuant to Sections 5(c) and 5(a)(6);
 7. “Modifications to rights of securities holders,” pursuant to Sections 5(c) and 5(a)(7);
 8. “Bond calls,” pursuant to Sections 5(c) and 5(a)(8);
 9. “Defeasances,” pursuant to Sections 5(c) and 5(a)(9);
 10. “Release, substitution, or sale of property securing repayment of the securities,” pursuant to Sections 5(c) and 5(a)(10);

11. “Ratings changes,” pursuant to Sections 5(c) and 5(a)(11);
 12. “Failure to provide annual financial information as required,” pursuant to Section 2(b)(ii) or Section 2(c), together with a completed copy of Exhibit B to this Disclosure Agreement;
 13. “Other material event notice (specify),” pursuant to Section 7 of this Agreement, together with the summary description provided by the Disclosure Representative.
- (v) provide the Disclosure Representative evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Disclosure Dissemination Agent under this Disclosure Agreement.

(f) The Obligated Persons may adjust the Annual Filing Date upon change of WellSpan Health’s fiscal year by providing written notice of such change and the new Annual Filing Date to the Disclosure Dissemination Agent, the Trustee and the Repositories, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

SECTION 3. Content of Annual Reports.

(a) Each Annual Report shall contain Annual Financial Information with respect to WellSpan Health and related corporations, including the following information provided in Appendix A to the Official Statement:

- (i) List of Obligated Group Members;
- (ii) Updated information provided under the caption “Medical Staffs”;
- (iii) Sources of Patient Service Revenue for the most recent fiscal year;
- (iv) Capitalization table presenting the actual capitalization of WellSpan Health (consolidated) for the most recent fiscal year;
- (v) Debt service requirements, with no pro forma adjustments, for WellSpan Health (consolidated) for the most recent fiscal year;
- (vi) Updated utilization statistics; and
- (vii) Number of employees and percentage of employees subject to collective bargaining agreements.

(b) Audited Financial Statements prepared in accordance with generally accepted accounting principles (“GAAP”) (except, in the case of special purpose financing statements, for required consolidations) will be included in the Annual Report. If audited financial statements are not available, then, unaudited financial statements, prepared in a format similar to the financial statements contained in the Official Statement will be included in the Annual Report. Audited Financial Statements (if any) will be provided pursuant to Section 2(d).

Any or all of the items listed above may be included by specific reference from other documents, including official statements of debt issues with respect to which any Obligated Person is an “obligated person” (as defined by the Rule), which have been previously filed with each of the National Repositories or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Obligated Persons will clearly identify each such document so incorporated by reference.

Any annual financial information containing modified operating data or financial information is required to explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided.

SECTION 4. Provision of Quarterly Reports.

(a) The Obligated Persons shall, or shall cause the Disclosure Representative to, provide, for the first three fiscal quarters of WellSpan Health's fiscal year (which fiscal year as of the date hereof ends June 30), an electronic copy of certain unaudited financial information consisting of an unaudited consolidated balance sheet and a consolidated statement of operations for such fiscal year for WellSpan Health and its related corporations, prepared by WellSpan Health (such unaudited financial information being hereinafter referred to as a "Quarterly Report") and Certification to the Dissemination Agent, together with a copy for the Trustee, not later than 2 days prior to the Quarterly Filing Date. Promptly upon receipt of an electronic copy of the Quarterly Report and the Certification, the Dissemination Agent shall provide a Quarterly Report to each National Repository and State Depository (if any) not later than 60 days after the end of the first three fiscal quarters of WellSpan Health's fiscal year, commencing with the fiscal quarter ending September 30, 2008. Such date, and each date which is within 60 days after the end of the first three fiscal quarters of WellSpan Health's fiscal year is a Quarterly Filing Date.

(b) If on the second (2nd) day prior to the Quarterly Filing Date, the Disclosure Dissemination Agent has not received a copy of the Quarterly Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail) to remind the Obligated Persons of their undertaking to provide the Quarterly Report pursuant to Section 4(a). Upon such reminder, the Disclosure Representative shall either (i) provide the Disclosure Dissemination Agent with an electronic copy of the Quarterly Report and the Certification no later than one (1) day prior to the Quarterly Filing Date, or (ii) instruct the Disclosure Dissemination Agent in writing that the Obligated Persons will not be able to file the Quarterly Report within the time required under this Disclosure Agreement, state the date by which the Quarterly Report for such quarter will be provided and instruct the Disclosure Dissemination Agent to immediately send a notice to each National Repository or the MSRB and the State Depository (if any) in substantially the form attached as Exhibit D.

SECTION 5. Reporting of Notice Events.

(a) The occurrence of any of the following events, if material, with respect to the Bonds constitutes a Notice Event:

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 relating to the Bonds 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 Bonds;
7. Modifications to rights of Bond holders;
8. Bond calls;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Bonds;
11. Rating changes on the Bonds; and

12. Failure to provide annual financial information as required.

The Disclosure Representative shall promptly notify the Disclosure Dissemination Agent in writing upon the occurrence of a Notice Event. Such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c). Such notice shall be accompanied with the text of the disclosure that the Disclosure Representative, on behalf of the Obligated Persons, desires to make, the written authorization of the Disclosure Representative for the Disclosure Dissemination Agent to disseminate such information, and the date the Disclosure Representative desires for the Disclosure Dissemination Agent to disseminate the information.

(b) The Disclosure Dissemination Agent is under no obligation to notify the Obligated Persons or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure Dissemination Agent so notifies the Disclosure Representative, the Disclosure Representative will within five business days of receipt of such notice, instruct the Disclosure Dissemination Agent that (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (c), together with the text of the disclosure that the Disclosure Representative, on behalf of the Obligated Persons, desires to make, the written authorization of the Disclosure Representative for the Disclosure Dissemination Agent to disseminate such information, and the date the Disclosure Representative desires for the Disclosure Dissemination Agent to disseminate the information.

(c) If the Disclosure Dissemination Agent has been instructed by the Disclosure Representative as prescribed in subsection (a) or (b)(ii) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with the State Depository (if any) and (i) each National Repository, or (ii) the MSRB.

SECTION 6. CUSIP Numbers. Whenever providing information to the Disclosure Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference to the Annual Reports, Audited Financial Statements, Quarterly Reports, notices of Notice Events, and Voluntary Reports filed pursuant to Section 8(a), the Disclosure Representative shall indicate the full name of the Bonds and the 9-digit CUSIP numbers for the Bonds as to which the provided information relates.

SECTION 7. Additional Disclosure Obligations. The Obligated Persons acknowledge and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Obligated Persons, and that the failure of the Disclosure Dissemination Agent to so advise the Obligated Persons shall not constitute a breach by the Disclosure Dissemination Agent of any of its duties and responsibilities under this Disclosure Agreement. The Obligated Persons acknowledge and understand that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

SECTION 8. Voluntary Reports.

(a) The Obligated Persons may instruct the Disclosure Dissemination Agent to file information with the Repositories from time to time pursuant to a Certification of the Disclosure Representative accompanying such information (a "Voluntary Report").

(b) Nothing in this Disclosure Agreement shall be deemed to prevent the Obligated Persons from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Disclosure Agreement, or including any other information in any Annual Report, Annual Financial Statement, Quarterly Report, Voluntary Report or Notice Event notice, in addition to that required by this Disclosure Agreement. If the Obligated Persons choose to include any information in any Annual Report, Annual Financial Statement, Quarterly Report, Voluntary Report or Notice Event notice in addition to that which is specifically required by this Disclosure Agreement, the Obligated Persons shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Annual Financial Statement, Quarterly Report, Voluntary Report or Notice Event notice.

SECTION 9. Termination of Reporting Obligation. The obligations of the Obligated Persons and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to the Bonds upon the legal defeasance, prior redemption or payment in full of all of the Bonds, when the Obligated Persons are no longer obligated persons with respect to the Bonds, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required.

SECTION 10. Disclosure Dissemination Agent. The Obligated Persons have appointed Digital Assurance Certification, L.L.C. as exclusive Disclosure Dissemination Agent under this Disclosure Agreement. The Obligated Persons may, upon thirty days written notice to the Disclosure Dissemination Agent and the Trustee, replace or appoint a successor to the Disclosure Dissemination Agent. Upon termination of DAC's services as Disclosure Dissemination Agent, whether by notice of the Obligated Persons or DAC, the Obligated Persons agree to appoint a successor Disclosure Dissemination Agent or, alternately, agree to assume all responsibilities of Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Bonds. Notwithstanding any replacement or appointment of a successor, the Obligated Persons shall remain liable until payment in full for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty days' prior written notice to the Obligated Persons.

SECTION 11. Remedies in Event of Default. In the event of a failure of the Obligated Persons or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, the Holders' rights to enforce the provisions of this Disclosure Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Bonds or under any other document relating to the Bonds, and all rights and remedies shall be limited to those expressly stated herein.

SECTION 12. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Obligated Persons have provided such information to the Disclosure Dissemination Agent as required by this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information, or any other information, disclosures or notices provided to it by the Obligated Persons and shall not be deemed to be acting in any fiduciary capacity for the Obligated Persons, the Holders of the Bonds or any other party. The Disclosure Dissemination Agent shall have no responsibility for the Obligated Persons' failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine or liability for failing to determine whether the Obligated Persons have complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon certifications of the Obligated Persons at all times.

THE OBLIGATED PERSONS AGREE TO INDEMNIFY AND SAVE THE DISCLOSURE DISSEMINATION AGENT AND ITS RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS, HARMLESS AGAINST ANY LOSS, EXPENSE AND LIABILITIES WHICH THEY MAY INCUR ARISING OUT OF OR IN THE EXERCISE OR PERFORMANCE OF THEIR POWERS AND DUTIES HEREUNDER, INCLUDING THE COSTS AND EXPENSES (INCLUDING ATTORNEYS FEES) OF DEFENDING AGAINST ANY CLAIM OF LIABILITY, BUT EXCLUDING LIABILITIES DUE TO THE DISCLOSURE DISSEMINATION AGENT'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.

The obligations of the Obligated Persons under this Section shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the Bonds.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and shall not incur any liability

and shall be fully protected in acting in good faith upon the advice of such legal counsel. The reasonable fees and expenses of such counsel shall be payable by the Obligated Persons.

SECTION 14. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Obligated Persons and the Disclosure Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to both the Obligated Persons and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Bonds and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided neither the Obligated Persons nor the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, the Disclosure Dissemination Agent shall have the right to adopt amendments to this Disclosure Agreement necessary to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time by giving not less than 20 days written notice of the intent to do so together with a copy of the proposed amendment to the Obligated Persons. No such amendment shall become effective if the Obligated Persons shall, within 10 days following the giving of such notice, send a notice to the Disclosure Dissemination Agent in writing that it objects to such amendment.

SECTION 15. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Obligated Persons, the Trustee of the Bonds, the Disclosure Dissemination Agent, the underwriter, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 16. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of New York (other than with respect to conflicts of laws).

SECTION 17. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Remainder of page intentionally left blank.]

The Disclosure Dissemination Agent and the Obligated Persons have caused this Continuing Disclosure Agreement to be executed, on the date first written above, by their respective officers duly authorized.

DIGITAL ASSURANCE CERTIFICATION, L.L.C., as
Disclosure Dissemination Agent

By: _____
Name: _____
Title: _____

YORK HOSPITAL,
as Obligated Person

By: _____
Name: _____
Title: _____

THE GETTYSBURG HOSPITAL,
as Obligated Person

By: _____
Name: _____
Title: _____

WELLSPAN PROPERTIES, INC.,
as Obligated Person

By: _____
Name: _____
Title: _____

EXHIBIT A

NAME AND CUSIP NUMBERS OF BONDS

Name of Issuer	General Authority of Southcentral Pennsylvania
Obligated Persons	York Hospital The Gettysburg Hospital WellSpan Properties, Inc.
Name of Bond Issue:	General Authority of Southcentral Pennsylvania Revenue Bonds, Series 2008A (WellSpan Health Obligated Group)
Date of Issuance:	November 12, 2008
Date of Official Statement	October 29, 2008 and restated November 4, 2008.
CUSIP Number:	_____

EXHIBIT B

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Issuer: General Authority of Southcentral Pennsylvania

Obligated Persons: York Hospital
The Gettysburg Hospital
WellSpan Properties, Inc.

Name of Bond Issue: General Authority of Southcentral Pennsylvania Revenue Bonds,
Series 2008A (WellSpan Health Obligated Group)

Date of Issuance: November 12, 2008

NOTICE IS HEREBY GIVEN that the Obligated Persons have not provided an Annual Report with respect to the above-named Bonds as required by the Disclosure Agreement, dated as of November 1, 2008, between the Obligated Persons and Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent. The Obligated Persons have notified the Disclosure Dissemination Agent that they anticipate that the Annual Report will be filed by _____.

Dated: _____

Digital Assurance Certification, L.L.C., as Disclosure
Dissemination Agent, on behalf of the Obligated Persons

cc: Obligated Persons
Trustee

EXHIBIT C

EVENT NOTICE COVER SHEET

This cover sheet and material event notice will be sent to all Nationally Recognized Municipal Securities Information Repositories, and any State Information Depository, if applicable, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's Name: General Authority of Southcentral Pennsylvania

Obligated Persons: York Hospital
The Gettysburg Hospital
WellSpan Properties, Inc.

Nine-Digit CUSIP Number of the bonds to which this material event notice relates: _____

Number of pages of attached: _____

____ Description of Material Event Notice (Check One):

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 security
7. Modifications to rights of securities holders
8. Bond calls
9. Defeasances
10. Release, substitution, or sale of property securing repayment of the securities
11. Rating changes

____ Failure to provide annual financial information as required

I hereby represent that I am authorized by the Obligated Group Persons or their agent to distribute this information publicly:

Signature:

Name: _____ Title: _____

Employer: Digital Assurance Certification, L.L.C.

Address: _____

City, State, Zip Code: _____

Voice Telephone Number: _____

EXHIBIT D

NOTICE TO REPOSITORIES OF FAILURE TO FILE QUARTERLY REPORT

Issuer: General Authority of Southcentral Pennsylvania

Obligated Persons: York Hospital
The Gettysburg Hospital
WellSpan Properties, Inc.

Name of Bond Issue: General Authority of Southcentral Pennsylvania Revenue Bonds,
Series 2008A (WellSpan Health Obligated Group)

Date of Issuance: November 12, 2008

NOTICE IS HEREBY GIVEN that the Obligated Persons have not provided a Quarterly Report with respect to the above-named Bonds as required by the Disclosure Agreement, dated as of November 1, 2008, between the Obligated Persons and Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent. The Obligated Persons have notified the Disclosure Dissemination Agent that they anticipate that the Quarterly Report will be filed by _____.

Dated: _____

Digital Assurance Certification, L.L.C., as Disclosure
Dissemination Agent, on behalf of the Obligated Persons

cc: Obligated Persons
Trustee

APPENDIX E

**FORM OF
BOND COUNSEL OPINION**

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FORM OF BOND COUNSEL OPINION

November 12, 2008

General Authority of Southcentral Pennsylvania
c/o York County Economic Development
Corporation
144 Roosevelt Avenue, Suite 100
York, Pennsylvania 17404

Manufacturers and Traders Trust Company,
as Trustee
25 South Charles Street, 16th Floor
Baltimore, Maryland 21201

Citigroup Global Markets Inc.
390 Greenwich Street, 2nd Floor
New York, New York 10019

Re: \$200,530,000 General Authority of Southcentral Pennsylvania
Revenue Bonds Series 2008A (WellSpan Health Obligated Group)

Ladies and Gentlemen:

We have acted as bond counsel to the General Authority of Southcentral Pennsylvania (the "Authority") in connection with the issuance of \$200,530,000 aggregate principal amount of its Revenue Bonds, Series 2008A (WellSpan Health Obligated Group) (the "Bonds"). The Bonds are issued under and pursuant to the laws of the Commonwealth of Pennsylvania (the "Commonwealth"), including the Municipality Authorities Act (Act of June 19, 2001, P.L. 22, as amended) (the "Act"), and a Trust Indenture, dated as of November 1, 2008 (the "Indenture"), between the Authority and Manufacturers and Traders Trust Company (the "Trustee").

The Authority is issuing the Bonds at the request of York Hospital, The Gettysburg Hospital and WellSpan Properties, Inc. (collectively, the "Borrowers") to provide funds to finance a portion of the costs of a project (the "Project") involving: (a) the refunding of the outstanding amount of the Authority's Revenue Bonds, Series 2005A, 2005B, 2005C and 2005D (WellSpan Health Obligated Group), and Series 2007A and 2007B (WellSpan Health Obligated Group); the Adams County Industrial Development Authority Variable Rate Demand Bonds (WellSpan Properties), Series of 2002; and various loans made by the Health Care Facilities Authority of Sayre from proceeds of its revenue bonds; (b) the financing of the acquisition, construction, renovation, improvement and equipping of certain facilities for the Borrowers; (c) the funding of any required reserves for the Bonds, including capitalized interest, if appropriate; and (d) the payment of costs of issuance of the Bonds and related costs.

The proceeds of the Bonds are being loaned to the Borrowers pursuant to a Loan Agreement dated as of November 1, 2008, between the Authority and the Borrowers (the "Loan Agreement"). Under the Loan Agreement, the Borrowers are obligated to make payments in amounts sufficient to pay, among other things, the principal or redemption price of and interest on the Bonds.

The Bonds are secured by the Indenture and by an assignment to the Trustee of all of the Authority's right, title and interest in and to the Loan Agreement (except for the Authority's rights thereunder to receive payments of administrative fees and expenses and indemnification against liability).

The Borrowers have represented in the Loan Agreement that each is an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"). The Borrowers have covenanted that, throughout the term of the Loan Agreement, they will not carry on or permit to be carried on upon their respective Facilities (as defined in the Loan Agreement) any trade or business, nor will they take any action or permit any action to be taken on their behalf or cause or permit any circumstance within their control to arise or continue if the conduct of such trade or business or such other action or circumstance would cause the interest paid by the Authority on the Bonds to be subject to federal income tax in the hands of the holders thereof. The Borrowers have further covenanted that they will neither make nor instruct the Trustee to make any investment or

other use of the proceeds of the Bonds, nor take or omit to take any other action which would cause the Bonds to be arbitrage bonds under Section 148(a) of the Code.

Under the Indenture and the Loan Agreement, respectively, the Authority and the Borrowers have covenanted that they will comply with the requirements of Section 148 of the Code pertaining to arbitrage bonds. In addition, an officer of the Authority responsible for issuing the Bonds has executed a certificate stating the reasonable expectations of the Authority on the date of issue of the Bonds as to future events that are material for the purposes of such requirements of the Code. We have reviewed such certificate and, in our opinion, the Bonds are not “arbitrage bonds” within the meaning of Section 148 of the Code.

In our capacity as bond counsel, we have examined such documents, records of the Authority and other instruments as we deemed necessary to enable us to express the opinions set forth below, including original counterparts or certified copies of the Indenture, the Loan Agreement and the other documents listed in the closing memorandum in respect of the Bonds filed with the Trustee. We have assumed that the Authority and the Borrowers will comply with their respective covenants in the Indenture and the Loan Agreement relating to the tax-exempt status of the Bonds. We also have examined an executed Bond, authenticated by the Trustee, and have assumed that all other Bonds have been similarly executed and authenticated. We also have assumed that the Indenture has been duly authorized, executed and delivered by the Trustee, and that the Loan Agreement has been duly authorized, executed and delivered by the Borrowers.

Based on the foregoing, it is our opinion that:

1. The Authority is a body corporate and politic validly existing under the laws of the Commonwealth, with full power and authority to undertake the Project, to execute and deliver the Indenture and the Loan Agreement and to issue and sell the Bonds.

2. The Indenture and the Loan Agreement have been duly authorized, executed and delivered by the Authority and the covenants of the Authority therein are valid and binding obligations of the Authority enforceable in accordance with their terms, except as the rights created thereunder and the enforcement thereof may be limited by bankruptcy, insolvency or other similar laws or equitable principles affecting the enforcement of creditors’ rights generally.

3. The issuance and sale of the Bonds have been duly authorized by the Authority. Based on the assumption as to execution and authentication set forth above, the Bonds have been duly executed and delivered by the Authority and authenticated by the Trustee, are valid and binding obligations of the Authority and are entitled to the benefit and security of the Indenture, except as the rights created thereunder and the enforcement thereof may be limited as indicated in paragraph 2.

4. Under the laws of the Commonwealth as presently enacted and construed, the Bonds are exempt from personal property taxes in Pennsylvania, and interest on the Bonds is exempt from Pennsylvania personal income tax and corporate net income tax.

5. Under existing law as presently enacted and construed, interest on the Bonds is excludable from gross income for purposes of federal income tax, assuming the accuracy of the certifications of the Authority and the Borrowers and continuing compliance by the Authority and the Borrowers with the requirements of the Code. Interest on the Bonds is not an item of tax preference for purposes of either individual or corporate federal alternative minimum tax, but interest on Bonds held by a corporation (other than an S corporation, regulated investment company, real estate investment trust or real estate mortgage investment conduit) may be indirectly subject to federal alternative minimum tax because of its inclusion in the adjusted current earnings of a corporate holder. Interest on Bonds held by foreign corporations may be subject to the branch profits tax imposed by the Code.

Ownership of Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations and taxpayers who may be deemed to have

incurred or continued indebtedness to purchase or carry the Bonds. We express no opinion as to such collateral tax consequences. Prospective purchasers of the Bonds should consult their own tax advisors as to such tax consequences.

We express no opinion herein with respect to the adequacy of the security or sources of payment for the Bonds or the accuracy or completeness of any offering document used in connection with the sale of the Bonds.

We call your attention to the fact that the Bonds are limited obligations of the Authority, payable only out of certain revenues of the Authority and certain other moneys available therefor as provided in the Indenture, and that the Bonds do not pledge the credit or taxing power of the Commonwealth or any political subdivision, agency or instrumentality thereof. The Authority has no taxing power.

Very truly yours,

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APPENDIX F

**INFORMATION REGARDING
BOOK-ENTRY ONLY SYSTEM**

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BOOK-ENTRY ONLY SYSTEM

The information provided in this APPENDIX F has been provided by DTC. No representation is made by the Issuer, the Members, WPI, the Trustee or the Underwriter 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 of this official statement.

The Depository Trust Company (“DTC”) New York, New York, will act as securities depository for the Series 2008A Bonds. The Series 2008A Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Series 2008A Bond certificate will be issued for the Series 2008A Bonds in the aggregate principal amount of such Series 2008A Bonds, and will be deposited with DTC.

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, as amended. DTC holds and provides asset servicing for over two million U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments from over 85 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 in 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, Government Securities Clearing Corporation, MBS Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC 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 Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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 beneficial ownership interests in the 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, defaults, and proposed amendments to the bond documents. For example, Beneficial Owners of the 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 Bond Trustee and request that copies of notices be provided directly to them. Redemption notices shall be sent to DTC. If less than all of the Series 2008A Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Series 2008A Bonds to be redeemed.

Redemption notices shall be sent to DTC. If less than all 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 the Series 2008A Bonds 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 Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2008A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium and interest payments 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 City or the Bond Trustee, on a payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participants and not of DTC, its nominee, the Trustee or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of the Direct and Indirect Participants.

DTC may discontinue providing its services as depository for the Series 2008A Bonds at any time by giving reasonable notice to the Issuer or the 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 Issuer may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Series 2008A Bond certificates will be printed and delivered to DTC.

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