In the opinion of Bond Counsel, under existing statutes, regulations and judicial decisions and as of the date of original issuance thereof, interest on the Series 2008 Bonds is excluded from gross income for Federal income tax purposes, and the Series 2008 Bonds are exempt from ad valorem taxation and the interest thereon is exempt from income taxation by the Commonwealth of Kentucky and all its political subdivisions and taxing authorities. See "TAX EXEMPTION" herein.

NEW ISSUE

Ratings: Standard & Poor's: A+
Moody's: A3

Jewish Hospital & St. Mary's HealthCare

$330,000,000
LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
HEALTH FACILITIES REVENUE BONDS, SERIES 2008
(Jewish Hospital & St. Mary's HealthCare, Inc. Project)

Dated as date of delivery

The Series 2008 Bonds (the "Series 2008 Bonds") will be issued and secured under the Bond Trust Indenture, dated as of June 1, 2008 (the "Bond Indenture") between the Louisville/Jefferson County Metro Government (the "Issuer") and The Bank of New York Mellon Trust Company, N.A., as bond trustee (the "Bond Trustee"). The Series 2008 Bonds, when issued, will be registered initially only in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2008 Bonds. Purchasers of the Series 2008 Bonds will not receive certificates representing their interests in the Series 2008 Bonds purchased. Ownership by the beneficial owners of the Series 2008 Bonds will be evidenced by book-entry only. Principal of, premium, if any, and interest on the Series 2008 Bonds will be paid by the Bond Trustee to DTC, which in turn will remit such principal and interest payments to its participants for subsequent disbursement to the beneficial owners of Series 2008 Bonds. As long as Cede & Co. is the registered owner as nominee of DTC, payments on the Series 2008 Bonds will be made to such registered owner, and disbursement of such payments will be the responsibility of DTC and its participants. See "BOOK-ENTRY SYSTEM."

Interest on the Series 2008 Bonds is payable on February 1, 2009, and semi-annually on each August 1 and February 1 thereafter, by check or draft mailed (except in the case where Bonds are held in the name of Cede & Co., or any nominee of a securities depository, then by wire transfer) by the Bond Trustee to the person in whose name each Bond is registered on the Record Date (the 15th day preceding each interest payment date for the Series 2008 Bonds). See "DESCRIPTION OF THE BONDS" for information relating to the Series 2008 Bonds.

The Series 2008 Bonds are special limited obligations of the Issuer, payable solely from money to be received by the Bond Trustee pursuant to the Loan Agreement and the related Series 2008 Note (each defined herein) (except to the extent paid out of money attributable to Series 2008 Bond proceeds and income from the temporary investment thereof and, under certain circumstances, proceeds from insurance and condemnation awards). The Series 2008 Note will be issued under the Master Indenture (defined herein) and will be an unconditional obligation of the Obligated Group (defined herein). The Series 2008 Bonds are also secured by the money and securities held in the funds and accounts established under the Bond Indenture. The source of payment for the Series 2008 Bonds is more fully described herein under "SECURITY FOR THE SERIES 2008 BONDS."

There are risks associated with the purchase of the Series 2008 Bonds. For a discussion of certain of these risks, see the caption "BONDHOLDERS' RISKS."

THE SERIES 2008 BONDS WILL BE SUBJECT TO OPTIONAL, SINKING FUND AND EXTRAORDINARY OPTIONAL REDEMPTION PRIOR TO MATURITY, AS DESCRIBED IN THIS OFFICIAL STATEMENT.

MATURITIES, AMOUNTS AND INTEREST RATES

Par	CUSIP	Coupon	Maturity	Yield	Price
$44,470,000	546593AB0	6.000%	February 1, 2022	5.600%	101.585
$9,710,000	546593AC8	5.500%	February 1, 2023	5.640%	98.618
$48,715,000	546593AD6	5.750%	February 1, 2027	5.880%	98.539
$227,105,000	546593AE4	6.125%	February 1, 2037	6.180%	99.261

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OF KENTUCKY, THE ISSUER NOR ANY OTHER POLITICAL SUBDIVISION OF THE COMMONWEALTH OF KENTUCKY IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, AND/OR INTEREST ON THE SERIES 2008 BONDS.

The Series 2008 Bonds are offered when, as and if issued by the Issuer and received by the Underwriter, subject to prior sale, withdrawal or modification of the offer without notice, and to the approval of legality of the Series 2008 Bonds by Frost Brown Todd LLC, Louisville, Kentucky, Bond Counsel. Certain legal matters will be passed upon for the Issuer by its counsel, Jefferson County Attorney, Louisville, Kentucky, for the Underwriter by their counsel, Stites & Harbison, PLLC, Louisville, Kentucky, and for the Obligated Group Members by their counsel, Frost Brown Todd LLC and Kathleen Haddix, General Counsel of Jewish Hospital & St. Mary's HealthCare, Inc. It is expected that the Series 2008 Bonds in definitive form will be available for delivery through the facilities of DTC on or about July 10, 2008. This cover page contains certain information for quick reference only. It does not constitute a summary of the Series 2008 Bonds. Potential investors must read this entire Official Statement, including the Appendices, to obtain information essential to the making of an informed investment decision.

MORGAN STANLEY

July 1, 2008

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

No dealer, broker, salesperson or other person has been authorized by the Issuer, the Obligated Group or the Underwriter to give any information or to make any representations other than those contained in this Official Statement (which term shall be deemed to include the Appendices attached hereto and all documents incorporated herein by reference), 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 an offer to buy, and there shall not be any sale of the Series 2008 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information contained in this Official Statement has been furnished by the Corporation, the Issuer, DTC and other sources that are believed to be reliable. The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of their responsibilities to investors under the 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 information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the parties referred to above since the date hereof.

Neither the Issuer, its counsel nor any of the members of its governing body, agents, employees or representatives have reviewed this Official Statement, or investigated the statements or representations contained herein, except for those statements relating to the Issuer set forth under the caption "THE ISSUER" and "ABSENCE OF MATERIAL LITIGATION–Issuer". Except with respect to such statements, neither the Issuer, its counsel, nor any of its members, agents, employees or representatives make any representation as to the completeness, sufficiency and truthfulness of the statements set forth in this Official Statement. Members of the Issuer and any other person executing the Series 2008 Bonds are not subject to personal liability by reason of the issuance of the Series 2008 Bonds.

THE SERIES 2008 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE BOND TRUST INDENTURE AND THE MASTER TRUST INDENTURE HAVE NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE SERIES 2008 BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF LAWS OF THE STATES IN WHICH SERIES 2008 BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE SERIES 2008 BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

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OFFICIAL STATEMENT

$330,000,000
LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
HEALTH FACILITIES REVENUE BONDS, SERIES 2008
(Jewish Hospital & St. Mary's HealthCare, Inc. Project)

INTRODUCTION

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

Purpose of this Official Statement

The purpose of this Official Statement, including the cover page and the appendices hereto, is to set forth information in connection with the offering of $330,000,000 aggregate principal amount of Health Facilities Revenue Bonds, Series 2008 (Jewish Hospital & St. Mary's HealthCare, Inc. Project) (the "Series 2008 Bonds") of the Louisville/Jefferson County Metro Government (the "Issuer") to be issued under and pursuant to a Bond Trust Indenture, dated as of June 1, 2008 (the "Bond Indenture"), between the Issuer and The Bank of New York Mellon Trust Company, N.A., as bond trustee (the "Bond Trustee").

The Issuer

The Louisville/Jefferson County Metro Government is a public body corporate and politic, duly created and existing as a political subdivision of the Commonwealth of Kentucky under the Constitution and laws of the Commonwealth of Kentucky (the "Commonwealth"). For further information concerning the Issuer, its powers and the members of its governing body, see the information under the caption "THE ISSUER" herein.

The Obligated Group

As of the date of issuance of the Series 2008 Bonds, Jewish Hospital & St. Mary's HealthCare, Inc. (the "Corporation"), a Kentucky nonstock, nonprofit corporation, JH Properties, Inc. ("JH Properties"), a Kentucky nonstock, nonprofit corporation, Jewish Hospital & St. Mary's HealthCare Network, Regional Service Center, LLC ("RSC"), a Kentucky limited liability company, Jewish Hospital HealthCare Services, Inc. ("JHHS"), a Kentucky nonstock, nonprofit corporation, and The Physician Group at Jewish Hospital & St. Mary's HealthCare, Inc. a Kentucky nonstock, nonprofit corporation ("TPG") are the Obligated Group Members (as such term is used in the Master Indenture, as hereinafter defined). The Corporation is the entity that furnishes overall policy direction and operating guidelines for its integrated health care system, and, among other items, operates Jewish Hospital, a 442 acute care bed hospital in Louisville, Kentucky; Sts. Mary & Elizabeth Hospital, a 298 acute care bed hospital in Louisville, Kentucky; and Jewish Hospital Shelbyville, a 70 acute care bed hospital in Shelbyville, Kentucky. The Corporation is the sole member of JH Properties. JH Properties primarily owns, manages and leases properties for the health care system. RSC is a joint venture between the Corporation, Southern Indiana Rehab Hospital and the three hospital facilities managed by JHP Management, Inc. of which JHHS is the sole member. RSC distributes medical-surgical supplies, products and other services to the member facilities. The Corporation owns approximately 82% of the joint venture. JHHS is one of

the corporate members of the Corporation. TPG primarily employs physicians and physician extenders who work through the Corporation's healthcare system. The Corporation is the sole member of TPG.

Under certain conditions as described in the Master Indenture, an Obligated Group Member may withdraw from the Obligated Group. Each of the Corporation, JHHS, TPG and JH Properties is an entity described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code") and exempt from federal income tax under Section 501(a) of the Code. RSC is a limited liability company treated as a partnership for federal and state income tax purposes, the interests of which are owned exclusively by (i) charitable entities treated as exempt from federal income tax under Section 501(c)(3) of the Code and (ii) governmental entities treated as exempt from federal income tax under Section 115 of the Code. The Corporation, JH Properties, JHHS, TPG and RSC are collectively referred to herein as the Borrowers. RSC, TPG and JHHS will not use any proceeds for the new projects from the Series 2008 Bonds. For further information concerning the Borrowers, their history, facilities, services and operations (including certain statistical and financial information) and the organization and financial performance of the Borrowers, see *APPENDIX A* and *APPENDIX B.*

Purpose of the Series 2008 Bonds

The proceeds to be received by the Issuer from the sale of the Series 2008 Bonds will be loaned to the Corporation pursuant to a Loan Agreement (the "Loan Agreement") dated as of June 1, 2008, between the Issuer and the Corporation. Such proceeds will be used together with other available funds, to provide funds to the Corporation in order to finance [i] all or a portion of the costs of the construction and equipping of (a) a new power plant facility at Sts. Mary & Elizabeth Hospital, 1850 Bluegrass Avenue, Louisville, Kentucky (the "Power Plant Project"), (b) renovations and equipping of (1) Frazier Rehab Institute, 220 Abraham Flexner Way, Louisville, Kentucky, (2) Sts. Mary & Elizabeth Hospital, 1850 Bluegrass Avenue, Louisville, Kentucky, (3) Our Lady of Peace, 2020 Newburg Road, Louisville, Kentucky, (4) Jewish Hospital Medical Center Northeast, Old Henry Road and I-265, Louisville, Kentucky, and (5) Jewish Hospital Shelbyville, 727 Hospital Drive, Shelbyville, Kentucky, [ii] the reimbursement for past capital expenditures at any or all of the facilities described in (a) and (b) (all of the improvements described above, the "Improvements Project"); [iii] the current refunding of the outstanding (a) County of Jefferson, Kentucky, Health Facilities Revenue Bonds, Series 2002 (Jewish Hospital HealthCare Services, Inc. Project), dated as of July 1, 2002 (the "Series 2002 Bonds") and (b) Louisville/Jefferson County Metro Government Health Facilities Revenue Bonds, Series 2004 (Jewish Hospital HealthCare Services, Inc. Project), dated as of June 1, 2004 (the "Series 2004 Bonds"), [iv] the payment of certain costs in connection with the termination or modification of interest rate agreements related to the Series 2002 Bonds and the Series 2004 Bonds (the "Refunding Project") and [v] the payment of certain costs of issuance and provide funding for a debt service reserve fund (all of the foregoing, collectively, the "Project"). A more detailed description of the uses of the proceeds of the Series 2008 Bonds, including the purposes and approximate amounts thereof, appears under the captions "THE PLAN OF FINANCE" and "SOURCES AND USES OF FUNDS."

Existing Indebtedness

The Issuer's predecessor[1], the County of Jefferson, Kentucky previously issued its County of Jefferson, Kentucky Health Facilities Revenue Bonds, Series 1996 (Jewish Hospital HealthCare Services, Inc. Project) (the "Series 1996 Bonds"), which are secured by the 1996 Note (the "Series 1996 Note") issued by the Obligated Group under the 1987 Master Indenture (as defined herein), the Supplemental

[1] In November 2000, voters approved the consolidation of the County of Jefferson, Kentucky and the City of Louisville, Kentucky into the Louisville/Jefferson County Metro Government, effective January 2007.

Indenture No. 3 dated as of October 1, 1996 (the "Supplemental Indenture No. 3") and related Second Amendment to Security Agreement dated as of September 15, 1996.

The County of Jefferson, Kentucky also previously issued the Series 2002 Bonds, which are secured by the 2002 Notes (the "Series 2002 Notes") issued by the Obligated Group under the 1987 Master Indenture, the Supplemental Indenture No. 4 dated as of July 1, 2002 (the "Supplemental Indenture No. 4") and the related Third Amendment to Security Agreement dated as of July 1, 2002. In connection with the Series 2002 Bonds, the Corporation issued its five Hedge Agreement Notes (the "Hedge Agreement Notes") under the Original Master Indenture in favor of a counterparty pursuant to an interest rate exchange agreement entered into in connection with the Series 2002 Bonds in order to evidence its obligations to the counterparty under the interest rate exchange agreement entered into in connection with the Series 2002 Bonds.

The Issuer also previously issued the Series 2004 Bonds, which are secured by the 2004 Notes (the "Series 2004 Notes") issued by the Obligated Group under the 1987 Master Indenture, the Supplemental Indenture No. 5 dated as of June 1, 2004 (the "Supplemental Indenture No. 5") and the related Fourth Amendment to Security Agreement dated as of June 1, 2004.

The Obligated Group issued a Series 2005 Note (the "CHI Note"), dated November 1, 2005, in the principal amount of $50,183,322.31 payable to Catholic Health Initiatives ("CHI") under the 1987 Master Indenture and the Supplemental Indenture No. 6 dated as of November 1, 2005 (the "Supplemental Indenture No. 5"). The CHI Note is secured by the Fifth Amendment to Security Agreement dated as of November 1, 2005.

On December 11, 2007, modification of the July 12, 2006 confirmation for an interest rate swap agreement entered into by the Corporation occurred, resulting in the issuance of an Amended and Restated Series 2006 Hedge Agreement Note (the "Amended 2006 Hedge Note"), all under the 1987 Master Indenture and the Supplemental Indenture No. 7 originally dated as of July 1, 2006, amended and restated as of December 11, 2007 ("Supplemental Indenture No. 7").

The Series 2002 Bonds and the Series 2004 Bonds are to be refunded through the proceeds of the Series 2008 Bonds, while any termination payments due to counterparties under the Hedge Agreement Notes and the Amended 2006 Hedge Note, upon their termination, will also be paid from proceeds of the Series 2008 Bonds. The Series 1996 Bonds and the CHI Note will remain outstanding upon issuance of the Series 2008 Bonds.

Security

The Series 2008 Bonds will be issued pursuant to the Bond Indenture. The proceeds of the Series 2008 Bonds will be loaned to the Corporation pursuant to the Loan Agreement. The Series 2008 Bonds will be special limited obligations of the Issuer and will be secured in part by the Series 2008 Note (the "Series 2008 Note"). The Series 2008 Note will be issued pursuant to an Amended and Restated Master Trust Indenture, dated as of June 1, 2008 (the "Master Trust Indenture"), between the Obligated Group and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Master Trustee"), as amended and supplemented by the First Supplemental Indenture, dated June 1, 2008 between the Corporation and the Master Trustee (the "First Supplemental Indenture"). The Master Trust Indenture amends and restates the Master Trust Indenture, dated as of February 15, 1987 (the "1987 Master Indenture"), with The Bank of New York Trust Company, N.A. (as successor to Branch Banking and Trust Company, the acquirer of Bank of Louisville, formerly known as Mid-America Bank of Louisville and Trust Company), as trustee (the "Original Master Trustee"), as previously amended and supplemented by Supplemental Indenture No. 1, dated February 15, 1987 (the "Supplemental Indenture No. 1"), by Supplemental Indenture No. 2,

dated June 1, 1992 (the "Supplemental Indenture No. 2"), by Supplemental Indenture No. 3, by Supplemental Indenture No. 4, by Supplemental Indenture No. 5, by Supplemental Indenture No. 6, dated November 1, 2005 and by Supplemental Indenture No. 7, (the 1987 Master Indenture, as amended by Supplemental Indenture No. 1, Supplemental Indenture No. 2, Supplemental Indenture No. 3, Supplemental Indenture No. 4, Supplemental Indenture No. 5, Supplemental Indenture No. 6 and Supplemental Indenture No. 7, the "Original Master Indenture") between the Obligated Group and the Original Master Trustee.

The Master Trust Indenture, among other items, incorporates the provisions related to the Series 1996 Note and the CHI Note as a part of its terms. Upon the issuance of the Series 2008 Bonds, there will be outstanding under the Master Trust Indenture the following authorized Notes: the Series 1996 Note (related to the Series 1996 Bonds), the CHI Note and the Series 2008 Note (related to the Series 2008 Bonds).

The Issuer will pledge and assign as security for the Series 2008 Bonds (i) all right, title and interest of the Issuer in and to the Series 2008 Note and all sums payable in respect of the indebtedness evidenced thereby; (ii) all right, title and interest of the Issuer in and to the Loan Agreement and the amounts payable to the Issuer under the Loan Agreement (excluding Unassigned Rights); and (iii) any and all other property of every kind and nature from time to time by delivery or by writing of any kind, conveyed, pledged, assigned or transferred as and for additional security under the Bond Indenture by the Issuer, the Corporation, any other Obligated Group Member or anyone on their behalf to the Bond Trustee, including, without limitation, funds of the Corporation held by the Bond Trustee as security for the Series 2008 Bonds. The terms of the Loan Agreement and the Series 2008 Note will require payments by the Corporation that together with other moneys available therefore (and interest thereon) will be sufficient to provide for the payment of the principal of and interest and premium, if any, on the Series 2008 Bonds. The Series 2008 Note will entitle the Bond Trustee, as the holder thereof, to the protection of the covenants, restrictions and other obligations imposed upon the Obligated Group by the Master Indenture.

Under certain circumstances the Master Indenture or the Bond Indenture may be amended without the consent of the owners of the Series 2008 Bonds. See "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE–Supplements and Amendments" and "SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE–Supplemental Bond Indentures" in *APPENDIX C* to this Official Statement. See "SECURITY FOR THE SERIES 2008 BONDS" herein.

Debt Service Reserve Fund

Pursuant to the Bond Indenture, a debt service reserve fund (the "Debt Service Reserve Fund") will be established on the issuance of the Series 2008 Bonds and initially funded in an amount equal to the maximum annual debt service on all Series 2008 Bonds Outstanding. The Debt Service Reserve Fund will be maintained in an amount equal to the lesser of (i) the maximum annual debt service on all Series 2008 Bonds Outstanding and (ii) 125% of average annual debt service on all Series 2008 Bonds Outstanding. Amounts on deposit in the Debt Service Reserve Fund are required to be transferred to the Bond Fund to the extent necessary to pay principal of and interest on the Series 2008 Bonds, to the extent moneys on deposit in the Bond Fund of the Bond Indenture are insufficient for such purpose. See "SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE–Debt Service Reserve Fund."

The Series 2008 Note

Security for the Notes. Indebtedness issued under the Master Trust Indenture, including the Series 2008 Note, the Series 1996 Note and the CHI Note, is the joint and several obligation of all Obligated Group Members. The Master Indenture contains certain tests that must be satisfied for entry into or withdrawal from the Obligated Group. Notwithstanding uncertainties as to enforceability of the covenant of each Obligated Group Member to be jointly and severally liable for Indebtedness issued under the Master Indenture (as described under "BONDHOLDERS' RISKS–Enforceability of Certain Covenants in the Master Indenture"), the accounts of the Corporation and all other Obligated Group Members will be consolidated for purposes of determining whether various covenants and tests contained in the Master Indenture (including tests relating to the issuance of Additional Indebtedness) are met. The Notes issued by the Obligated Group and from time to time outstanding under the Master Indenture, including the Series 2008 Note, the Series 1996 Note and the CHI Note, and Additional Indebtedness, if any (whether or not pledged under any Bond Indenture), are collectively referred to as the "Notes."

The Series 2008 Note is the joint and several obligation of the Corporation and the other Obligated Group Members and, except as described herein, will not be secured by a mortgage on or a security interest in any real or tangible personal property of the Obligated Group. However, all Obligated Group Members have entered into an Amended and Restated Security Agreement (the "Security Agreement"), dated as of June 1, 2008 with the Master Trustee.

The Security Agreement completely amends and restates the Security Agreement dated as of February 15, 1987 by and between the then Obligated Group Members and the Master Trustee, as amended by subsequent amendments to the 1987 Security Agreement entered into between 1987 and 2007 (as amended, the "Original Security Agreement"). Pursuant to the Original Security Agreement, all then Obligated Group Members granted to the Original Master Trustee a security interest in "Pledged Collateral" as security for the payment of the Notes that were issued under the Original Master Indenture.. "Pledged Collateral" means generally the accounts receivable, contract rights, cash, checks, drafts and general intangibles and, to the extent not included in the foregoing, the Revenues of the Obligated Group (see "DEFINITIONS OF CERTAIN TERMS' in *APPENDIX* C hereto). With the refunding of the Series 2002 Bonds and the Series 2004 Bonds, and the payment of any termination payments due under the Hedge Agreement Notes and the Amended 2006 Hedge Note, the security interest in the "Pledged Collateral" in favor of the Original Master Trustee under the Original Security Agreement will be released as to all prior issued Notes, except as to the Series 1996 Note and the CHI Note. Under the Security Agreement, the current Obligated Group Members reaffirm their grant of a security interest in the Pledged Collateral in favor of the Master Trustee, as security for payment of the Series 1996 Note, the CHI Note and the Series 2008 Note, as well as any Additional Note issued hereinafter.

Additional Indebtedness. Under certain specified conditions, the Master Indenture permits Obligated Group Members to issue Additional Indebtedness secured on a parity with the Series 2008 Note. See "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE–Particular Covenants of the Obligated Group" in *APPENDIX C* for a description of the restrictions imposed on the Obligated Group's actions for the benefit of all holders of Indebtedness issued under the Master Indenture. Such provisions include, among others, restrictions on liens on the Obligated Group's Property (see the subheading "Security; Restrictions on Encumbering Property; Payment of Principal and Interest"); restrictions on the incurrence of Additional Indebtedness (see the subheading "Limitations on Incurrence of Additional Indebtedness"); provisions governing the transfer of the Obligated Group's Property (see the subheading "Sale, Lease or Other Disposition of Operating Assets" and the subheading "Disposition of Cash and Investments"); and provisions governing its rates and charges (see the subheading "Long-Term Debt Service Coverage Ratio").

Bondholders' Risks

There are risks associated with the purchase of the Series 2008 Bonds. See "BONDHOLDERS' RISKS" for a discussion of certain of these risks.

Additional Information

This Official Statement contains descriptions of, among other matters, the Series 2008 Bonds, the Series 2008 Note, the Bond Indenture, the Loan Agreement, the Security Agreement, the Escrow Agreements, as herein defined, the Master Indenture, the Issuer and the Obligated Group. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Bond Indenture, the Loan Agreement, the Security Agreement, the Escrow Agreements and the Master Indenture are qualified in their entirety by reference to such documents, and references herein to the Series 2008 Bonds and the Series 2008 Note are qualified in their entirety by reference to the forms thereof included in the Bond Indenture and the Master Indenture, respectively. Until the issuance and delivery of the Series 2008 Bonds, copies of the Bond Indenture, the Loan Agreement, the Security Agreement, the Escrow Agreements, the Master Indenture and other documents described herein may be obtained from Morgan Stanley & Co. Incorporated (the "Underwriter"), upon payment of the cost of complying with such request. After delivery of the Series 2008 Bonds, copies of such documents will be available for inspection at the principal corporate trust office of the Bond Trustee. Definitions of certain terms used herein are found in *APPENDIX C* hereto.

THE PLAN OF FINANCE

General

The Corporation will use the proceeds of the Series 2008 Bonds, together with other available funds, to finance (i) the Refunding Project; (ii) the costs of the Improvements Project; and (iii) the payment of certain costs of issuance incurred in connection with the issuance of the Series 2008 Bonds and the funding of a debt service reserve fund. A more detailed description of the uses of the proceeds of the Series 2008 Bonds including the purposes and approximate amounts thereof, appears under the caption "SOURCES AND USES OF FUNDS."

The Improvements Project

The Corporation will use approximately $7,200,000 of the proceeds of the Series 2008 Bonds to finance, or be reimbursed for, a portion of the costs of different components of the Improvements Project, comprised of (i) the Power Plant Project at Sts. Mary & Elizabeth Hospital, 1850 Bluegrass Avenue, Louisville, Kentucky; (ii) construction and equipment for a women's center, sleep lab and wound care center and to renovations to the hospital fifth floor, Sts. Mary & Elizabeth Hospital; (iii) construction and equipping of a geriatric psychiatric unit at Frazier Rehab Institute, 220 Abraham Flexner Way, Louisville, Kentucky; (iv) construction and equipment for psychiatric and residential treatment facilities at Our Lady of Peace, 2020 Newburg Road, Louisville, Kentucky; (v) purchase of equipment (including MRIs, scanners and other equipment) for the new Jewish Hospital Medical Center Northeast facility, Old Henry Road and the Gene Snyder Freeway (I-265), Louisville, Kentucky; and (vi) renovations of the emergency department and operating rooms at Jewish Hospital Shelbyville, Shelbyville, Kentucky. The Corporation will make allocations of Bond proceeds among one or more of the various components of the Improvements Project. See "SOURCES AND USES OF FUNDS."

THE SERIES 2008 BONDS

General Description of the Series 2008 Bonds

So long as DTC (as defined herein) acts as securities depository for the Series 2008 Bonds, as described under the "BOOK-ENTRY SYSTEM" herein, all references herein to Bondholders are deemed to refer to Cede & Co., as nominee for DTC, and not to Participants, Indirect Participants or Beneficial Owners (as defined herein).

Terms

The Series 2008 Bonds will be dated June 1, 2008, and will bear interest at the rates set forth on page i of this Official Statement, computed using a year of 360 days comprised of twelve (12) thirty (30) day months, payable in arrears on February 1, 2009, and semi-annually thereafter on each August 1 and February 1, (each, an "Interest Payment Date") and subject to the redemption provisions set forth below, will mature on February 1 in the years and in the amounts set forth on the inside cover hereof.

Denominations and Places of Payment

The Series 2008 Bonds are issuable as fully registered bonds in denominations of $5,000 or any whole multiple thereof. The Series 2008 Bonds may be redeemed in part from time to time in one or more units of $5,000.

Principal of the Series 2008 Bonds is payable at the designated corporate trust office of the Bond Trustee. Interest thereon is payable by check and mailed to the person in whose name each Series 2008 Bond is registered on the Record Date (the 15th day preceding each Interest Payment Date).

SO LONG AS THE SERIES 2008 BONDS ARE REGISTERED IN THE NAME OF CEDE & CO., AS NOMINEE OF DTC, PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE SERIES 2008 BONDS WILL BE PAID AS DESCRIBED HEREIN UNDER "BOOK-ENTRY SYSTEM."

Optional Redemption

The Series 2008 Bonds maturing on or after February 1, 2018, are subject to optional redemption in whole on any date or in part on any Interest Payment Date, on or after February 1, 2018, at the principal amount of the Series 2008 Bonds to be redeemed plus accrued interest to the redemption date, all in the manner provided in the Bond Indenture.

Sinking Fund Redemption

The Series 2008 Bonds maturing February 1, 2022, are subject to mandatory sinking fund redemption in part by lot or in such random manner as the Bond Trustee deems appropriate on February 1, 2014, and on each February 1, from funds on deposit in the Redemption Account of the Bond Fund at the principal amount of the Series 2008 Bonds to be redeemed plus accrued interest to the date of redemption:

Year	Amount	Year	Amount
2014	1,220,000	2018	5,515,000
2015	1,290,000	2019	7,690,000
2016	1,360,000	2020	8,150,000
2017	1,445,000	2021	8,640,000
		2022	9,160,000*

*Maturity

The Series 2008 Bonds maturing February 1, 2023, are subject to mandatory sinking fund redemption on February 1, 2023, from funds on deposit in the Redemption Account of the Bond Fund at the principal amount of the Series 2008 Bonds to be redeemed plus accrued interest to the date of redemption:

Year	Amount
2023	$9,710,000*

*Maturity

The Series 2008 Bonds maturing on February 1, 2027, are subject to mandatory sinking fund redemption in part by lot or in such random manner as the Bond Trustee deems appropriate on February 1, 2024, and on each February 1, from funds on deposit in the Redemption Account of the Bond Fund at the principal amount of the Series 2008 Bonds to be redeemed plus accrued interest to the date of redemption:

Year	Amount
2024	$10,240,000
2025	$10,830,000
2026	$11,450,000
2027	$16,195,000*

*Maturity

The Series 2008 Bonds maturing on February 1, 2037, are subject to mandatory sinking fund redemption in part by lot or in such random manner as the Bond Trustee deems appropriate on February 1, 2028, and on each February 1, from funds on deposit in the Redemption Account of the Bond Fund at the principal amount of the Series 2008 Bonds to be redeemed plus accrued interest to the date of redemption:

Year	Amount	Year	Amount
2028	$17,130,000	2033	$23,060,000
2029	$18,180,000	2034	$24,470,000
2030	$19,290,000	2035	$25,970,000
2031	$20,475,000	2036	$27,560,000
2032	$21,725,000	2037	$29,245,000*

*Maturity

Extraordinary Optional Redemption.

The Series 2008 Bonds are callable for redemption prior to maturity in the event of damage to or destruction of the Property, Plant and Equipment (as defined in the Master Indenture) if the Corporation determines, in accordance with the Master Indenture, not to apply the Net Proceeds of insurance to the acquisition or replacement of Property, Plant and Equipment or of condemnation of the Property, Plant and Equipment if the Corporation determines, in accordance with the Master Indenture, not to apply the Net Proceeds of any condemnation award or the proceeds received in lieu thereof to the acquisition or replacement of Property, Plant and Equipment. *See APPENDIX C–"*SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE." If called for redemption in the event referred to above, the Series 2008 Bonds shall be subject to redemption by the Issuer, upon direction of the Corporation at any time, in whole or in part, and if in part, by lot or in such random manner as the Bond Trustee deems appropriate prior to maturity at any time for which the requisite notice can be given, from moneys deposited with or held by the Bond Trustee from the proceeds received by the Obligated Group with respect to such event, but, if redeemed in part, only in principal amounts of $100,000 and integral multiples of $5,000 in excess thereof, upon payment of a redemption price equal to the principal amount of the Bonds being redeemed plus accrued interest to the redemption date.

Extraordinary Mandatory Redemption of Bonds.

The Series 2008 Bonds are subject to extraordinary mandatory redemption by the Issuer, in whole, out of moneys deposited with or held by the Trustee for such purpose, upon payment of a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption, following the occurrence of (i) a change in the Constitution of the Commonwealth or the United States of America or a legislative or administrative action (whether local, state, or federal), or a final decree, judgment, or order of any court or administrative body (whether local, state, or federal), after all allowable appeals or expiration of the time therefore, causes the Bond Indenture, the Loan Agreement, the Master Trust Indenture, the Series 2008 Note or the Series 2008 Bonds to become void or unenforceable or impossible of performance in accordance with the intended purposes of the parties as expressed therein; or (ii) upon the occurrence of a Determination of Taxability and at the time the Corporation prepays the Series 2008 Note pursuant to the Loan Agreement.

The date of redemption shall be the first Interest Payment Date for which requisite notice can be given. In the event of a Determination of Taxability, the date of redemption for the Series 2008 Bonds shall be the date (and in no event longer than sixty (60) days after the date of Determination of Taxability) the Trustee receives payment of the redemption price in accordance with the Loan Agreement.

Selection for Redemption

Whenever less than all Outstanding Bonds are to be redeemed (other than from mandatory sinking fund redemptions), the Corporation may direct the principal amount of each maturity of Series 2008 Bonds to be redeemed. Within each maturity of Series 2008 Bonds to be redeemed, the Trustee shall select Series 2008 Bonds for redemption. Redemption by lot shall be in such manner as the Trustee shall determine; provided, however, that the portion of any Series 2008 Bond to be redeemed shall be in Authorized Denominations, and all Series 2008 Bonds to remain outstanding after any redemption in part shall be in Authorized Denominations.

Notice of Redemption; Effect

A copy of the notice of the call for any such redemption identifying the Series 2008 Bonds to be redeemed shall be given by first class mail, postage prepaid, to the registered owners of Series 2008

Bonds to be redeemed at their addresses as shown on the Bond Register not less than thirty (30) days but no more than forty-five (45) days prior to the redemption date. Except for mandatory Bond Sinking Fund redemptions as described above, prior to the date that the redemption notice is first given, funds shall be irrevocably deposited with the Bond Trustee to pay such Series 2008 Bonds, or such notice shall state that any redemption is conditional on such funds being deposited with the Bond Trustee on the redemption date, and that a failure to make such deposit shall not constitute an event of default under the Bond Indenture. Failure to give notice in the manner prescribed in the Bond Indenture shall not affect the validity of the proceedings for redemption of any Series 2008 Bond with respect to which notice was properly given.

SECURITY FOR THE SERIES 2008 BONDS

General

The Series 2008 Bonds are special limited obligations of the Issuer and are payable solely from (i) payments or prepayments to be made on the Series 2008 Note; (ii) payments to be made under the Loan Agreement (other than Unassigned Rights); (iii) moneys and investments held by the Bond Trustee under, and to the extent provided, in the Bond Indenture, including funds held in the Debt Service Reserve Fund; (iv) proceeds from certain insurance and condemnation awards or proceeds from sales consummated under threat of condemnation in certain circumstances; and (v) income from the investments of any of the foregoing. Certain investment earnings or monies held by the Bond Trustee may be transferred to a Rebate Fund established pursuant to the Tax Exemption Agreement, as defined in *APPENDIX C* hereto. Amounts held in such Rebate Fund will not be part of the trust estate pledged to secure the Series 2008 Bonds, and, consequently, will not be available to make payments on the Series 2008 Bonds.

The rights of the Issuer in and to the Series 2008 Note and the amounts payable thereon and the amounts payable to the Issuer under the Loan Agreement (other than Unassigned Rights) have been assigned to the Bond Trustee under the Bond Indenture to provide for and to secure the payment of principal of, premium, if any, and interest on the Series 2008 Bonds. The Corporation agrees under the Loan Agreement to make the payments on the Series 2008 Note pledged under the Bond Indenture directly to the Bond Trustee. See “SECURITY FOR THE NOTES–General” below.

The Loan Agreement also imposes certain restrictions on the Obligated Group’s actions for the benefit of the Issuer and the owners of the Series 2008 Bonds. See *APPENDIX C*–“SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT.”

Amendments to Certain Documents Securing the Series 2008 Bonds

Certain amendments to the Bond Indenture and the Loan Agreement may be made with the consent of the holders of not less than a majority of the aggregate principal amount of the outstanding Series 2008 Bonds and certain amendments to the Master Indenture may be made with the consent of the holders of not less than a majority of the aggregate principal amount of Notes then Outstanding. Such amendments may adversely affect the security of the holders of the affected Series 2008 Bonds. The holders of a majority of the Notes then Outstanding could be comprised wholly or partially of the owners of the Notes other than the Series 2008 Note.

Neither Issuer Nor Commonwealth Liable on the Series 2008 Bonds

THE SERIES 2008 BONDS WILL NOT BE GENERAL OBLIGATIONS OF AND WILL NOT CONSTITUTE INDEBTEDNESS OF THE ISSUER, THE COMMONWEALTH OR ANY POLITICAL

SUBDIVISION THEREOF. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE ISSUER, THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION OR TAXING AUTHORITY THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR THE INTEREST ON THE SERIES 2008 BONDS OR THE COSTS INCIDENTAL THERETO.

SECURITY FOR THE NOTES

General

The Series 2008 Note is a joint and several obligation of the Corporation and the other Obligated Group Members; it will not be secured by a mortgage on or a security interest in any real or tangible personal property of the Obligated Group. Pursuant to the Security Agreement, however, each Obligated Group Member has granted to the Master Trustee a security interest in Pledged Collateral as security for the payment of the Series 2008 Note issued under the Master Indenture. "Pledged Collateral" means generally the accounts receivable, contract rights, cash, checks, drafts and general intangibles and, to the extent not included in the foregoing, the Revenues of the Obligated Group (see "DEFINITIONS OF CERTAIN TERMS" in *APPENDIX C* hereto).

The Master Indenture

Notes issued under the Master Indenture, including the Series 2006 Note, the CHI Note and the Series 2008 Note, are the joint and several obligation of all Obligated Group Members. The Master Indenture contains certain tests which must be satisfied for entry into or withdrawal from the Obligated Group. Notwithstanding uncertainties as to enforceability of the covenant of each Obligated Group Member to be jointly and severally liable for Notes issued under the Master Indenture (as described under "BONDHOLDERS' RISKS–Enforceability of Certain Covenants in the Master Indenture"), the accounts of the Corporation and all other Obligated Group Members will be consolidated for purposes of determining whether various covenants and tests contained in the Master Indenture (including tests relating to the issuance of Additional Indebtedness) are met.

Obligated Group Members Pledge of Pledged Collateral

Payments on the Series 2008 Note are required to be sufficient to pay in full and when due the principal of, redemption premium, if any, and interest on the Series 2008 Bonds as they become due and payable. The Series 2008 Note issued under the Master Indenture will be the joint and several liability of the Obligated Group, regardless of which Obligated Group Member is the maker of the Series 2008 Note. No real or tangible personal property of any Obligated Group Member will be mortgaged, assigned or pledged as security for the Series 2008 Note; however, all Obligated Group Members have entered into the Security Agreement with the Master Trustee pursuant to which all Obligated Group Members have granted to the Master Trustee a security interest in certain revenues and other intangibles constituting the "Pledged Collateral" (see "DEFINITIONS OF CERTAIN TERMS" *in APPENDIX C* hereto) as security for the payment of the Series 2008 Note and all other Notes issued under the Master Indenture, including the Series 1996 Note and the CHI Note. Under certain conditions as described in the Master Indenture, Obligated Group Members may withdraw from the Obligated Group, and other Affiliates may become Obligated Group Members. See the headings "Additional Obligated Group Members" and "Withdrawal from Obligated Group" under the caption SUMMARY OF THE MASTER INDENTURE in *APPENDIX C* hereto.

Additional Indebtedness

Under certain specified conditions, the Master Indenture permits Obligated Group Members to incur Additional Indebtedness. See "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE–Limitations on Incurrence of Additional Indebtedness" in *APPENDIX C* for a description of the restrictions imposed on the Obligated Group's actions for the benefit of all holders of Notes issued under the Master Indenture. Such provisions include, among others, restrictions on liens on the Obligated Group's Property (see "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE Particular Covenants of the Obligated Group–Security; Restrictions on Encumbering Property; Payment of Principal and Interest"); restrictions on the incurrence of Additional Indebtedness (see "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE–Particular Covenants of the Obligated Group–Limitations on Incurrence of Additional Indebtedness"); provisions governing the transfer of the Obligated Group's Property (see "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE–Particular Covenants of the Obligated Group–Sale, Lease or Other Disposition of Operating Assets" and the subheading "Disposition of Cash and Investments"); and provisions governing its rates and charges (see SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE–Particular Covenants of the Obligated Group–Long-Term Debt Service Coverage Ratio").

Additional Notes issued under the Master Indenture may be issued to the Issuer and to Persons other than the Issuer. Additional Notes need not be pledged under the Bond Indenture, but will rank at least equally and ratably (except as described herein) with the Series 2008 Note pledged under the Bond Indenture and with the Series 1996 Note and the CHI Note.

BOOK-ENTRY SYSTEM

The ownership of one fully registered Series 2008 Bond in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co., as nominee for 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 Exchange Act. DTC holds and provides asset servicing for over two (2) million issues of 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 between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, 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 SEC. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2008 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2008 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2008 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 2008 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in any Series 2008 Bonds, except in the event that use of the book-entry system for the Series 2008 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2008 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 2008 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 2008 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2008 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

While the Series 2008 Bonds are in the book-entry-only system, redemption notices shall be sent to Cede & Co. If less than all of the Series 2008 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2008 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 Series 2008 Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2008 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the Bond Trustee, on payable date in accordance with their respective holdings shown on DTC' s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its

nominee, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Bond Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

For every transfer and exchange of Series 2008 Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

DTC may discontinue providing its services as securities depository with respect to the Series 2008 Bonds at any time by giving reasonable notice to the Issuer and discharging its responsibilities with respect thereto under applicable law, or the Issuer may terminate its participation in the system of book-entry transfers through DTC at any time. In the event that such book-entry-only system is discontinued, the provisions described under "THE SERIES 2008 BONDS–General Description of the Series 2008 Bonds" herein will apply. The Issuer may determine that continuation of the system of book-entry transfers through DTC (or a successor securities depository) is not in the best interests of the Beneficial Owners. In such the event, Series 2008 Bonds will be delivered as described in the Bond Indenture.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference shall relate only to action by such Beneficial Owners or those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they shall be sent by the Bond Trustee to DTC only. The Bond Trustee and the Issuer, so long as a book-entry system is used for the Series 2008 Bonds, will send any notice of redemption or other notices to Bondowners only to DTC. Any failure of DTC to advise any Participant, or of any Participant or Indirect Participant to notify the Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of the Series 2008 Bonds called for redemption or of any other action promised on such notice.

NEITHER THE ISSUER, ANY MEMBER OF THE OBLIGATED GROUP NOR THE BOND TRUSTEE HAS ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS OR THE PERSONS FOR WHOM PARTICIPANTS ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF PORTIONS OF THE SERIES 2008 BONDS FOR REDEMPTION.

NEITHER THE BOND TRUSTEE, ANY MEMBER OF THE OBLIGATED GROUP, NOR THE ISSUER WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY PARTICIPANT OF A DEPOSITORY, ANY PERSON CLAIMING A BENEFICIAL OWNERSHIP INTEREST IN ANY SERIES 2008 BONDS UNDER OR THROUGH A DEPOSITORY OR ANY PARTICIPANT OF A DEPOSITORY, OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE BOND TRUSTEE AS BEING REGISTERED OWNERS, WITH RESPECT TO THE ACCURACY OF ANY RECORDS MAINTAINED BY A DEPOSITORY OR ANY PARTICIPANT OF A DEPOSITORY, THE PAYMENT BY A DEPOSITORY OR ANY PARTICIPANT OF A DEPOSITORY OF ANY AMOUNT IN RESPECT OF PRINCIPAL OR PREMIUM, IF ANY, OR INTEREST ON ANY SERIES 2008 BOND, ANY NOTICE THAT IS REQUIRED TO BE GIVEN TO REGISTERED OWNERS UNDER THE BOND INDENTURE, THE SELECTION BY A DEPOSITORY OR ANY PARTICIPANT OF A DEPOSITORY OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2008 BONDS, OR ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF THE SERIES 2008 BONDS.

THE ISSUER

The Issuer is a public body corporate and politic, duly created and existing as a political subdivision of the Commonwealth under the Constitution and laws of the Commonwealth. The Issuer is governed by the Metro Council composed of an elected Mayor and twenty-six elected Council Members. The Issuer is authorized by Sections 103.200 to 103.285, inclusive, of the Kentucky Revised Statutes, as amended (the "Act") to issue the Series 2008 Bonds and to loan the proceeds to the Corporation. The issuance of the Series 2008 Bonds and the execution and delivery of the Loan Agreement and the Bond Indenture have been authorized by an Ordinance of the Issuer acting by and through its Metro Council.

The present members of the Metro Council, in order of district represented, and the expiration dates of their terms are as follows:

Name	Term Expires
Jerry E. Abramson, Mayor	2010
Dr. Judith Green, Council Member	2010
Barbara Shanklin, Council Member	2008
Mary C. Woolridge, Council Member	2010
David Tandy, Council Member	2008
Cheri Bryant Hamilton, Council Member	2010
George Unseld, Council Member	2008
Kenneth C. Fleming, Council Member	2010
Tom Owen, Council Member	2008
Tina Ward-Pugh, Council Member	2010
Jim King, Council Member	2008
Kevin Kramer, Council Member	2010
Rick Blackwell, Council Member	2008
Ron Weston, Council Member	2010
Robert Henderson, Council Member	2008
Marianne Butler, Council Member	2010
Kelly Downard, Council Member	2008
Glen Stuckel, Council Member	2010
Julie Raque-Adams, Council Member	2008
Hal Heiner, Council Member	2010
Stuart Benton, Council Member	2008
Dan Johnson, Council Member	2010
Robin Engel, Council Member	2008
James Peden, Council Member	2010
Madonna Flood, Council Member	2008
Doug Hawkins, Council Member	2010
Ellen Call, Council Member	2008

SOURCES AND USES OF FUNDS

As set forth under "THE PLAN OF FINANCE", the proceeds of the Series 2008 Bonds along with other funds available to the Corporation will be used by the Corporation to finance (i) the Refunding Project, (ii) the Improvements Project, (iii) the termination payments due under a hedge agreement related to the Series 2002 Bonds and (iv) the costs of issuance in addition to the funding of a debt service reserve fund.

Proceeds of the Series 2008 Bonds and other available funds are as follows:

Sources of Funds	
Series 2008 Bond Proceeds	$330,000,000
Original Issue Discount	(1,819,375)
Trustee-Held Funds (Series 2002 Bonds and Series 2004 Bonds)	2,602,520
TOTAL SOURCES OF FUNDS	$330,783,145

Uses of Funds	
Deposit into Project Fund	$ 7,201,423
Deposits under Bond Escrow Agreements	275,797,041
Hedge Agreement Notes Termination Payments	14,426,000
Debt Service Reserve Fund	31,041,181
Costs of Issuance (1)	2,317,500
TOTAL USES OF FUNDS	$330,783,145

(1) Costs of Issuance include Underwriter's discount, cost of printing, fees for legal counsel, accountants and other costs.

DEBT SERVICE REQUIREMENTS

The Series 1996 Bonds, the Series 2008 Bonds and the CHI Note

The following table sets forth the aggregate debt service on the outstanding Series 1996 Bonds, the Series 2008 Bonds and the CHI Note.

Year	Series 2008 Bonds Principal	Series 2008 Bonds Interest	Series 2008 Bonds Total	Series 1996 Bonds Total	CHI Note Total[1]	Total Debt Service
02/01/2009	–	$ 11,118,395	$ 11,118,395	$ 4,327,703	$ 6,662,238	$ 22,108,336
02/01/2010	–	19,913,544	19,913,544	4,325,840	6,387,989	30,627,373
02/01/2011	–	19,913,544	19,913,544	4,322,983	5,987,920	30,224,447
02/01/2012	–	19,913,544	19,913,544	5,099,503	5,991,714	31,004,761
02/01/2013	–	19,913,544	19,913,544	5,102,688	5,995,735	31,011,967
02/01/2014	1,220,000	19,913,544	21,133,544	5,102,680	4,803,217	31,039,441
02/01/2015	1,290,000	19,840,344	21,130,344	5,099,198	4,810,722	31,040,264
02/01/2016	1,360,000	19,762,944	21,122,944	5,096,958	4,818,645	31,038,547
02/01/2017	1,445,000	19,681,344	21,126,344	5,085,395	4,827,011	31,038,750
02/01/2018	5,515,000	19,594,644	25,109,644	4,059,510	1,869,815	31,038,969
02/01/2019	7,690,000	19,263,744	26,953,744	4,084,860		31,038,604
02/01/2020	8,150,000	18,802,344	26,952,344	4,085,805		31,038,149
02/01/2021	8,640,000	18,313,344	26,953,344	4,088,200		31,041,544
02/01/2022	9,160,000	17,794,944	26,954,944	4,086,475		31,041,419
02/01/2023	9,710,000	17,245,344	26,955,344	4,083,800		31,039,144
02/01/2024	10,240,000	16,711,294	26,951,294	4,086,063		31,037,357
02/01/2025	10,830,000	16,122,494	26,952,494	4,087,400		31,039,894
02/01/2026	11,450,000	15,499,769	26,949,769	4,087,238		31,037,007
02/01/2027	16,195,000	14,841,394	31,036,394			31,036,394
02/01/2028	17,130,000	13,910,181	31,040,181			31,040,181
02/01/2029	18,180,000	12,860,969	31,040,969			31,040,969
02/01/2030	19,290,000	11,747,444	31,037,444			31,037,444
02/01/2031	20,475,000	10,565,931	31,040,931			31,040,931
02/01/2032	21,725,000	9,311,838	31,036,838			31,036,838
02/01/2033	23,060,000	7,981,181	31,041,181			31,041,181
02/01/2034	24,470,000	6,568,756	31,038,756			31,038,756
02/01/2035	25,970,000	5,069,969	31,039,969			31,039,969
02/01/2036	27,560,000	3,479,306	31,039,306			31,039,306
02/01/2037	29,245,000	1,791,256	31,036,256			31,036,256
	$330,000,000	$427,446,889.28[2]	$757,446,889.28[2]	$80,312,299	$52,155,004.22[2]	$889,914,192.50[2]

[1] Debt service on the CHI Note is based on an assumed interest rate of 5.25% per annum. CHI determines the interest rate on the CHI Note from time to time, which reflects its variable blended cost of capital. Initially, CHI computed the interest rate by dividing (i) aggregate CHI debt service costs offset by investment, trust and miscellaneous income by (ii) the average CHI outstanding intercompany loans.
[2] The total amounts reflected are the actual totals; however, due to rounding, these columns will not add to the actual total amounts.

HISTORICAL COVERAGE OF HISTORICAL AND PRO FORMA DEBT SERVICE

The following schedule sets forth the Maximum Annual Debt Service Coverage for the three fiscal years of the Corporation ended December 31, 2005, 2006 and 2007, respectively. The following schedule also shows, on a pro forma basis, the resulting pro forma maximum annual debt service coverage in any future fiscal year on the Series 2008 Bonds and the other currently outstanding long-term indebtedness of the Corporation. Dollars are in thousands.

	Fiscal Years Ended December 31,		
	2005	**2006**	**2007**
Excess of revenues over expenses[1]	$(18,736)	$13,750	$ 106
Depreciation and amortization	39,169	38,861	42,616
Interest expense	11,682	16,009	17,681
Asset Impairment	12,460	-	-
EBIDA	44,575	68,620	60,403
Divided by:			
Maximum annual debt service	28,188	28,188	28,188
Maximum Annual Debt Service Coverage	1.58x	2.43x	2.14x
Pro forma maximum annual debt service[2]	31,041	31,041	31,041
Pro Forma Maximum Annual Debt Service Coverage	1.44x	2.21x	1.95x

[1] Operating revenue of the Obligated Group comprises 99.4%, 99.7% and 99.9% of the operating revenue of the Corporation and assets of the Obligated Group comprise 102.5%, 102.6% and 102.7% of the total assets of the Corporation as of December 31, 2005, 2006 and 2007, respectively.

[2] Debt service on the CHI Note is based on an assumed interest rate of 5.25% per annum.

BONDHOLDERS' RISKS

General

As described herein under the caption, "SECURITY FOR THE SERIES 2008 BONDS," the principal of, premium, if any, and interest on the Series 2008 Bonds are payable solely from amounts payable by the Corporation under the Loan Agreement and by the Obligated Group Members on the Series 2008 Note. No representation or assurance is given or can be made that revenues will be realized by the Corporation or other Obligated Group Members in amounts sufficient to pay debt service on the Series 2008 Bonds when due and other payments necessary to meet the obligations of the Obligated Group Members. These revenues are affected by and subject to conditions which may change in the future to an extent and with effects that cannot be determined at this time. The risk factors discussed below as well as those factors discussed under "SECURITY FOR THE SERIES 2008 BONDS" and "SECURITY FOR THE NOTES" should be considered in evaluating the ability of the Obligated Group. Members to make payments in amounts sufficient to provide for the payment of the principal of, premium, if any, and interest on the Series 2008 Bonds.

The receipt of future revenues by the Obligated Group Members will be subject to, among other factors, federal and state policies affecting the health care industries (including changes in reimbursement rates and policies), increased competition from other health care providers, the capability of the management of the Obligated Group Members and future economic and other conditions that are impossible to predict. The extent of the ability of the Obligated Group to generate future revenues has a

direct effect upon the payment of principal of, premium, if any, and interest on the Series 2008 Bonds. Neither the Underwriter nor the Issuer have made any independent investigation of the extent to which any such factors may have an adverse effect on the revenues of the Obligated Group.

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

Payment for Health Care Services

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

Medicare and Medicaid Programs. Medicare and Medicaid are the commonly used names for health care reimbursement or payment programs governed by certain provisions of the federal Social Security Act. Medicare is an exclusively federal program and Medicaid is a combined federal and state program. Medicare provides certain health care benefits to beneficiaries who are 65 years of age or older, disabled or qualify for the End Stage Renal Disease Program. Medicare Part A covers inpatient services and certain other services, and Medicare Part B covers outpatient services, certain physician's services, medical supplies and durable medical equipment. Medicaid is designed to pay providers for care given to the medically indigent and others who receive federal aid. Medicaid is funded by federal and state appropriations and is administered in Kentucky by the Kentucky Department for Medicaid Services.

Health care providers have been and continue to be affected significantly by changes made in the last several years in federal and state health care laws and regulations, particularly those pertaining to Medicare and Medicaid. For instance, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "MMA"), which contains a number of significant changes to the Medicare program, was signed into law on December 8, 2003. The purpose of much of the recent statutory and regulatory activity, including the MMA, has been to reduce the rate of increase in health care costs, particularly costs paid under the Medicare and Medicaid programs. Diverse and complex mechanisms to limit the amount of money paid to health care providers under both the Medicare and Medicaid programs have been enacted, some of which are being implemented and some of which will be or may be implemented in the future.

Medicare. Net patient service revenues of the Corporation derived from the Medicare program accounted for 38.5% of the net patient service revenues of the Corporation in the fiscal year ended December 31, 2007. As a consequence, any adverse development or change in Medicare reimbursement could have a material adverse effect on the financial condition and results of operations of the Corporation and the other Obligated Group Members. Medicare Part A pays acute care hospitals for most inpatient services under a payment system known as the "Prospective Payment System" or "PPS." Separate PPS payments are made for inpatient operating costs and inpatient capital-related costs. The laws and regulations governing Medicare reimbursement are extremely complex and subject to interpretation. In addition, there is no guarantee that the reimbursement methodologies described below

will continue in their present format, since those methodologies and the associated payment rates have been the frequent subject of Congressional action. The following discussion outlines certain legislative and regulatory risk factors that have influenced, and are expected to influence, the revenues of the Corporation and the other Obligated Group Members from Medicare reimbursement.

Inpatient Operating Costs. Acute care hospitals such as those owned by the Obligated Group are paid a specified amount towards their operating costs based on the Medicare Severity Diagnosis Related Group ("DRG") to which each Medicare service is assigned, which is determined by the diagnosis and procedure and other factors for each particular inpatient stay. The amount paid for each DRG is established prospectively by the Centers for Medicare and Medicaid Services ("CMS"), an agency of the United States Department of Health and Human Services ("HHS"), and is not, with certain exceptions, related to a hospital's actual costs or variations in service or length of stay. If a hospital treats a high percentage of low-income patients, it receives a percentage add-on payment applied to the DRG base payment rate. This add-on payment, known as the disproportionate share hospital adjustment, provides for a percentage increase in Medicare payments for qualifying hospitals. For certain Medicare beneficiaries who have unusually costly hospital stays ("outliers"), CMS will provide additional payments above those specified for the DRG. Outlier payments cease to be available upon the exhaustion of such patient's Medicare benefits or a determination that acute care is no longer necessary, whichever occurs first. There is no assurance that any of these payments will cover the actual costs incurred by a hospital. In addition, recent revisions to the outlier regulations implemented in order to curb outlier payment abuse may adversely affect hospitals' ability to receive such subsidies.

Historically, DRG payments have been adjusted annually based on the hospital "market basket" index, or the cost of providing health care services. For every year since 1983, Congress has modified the increases and given substantially less than the increase in the market basket index. For federal fiscal years 2005-2007 and thereafter, the increases have equaled the market basket index since the Obligated Group agreed to participate in CMS' Hospital Quality Initiative and submitted required quality data for the federal fiscal years 2005-2007. There is no assurance that future increases in the DRG payments will keep pace with the increases in the cost of providing hospital services.

The Secretary of HHS is required to review annually the DRG categories to take into account any new procedures and reclassify DRGs and recalibrate the DRG relative weights, which reflect the relative hospital resources used by hospitals with respect to discharges classified within a given DRG category. There is no assurance that the Obligated Group will be paid amounts that will reflect adequately changes in the cost of providing health care or in the cost of health care technology being made available to patients. CMS may adjust DRG weights only on a budget-neutral basis.

Inpatient Capital Costs. Hospitals are reimbursed on a fully prospective basis for capital costs (including depreciation and interest) related to the provision of inpatient services to Medicare beneficiaries. Thus, capital costs are reimbursed exclusively on the basis of a standard federal rate (based on average national costs), subject to certain adjustments (such as for disproportionate share, indirect medical education and outlier cases) specific to the hospital. As of October 1, 2002, hospitals became reimbursed at 100% of the standard federal rate for all capital costs. This applies to the standard federal rate before the application of the adjustment factors for outliers, exceptions and budget neutrality. Effective October 1, 2007, CMS decreased the standard federal rate for capital costs by approximately .86%.

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

Inpatient Rehabilitation and Psychiatric Facilities. Prior to 2002, certain hospitals and inpatient psychiatric and rehabilitation units were exempt from PPS and were instead reimbursed on a "reasonable cost" basis, subject to the Tax Equity and Fiscal Responsibility Act of 1982 ("TEFRA") rate of increase ceiling on inpatient costs per discharge. The Balanced Budget Act of 1997 (the "BBA") provided for the gradual elimination of these "cost based" reimbursement systems. In accordance with the final rule published on August 7, 2001, inpatient rehabilitation services were converted to a prospective payment system during a nine-month transition period commencing with cost reporting periods beginning on or after January 1, 2002 and prior to October 1, 2002. On May 7, 2004, CMS published a final rule revising the criteria used to classify a hospital as an inpatient rehabilitation facility, commonly referred to as the "seventy-five percent rule." This rule temporarily lowered a hospital's minimal percentage of inpatients who required intensive rehabilitative services in order to be deemed an inpatient rehabilitation facility. CMS published a revised final rule on August 18, 2006 pursuant to Section 5005 of the Deficit Reduction Act of 2005. On December 29, 2007 President Bush signed the Medicare, Medicaid and SCHIP Extension Act of 2007 maintaining the compliance threshold of 60%, minimizing future risk.

Costs of Outpatient Services. Hospital outpatient services, including hospital operating and capital costs are reimbursed on a prospective payment system ("PPS") basis. Several Part B services are specifically excluded from this rule, including certain physician and non-physician practitioner services, ambulance, physical and occupational therapy, and speech pathology services.

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

APC rates are adjusted annually based on the hospital inpatient market basket percentage increase. For calendar year 2008, the APC adjustment is equal to the hospital inpatient market basket percentage increase of 3.3%. There can be no assurance that the hospital PPS rate, which bases payment on APC groups rather than on individual services, will be sufficient to cover the actual costs of the Obligated Group allocable to Medicare patient care. In addition to the APC rate, there is a predetermined beneficiary co-insurance amount for each APC group. There can be no assurance that the beneficiary will pay this amount.

Compliance and Reimbursement. Hospitals must comply with standards called "Conditions of Participation" in order to be eligible for Medicare and Medicaid reimbursement. CMS is responsible for ensuring that hospitals meet these regulatory Conditions of Participation. Under applicable Medicare rules, hospitals accredited by The Joint Commission (formerly known as The Joint Commission on Accreditation of Healthcare Organizations) ("Joint Commission") are deemed to meet the conditions of participation. Failure to maintain Joint Commission accreditation or to otherwise comply with the Conditions of Participation or applicable state licensing requirements could have a material adverse effect on the revenues of the Obligated Group. The last Joint Commission accreditation for the Corporation's provider-based facilities was effective January 27, 2006 for three years, except that Jewish Hospital Shelbyville received a three year accreditation from the Joint Commission in April 2008.

Medicare Audits. Hospitals participating in Medicare are subject to audits and retroactive audit adjustments with respect to reimbursement claimed under the Medicare program. The Obligated Group receives payments for various services provided to Medicare patients based upon charges or other reimbursement methodologies that are then reconciled annually based upon the preparation and

submission of annual cost reports. Estimates for the annual cost reports are reflected as amounts due to/from third-party payors and represent several years of open cost reports due to time delays in the fiscal intermediaries' audits and the basic complexity of billing and reimbursement regulations. These estimates are adjusted periodically based upon correspondence received from the fiscal intermediary. Medicare regulations also provide for withholding Medicare payment in certain circumstances if it is determined that an overpayment of Medicare funds has been made. In addition, under certain circumstances, payments may be determined to have been made as a consequence of improper claims subject to the Federal False Claims Act or other federal statutes, subjecting the Obligated Group to civil or criminal sanctions. There is an increasingly expanding and complex body of laws, regulations and policies relating to Medicare, which is not directly related to Medicare payment. This body of laws includes reporting and other technical rules, as well as broadly stated prohibitions regarding inducement of business or referrals, all of which carry potentially significant penalties for noncompliance. Management of the Obligated Group is not aware of any situation whereby a material Medicare payment is being withheld from the Obligated Group.

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

The MMA made several substantive changes to Medicare+Choice in addition to renaming the program. These changes were designed to improve Medicare+Choice by providing increased payments to plans beginning in 2008 and by offering more health plan choices, including expanded rural coverage through the inclusion of regional plans, that began in 2006. Increased payments to Medicare Advantage plans became effective as of March 2008. There can be no assurance, however, that rates negotiated for the treatment of Medicare Advantage enrollees will be sufficient to cover the cost of providing services to such patients at the facilities of the Obligated Group.

Physician Payment. Certain physician services are covered by Part B of the Medicare program. Reimbursement for physician services is based on a Medicare fee schedule based on resource-based practice expense relative value units ("RBRVs"). The RBRVs fee schedule establishes payment amounts for all physician services, including services of provider-based physicians, and is subject to annual updates. The effect of the RBRVs generally is to increase the relative value of reimbursement for primary care procedures and to reduce the relative value of reimbursement for technology-based diagnostic procedures and for surgical procedures. The net result of this change is to reduce fee levels for specialty services and to increase fee levels for primary care services. The BBA established a new limit on the growth of Medicare payments for physician services, by establishing a "Sustainable Growth Rate" ("SGR") target that is calculated each calendar year. The SGR is a complex formula linked to changes in the U.S. Gross Domestic Product, and its use is intended to lower Medicare expenditures for physician services over time by adjusting based on target expenditures vs. actual expenditures for physician services. Without Congressional action, Medicare physician payments will decrease by 10.6% on July 1,

2008 and another 5% on January 1, 2009. Under proposed Senate Bill 2785, the "Save Medicare Act of 2008", the 10.6% cut in Medicare physician payments would remain at current payment levels for the remainder of 2008 and increase 1.8% in 2009. There can be no assurance as to whether Congress will enact SB 2785, or if it does, whether proposed current provisions will be included therein.

Skilled Nursing Care. Medicare Part A reimburses on a PPS basis for certain post-acute inpatient skilled nursing and rehabilitation care for up to 100 days during the same spell of illness. The federal government has implemented a prospective payment system for Medicare reimbursement. PPS will also shift more of the financial risk of the cost of long-term care from the federal government to the provider. The PPS is based on historical costs and resource utilization of the residents. Geographic variations in labor costs are also considered. The federal government has implemented a prospective payment system for Medicare reimbursement based on the Resource Utilization Groups ("RUGs") system. Under RUGs, payments are made at a predetermined per diem amount. The Benefits Improvement and Protection Act of 2000 ("BIPA") provides for certain givebacks to Medicare-certified skilled nursing facilities ("SNFs"). The nursing component of each RUG was increased by 1% in fiscal year 2005, 3.4% in fiscal year 2006 and 3.1% in fiscal year 2007. Direct care costs are subject to a ceiling that is based upon resource utilization needs of homogeneous groups of residents in the facility.

In addition to the PPS, the BBA enacted consolidated billing for certain Medicare services. Under consolidated billing, the payment will be made to the facility whether the item or service was furnished by the facility or by others under arrangement. It is now the responsibility of the skilled nursing facility to bill Medicare directly for services provided under arrangement. Some of the services excluded from the consolidated billing requirement include physician services, physician services provided by a physician's assistant, a nurse practitioner or certified nurse specialist, nurse-midwife services, certain dialysis supplies, erythropoietin for dialysis patients and transportation costs for electrocardiogram equipment. Under BIPA, effective January 1, 2001, consolidated billing requirements are limited to Part A services and Part B therapy services furnished to residents in Part A-covered stays and stays for therapy services covered under Parts A and B.

The Corporation currently provides skilled nursing services at Sts. Mary & Elizabeth Hospital, with a 33 bed skilled nursing unit, and at Jewish Hospital Shelbyville, with a six bed skilled nursing unit. Approximately 1.1% of the net patient service revenues of the Corporation for its fiscal year ended December 31, 2007 were derived from Medicare-certified skilled nursing care services.

Home Health Care. On July 3, 2000, CMS published a final rule implementing a prospective payment system for home health agencies. This rule became effective October 1, 2000. It completed the transition from the pre-BBA cost-based system and replaces the BBA-mandated interim payment system that has been in effect since October 1997. Under the rule, CMS pays home health agencies for sixty-day episodes of care and reimburses agencies at higher rates for beneficiaries with greater needs. The system uses national payment rates that vary with the level of care required by each beneficiary, adjusted to reflect area wage differences. CMS pays agencies 60% of the initial episode payment when they accept new Medicare patients as part of a streamlined approval process. The remaining 40% is paid at the completion of the episode of care. Section 5201(c) of the Deficit Reduction Act (DRA) of 2005 requires an adjustment of the home health market basket percentage update for calendar year 2007 and subsequent years based on the submission of quality data.

Under the rule, Medicare pays home health agencies: (1) a partial payment up front for each covered 60-day episode of care; as long as beneficiaries continue to remain eligible for home health services, they may receive an unlimited number of medically necessary episodes of care; (2) at a higher rate to care for those with greater needs; payment rates are based on relevant data from patient

assessments conducted by clinicians – who do not have to be physicians – as already required for all Medicare-participating home health agencies; (3) based on verbal orders on the initial billing; and (4) other suppliers separately for medically necessary durable medical equipment provided under the home-health plan of care. On August 29, 2007, CMS published its update to the home health prospective payment system for 2008, which implements a reduction in the national standardized 60-day episode payment rate for four years. That reduction will be 2.75% per year for three years beginning in 2008 and 2.71% for the fourth year in 2011.

Approximately 4.3% of the net patient service revenues of the Corporation for its fiscal year ended December 31, 2007 were derived from home health care services.

Ambulatory Surgical Centers. Medicare pays for ambulatory surgical center ("ASC") services on a PPS basis. Historically, these rates have been updated annually for inflation by the consumer price index ("CPI"), effective each fiscal year commencing October 1. The MMA, however, changed the update cycle to a calendar year, and eliminated updates for fiscal year 2005 and calendar years 2006-2009. Section 626 of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 required CMS to implement a new ASC payment system no later than January 1, 2008. CMS published a final rule in late 2007 which revised the Medicare ASC payment methodology beginning in 2008. The final rule expands the types of procedures that are eligible for Medicare payment when performed in the ASC setting and also limits payments for procedures that are performed predominantly in physicians' offices to the amount that would be paid for the non-facility practice expense under the Medicare Physician Fee Schedule. The revised ASC payment rates are based on the ambulatory payment classifications used to group procedures under the Outpatient Prospective Payment System and is budget neutral. There is a four year transition period for implementation of the new rates for procedures included on the 2007 Medicare list of covered ASC procedures. For those procedures, payment will be based on a blend of the revised ASC payment rates and the current ASC rates. For 2008, the payment rates for procedures subject to the transition are comprised of a 25/75 blend (i.e., 25% of the 2008 revised ASC rate, plus 75% of the 2007 ASC rate); in 2009, the ratio will change to 50/50; and for 2010 it will be 75/25.

Provider-Based Standards. CMS issued in its Hospital Outpatient PPS rule, published April 7, 2000, specific standards related to whether an entity qualifies as "provider-based" rather than freestanding. These standards made it more difficult to qualify as "provider-based" and were aimed at stemming the proliferation of entities characterized as "provider-based." These standards were designed to lead to the reclassification of entities now characterized as "provider-based" to "freestanding." On August 1, 2002, however, CMS published final regulations for determining "provider-based" status, which eased these standards for certain entities. Management of the Obligated Group states that those standards have not resulted in a reclassification of the Corporation's "provider-based" operations.

Medicaid. Medicaid (Title XIX of the federal Social Security Act) is a health insurance program for certain low-income and needy individuals that is jointly funded by the federal government and the states. Under Medicaid, the federal government provides grants to states that have medical assistance programs that are consistent with federal standards. While federal law imposes certain basic requirements on the Medicaid plan developed by Kentucky, each state develops its own payment system. Payments for services rendered to Kentucky Medicaid beneficiaries are subject to an appropriation by the Kentucky General Assembly of sufficient funds to pay the incurred payment obligations for the Medicaid program. Delays in appropriations and state budget deficits, which may occur from time to time, create a risk that payment for services to Medicaid beneficiaries will be delayed or withheld. In an effort to address significant fiscal shortfalls, the Kentucky Medicaid program has been implementing a variety of cost containment initiatives and scaled-back, when appropriate, coverage of optional services. Significant

amendments and changes have been and may continue to be made in the Medicaid program which could have a material adverse impact on the financial condition of the Obligated Group.

As with the Medicare program, the Kentucky Medicaid program limits the amount of reimbursement to participating providers of hospital services. The program pays for inpatient hospital services based on a prospectively determined DRG rate. The inpatient Medicaid rate contains capital, operating, and if applicable, cost outlier components. Rehabilitation services in an acute care hospital that has a Medicare designated rehabilitation unit is reimbursed on a per diem basis. Psychiatric services in an acute care hospital that has a Medicare designated psychiatric unit is also reimbursed on a per diem basis. The per diem rate for both rehabilitation and psychiatric services is facility-specific and based on the facility's most recent cost report. Reimbursement for ASC services is calculated based upon the appropriate ASC group rate listed in the 1996 Medicare ambulatory surgical center group rate for the federal Cincinnati, Ohio – Kentucky region. The Kentucky Medicaid program also reimburses hospital outpatient services based upon the ASC methodology described above.

Currently the Corporation participates in a Medicaid Managed Care Program servicing approximately 130,000 people in a 16-county region. The Managed Care Program, known as Passport Health Plan or the Kentucky Region 3 Medicaid Partnership ("Passport"), operates pursuant to a waiver amendment approved by the U.S. Department for Health and Human Services. CMS most recently re-approved Passport's operation in Kentucky for the period running from September 1, 2007 through June 30, 2008.

Approximately 9.10% of the net patient service revenues of the Corporation were derived from the Kentucky Medicaid program, including Passport, for the fiscal year ended December 31, 2007.

Commercial Insurance and Other Third-Party Plans

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

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

The Obligated Group has and may in the future have contractual arrangements with preferred provider organizations ("PPOs"), health maintenance organizations ("HMOs") and other similar managed care organizations ("MCOs"), pursuant to which it agrees to provide or arrange to provide certain health care services for these organizations' eligible enrollees. There can be no assurance that revenues received under such contracts will be sufficient to cover all costs of services provided. Failure of the revenues received under such contracts to cover all costs of services provided may have a material adverse effect on the operations or financial condition of the Obligated Group.

Most PPOs and HMOs currently pay hospitals on a discounted fee-for-service basis or on a discounted fixed rate per day of care or per procedure. Many health care providers, including the

Members of the Obligated Group, do not have complete information about their actual costs of providing specific types of care, particularly since each patient presents a different mix of services and length of stay. Consequently, the discounts and other payment terms negotiated with HMOs and PPOs may result in payment at less than actual cost and the volume of patients directed to a hospital may vary significantly from projections. Changes in utilization of certain services may be dramatic and unexpected.

Some HMOs mandate a "capitation" payment method under which hospitals are paid a predetermined periodic rate for each enrollee in the HMO who is "assigned" to, or otherwise directed to receive care at, a particular hospital. In a capitation payment system, the hospital assumes an insurance risk for the cost and scope of care given to such HMO's enrollees. In some cases, the capitated payment covers total patient care provided, including physician charges. If payment under an HMO contract is insufficient to meet the hospital's costs of care, the financial condition of the hospital could erode rapidly and significantly. Often, contracts are enforceable for a stated term, regardless of hospital losses. Further, an HMO contract may contain a requirement that the hospital care for enrollees for a certain period of time regardless of whether the HMO has funds to make payment to the hospital. The Obligated Group currently has no capitated contracts, except TPG has one capitated contract with Passport.

In regions where managed care is becoming prevalent, hospitals must be capable of attracting and maintaining managed care business, often on a regional basis. To do so, regional coverage and aggressive pricing may be required. However, it is also essential that contracting hospitals be able to provide the contracted services without significant operating losses, which may require innovative cost containment efforts. There is no assurance that the Obligated Group will maintain managed care contracts or obtain other similar contracts in the future. Failure to maintain contracts could have the effect of reducing the Obligated Group's market share patient base and gross revenues. Conversely, participation may maintain or increase the patient base, but could result in lower net income to the Obligated Group if the negotiated rates are too low or if the Obligated Group is unable to adequately contain costs.

As a consequence of such factors, the effect of managed care on the Obligated Group's future financial condition is difficult to predict and may be different in the future than that reflected in the consolidated financial statements for the periods covered thereby.

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

Due to this increased state oversight, the Obligated Group could be subject to a variety of state health care laws and regulations affecting both MCOs and health care providers. In addition, the Obligated Group could be subject to (and in some cases benefit from) 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.

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

Physician Contracting and Relations. The Obligated Group Members have entered into a wide variety of relationships with, including employment of, physicians. Many of these relationships may be of material importance to the operations of the facilities and, in an increasingly complex legal and regulatory environment, these relationships pose a variety of legal or business risks. For example, as part of an announced work plan, HHS has begun to scrutinize, among other things, the terms of acquisitions of physician practices by companies that own hospitals. Increasingly, the focus of these relationships is a physician practice group or independent practice association that concentrates a large number of physicians in a limited number of contracting organizations. This concentration increases the importance of these contracts and increases the risk of the loss of one or more such contracts.

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

As of the date hereof, management of the Obligated Group is not aware of any specific conditions or controversies that it believes would lead to the loss of an exclusive contractual relationship with a group of physicians, or damages related thereto, which would be material with respect to the operation or financial condition of the Obligated Group.

Regulation of the Health Care Industry

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

The Obligated Group Members will be subject to regulation and certification by various federal, state and local government agencies. No assurance can be given as to the effect on future operations of the Obligated Group of existing laws, regulations and standards for certification and accreditation or of any future changes in such laws, regulations and standards.

Balanced Budget Act of 1997. As described below, the BBA contains a number of provisions that affect the Obligated Group.

Mandatory Exclusion. Under the BBA, those providers or suppliers convicted of three health care-related crimes face permanent, mandatory exclusion from any federal health care program. Those providers or suppliers convicted of two exclusions will face a mandatory 10-year exclusion. The Secretary of HHS will be able to deny entry into Medicare or Medicaid or deny renewal to any provider or supplier convicted of any felony that the Secretary deems to be "inconsistent with the best interests" of the program's beneficiaries.

Post Hospital Referrals. The BBA expands the current requirements that hospitals have a discharge planning process, including information on the availability of home health services and providers in the area. Each plan must also identify any entity or provider to whom a patient is referred in which the hospital has a "disclosable financial interest." The effective date of the disclosure provisions is not known at this time. The Secretary of HHS is required to issue regulations implementing such provisions within one year of the date of enactment.

Certain Discharges to Post Acute Care. The BBA establishes that hospital discharges to related skilled nursing facilities occurring on or after October 1, 1998, which fall within a specified cluster of 29 high volume/high post-acute use DRGs as of August 2003, are considered as a transfer for payment purposes.

Asset Loss Recognition. Another provision of the BBA eliminates the allowance for return on equity capital and eliminates the depreciation adjustment that allowed for recognition of gain or loss on dispositions of assets used in the provision of certain patient care services.

Provider-Sponsored Organization Tax Rules. Under the BBA, a tax-exempt organization shall not fail the organizational and operational prongs of the charitable purpose test "solely" because a hospital that it owns or operates participates in a PSO. However, the law also states that any person with a material financial interest in a PSO shall be treated as a private shareholder or individual with respect to the hospital. As a result of this provision, a tax-exempt hospital participating in a PSO may be placed in greater jeopardy of losing its tax-exempt status if individuals connected with the PSO derive inappropriate financial benefits from it.

The BBA created the most comprehensive change in Medicare reimbursement since the program began in 1966. Revenue from several Medicare programs was reduced drastically. The Obligated Group began experiencing these Medicare program revenue reductions in 1998 when the first reductions took effect.

Taxpayer Relief Act of 1997. The Taxpayer Relief Act of 1997 ("TRA") tightened the ownership rules for determining whether certain types of income received from subsidiaries are subject to the unrelated business income tax ("UBIT"). Under the TRA, such income will be subject to UBIT if the parent organization owns more than 50% of the subsidiary, based on voting power or value. In addition, a parent exempt organization will be deemed to control any subsidiary that it controls either directly or indirectly (e.g., as a second tier subsidiary). This provision may force some multimember healthcare

systems to choose between maintaining control and incurring UBIT liability where business considerations dictate the use of intra-system loans, leases and licensing arrangements. Management of the Obligated Group has indicated that currently these provisions of the TRA do not materially adversely affect the operations of the Obligated Group.

Health Insurance Portability and Accountability Act. The Health Insurance Portability and Accountability Act of 1996 ("HIPAA") was enacted on August 21, 1996. HIPAA adds two prohibited practices, the commission of which may lead to civil monetary penalties: 1) the practice or pattern of presenting a claim for an item or service on a reimbursement code that the person knows or should know will result in greater payment than appropriate, i.e., upcoding, and 2) engaging in a practice of submitting claims for payment for medically unnecessary services. Violation of such prohibited practices could amount to civil monetary penalties of up to $10,000 for each item or service involved. Management of the Obligated Group believes that the prohibited practices provisions of HIPAA has not affected the Obligated Group in any material respect.

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

HIPAA's confidentiality provisions extend not only to patient medical records, but also to a wide variety of heath 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.

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

arrangements or relationships may be required to alter them in order to ensure compliance with the Anti-Kickback Law.

In addition to current civil monetary penalties ("CMP"), the BBA creates a CMP for violations of the federal anti-kickback statute for cases in which a person contracts with an excluded provider for the provision of health care items or services where the person knows or should know that the provider has been excluded from participation in a federal health care program. Violations will result in damages three times the remuneration involved as well as a penalty of $50,000 per violation.

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

Federal Laws Limiting Certain Referrals. Current federal law (known as the "Stark Law" law provisions) prohibits a physician from referring Medicare patients to an entity for the furnishing of "designated health services" if the physician (or a member of the physician's immediate family) has a "financial relationship" with the entity, unless the relationship satisfies an applicable exception. "Designated health services" include the following: clinical laboratory services; physical therapy services; occupational therapy services; radiology services, including magnetic resonance imaging, computerized axial tomography scans, and ultrasound services; radiation therapy services and supplies; durable medical equipment and services; parenteral and enteral nutrients, equipment and supplies; prosthetics, orthotics, and prosthetic devices and supplies; home health services; outpatient prescription drugs; and inpatient and outpatient hospital services. A "financial relationship" for purposes of the Stark Law includes an ownership or investment interest in the entity or a compensation arrangement with the entity.

The Stark Law also prohibits the entity receiving the referral from filing a claim or billing for the services arising out of the prohibited referral. The prohibition applies regardless of the reasons for the financial relationship and the referral; that is, unlike the federal Anti-Kickback Law, no finding of intent to violate the Stark Law is required. Sanctions for violation of the Stark Law include denial of payment for the services provided in violation of the prohibition, refunds of amounts collected in violation, a civil penalty of up to $15,000 for each service arising out of the prohibited referral, exclusion from the federal healthcare programs, and a civil penalty of up to $100,000 against parties that enter into a scheme to circumvent the Stark Law's prohibition. Under an emerging legal theory, knowing violations of the Stark Law may also serve as the basis for liability under the False Claims Act. The types of financial arrangements between a physician and an entity that trigger the self-referral prohibitions of the Stark Law are broad, and include ownership and investment interests and compensation arrangements.

The new Stark (Phase III) regulations, which became effective on December 4, 2007, and the CMS comments preceding them, have made the Stark Law more difficult to interpret clearly, which increases the possibility that inadvertent violations may occur. Management of the Obligated Group believes that the Obligated Group is currently in material compliance with the Stark provisions. However, in light of the scarcity of case law interpreting the Stark provisions, there can be no assurances that the Obligated Group will not be found to have violated the Stark provisions, and if so, whether any sanction imposed would have a material adverse effect on the operations of the Obligated Group, the financial condition of the Obligated Group, or the Obligated Group Members status as organizations described in Section 501(c)(3) of the Code.

Compliance/OIG Investigations. Medicare requires that extensive financial information be reported on a periodic basis and in a specific format or content. These requirements are numerous, technical and complex and may not be fully understood or implemented by billing or reporting personnel. With respect to certain types of required information, the False Claims Act and the Social Security Act may be violated by mere recklessness in the submission of information to the government even without any intent to defraud. New billing systems, new medical procedures and procedures for which there is not clear guidance from CMS may all result in liability. The penalties for violation include criminal or civil liability and may include, for serious or repeated violations, exclusion from participation in the Medicare program.

HHS, through the Office of Inspector General ("OIG"), conducted a national investigation of hospital Medicare billings for certain outpatient services. The focus of the investigation, known as the "72-Hour Window Project," was to discover Medicare billings from hospitals for outpatient services that should have been included in a hospital's prospective payment for an inpatient admission. Medicare provides that a hospital shall not bill Medicare for any outpatient diagnostic service provided within three days (the "72-Hour Rule") of the admission or any nondiagnostic service not related to the admission provided within one to two days of the admission; rather, the costs of such services should be included in the DRG payment. The OIG's position is that a bill to the Medicare program issued in violation of the 72-Hour Rule constitutes a civil violation of the Federal False Claims Act. As a result of several factors, including two changes to the 72-Hour Rule in 1991 (first, making a distinction between diagnostic and nondiagnostic services; then, making a distinction between nondiagnostic services related and not related to the admission), the varying time periods under the 72-Hour Rule, and the requirements that hospitals determine whether outpatient services are diagnostic or nondiagnostic and related or not related to the inpatient admission, hospitals frequently have made mistakes with respect to the 72-Hour Rule.

Hospitals are required to "bundle" all non-physician services rendered to hospital inpatients and outpatients. That is, if a Medicare outpatient is referred to another provider or supplier for diagnostic services, such as magnetic resonance imaging, the hospital would be responsible for arranging with the other entity for the provision of the services and will be financially responsible for that service. DRG payments made to hospitals were established to cover all non-physician services rendered to hospital inpatients. Thus, regardless of whether the hospital furnishes the services directly or arranges for their provision, Medicare will pay only the hospital and not outside suppliers who rendered inpatient services at the hospital's request. This practice of covering non-physician services furnished to hospital inpatients by an outside supplier only as hospital services is referred to as "rebundling."

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

Patient Transfers. The federal Emergency Medical Treatment and Labor Act ("EMTALA") imposes certain requirements on hospitals and facilities with emergency departments. Generally, EMTALA requires that hospitals provide "appropriate medical screening" to patients who come to a dedicated emergency department to determine if an emergency medical condition exists. The hospital must stabilize the patient, and the patient cannot be transferred unless stabilization has occurred. On September 5, 2003, CMS issued rules clarifying hospital obligations under EMTALA. These rules expand the definition of hospital emergency department to include any department or facility of the

hospital, regardless of whether it is located on or off the main hospital campus, that (i) is licensed by the state in which it is located under applicable state law as an emergency room or emergency department; (ii) is held out to the public as a place that provides care on an emergency medical or urgent care basis or (iii) provides at least one third of all of its outpatient visits for the examination and treatment of emergency medical conditions. The new rules also clarify the physician "on call" requirements, now allowing hospitals the discretion to develop their on-call lists in a way that best meets the needs of their communities. Furthermore, the rules permit hospital departments that are off-campus to provide the most effective way for caring for emergency patients without requiring that the patient be moved to the main campus.

Failure to comply with EMTALA may result in a hospital's exclusion from the Medicare and/or Medicaid programs, as well as civil monetary penalties. Failure of the Obligated Group to meet its responsibilities under the law could adversely affect its financial condition.

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

Certificate of Need. With certain exceptions, Kentucky law requires a health care facility to obtain a Certificate of Need and license as a condition of adding new health care services, making substantial changes in existing services, or incurring major capital expenditures. The criteria for determining whether to issue a Certificate of Need, in most cases, include the project's consistency with the State Health Plan (which is prepared triennially and updated annually) and any state budget authorizations and limitations directly affecting the proposal; need and accessibility in the defined service area; interrelationships and linkages with existing providers; costs, economic feasibility and resource availability; and the quality of services. The 2007 to 2009 State Health Plan became effective on December 17, 2007 and includes review criteria for the following health care facilities and services: (i) acute care, including acute care hospitals and acute care beds, comprehensive physical rehabilitation hospital beds, special care neonatal beds, open heart surgery programs, and organ transplant programs; (ii) diagnostic and therapeutic procedures and equipment, including cardiac catheterization services, magnetic resonance imaging equipment, megavoltage radiation equipment, positron emission tomography equipment, and new technology; (iii) mental health care, including psychiatric hospital beds and psychiatric residential treatment facilities; (iv) long-term care, including nursing facility beds, home health services, hospice services, residential hospice facilities, adult day health care programs, and intermediate care facilities for the mentally retarded and developmentally disabled; and (v) miscellaneous services, including private duty nursing, prescribed pediatric extended care, ambulance services, ambulatory surgical centers, chemical dependency treatment beds, and outpatient health care centers. The Cabinet for Health and Family Services is currently soliciting comments in preparation of its 2008 update to the 2007-2009 State Health Plan, which should be published in the near future. It is impossible to know whether the 2008 update will be substantially similar to or differ widely from the current State Health Plan.

After receiving a Certificate of Need, the holder may be subject to biennial review to determine that it is in compliance with the terms as listed on its Certificate of Need. One cannot predict whether the Obligated Group or the Corporation will receive approval for any regulated plans and programs that the Obligated Group or the Corporation may deem desirable or necessary in order to compete in their respective markets. Furthermore, the business objectives of the Obligated Group or the Corporation may

be impaired depending on the extent to which it heavily relies on providing new services that are subject to the updated review criteria.

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

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

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

Corporate Compliance Program

The Corporation has developed and implemented a compliance program (which includes a compliance plan to assist all employees in preventing and detecting fraud and abuse) for itself and the Obligated Group Members (it does not cover managed institutions) (the "Compliance Plan"). The Compliance Plan has been designed to (i) comply with the standards set forth in the Federal Sentencing Guidelines for Organizational Defendants, (ii) help assure that the Obligated Group acts in accordance with its mission, values and known legal duties, and (iii) assist all Obligated Group Member employees in understanding and adhering to the legal and ethical standards that govern health care providers.

Antitrust

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

private party. Violators of the antitrust laws could be subject to criminal and civil enforcement by federal and state agencies, as well as by private litigants.

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

Issues Related to the Health Care Markets of the Obligated Group

Affiliation, Merger, Acquisition and Divestiture. Significant numbers of affiliations, mergers, acquisitions and divestitures have occurred in the health care industry in recent years. Effective November 1, 2005 Caritas Health Services, Inc. and the former Jewish Hospital HealthCare Services, Inc. became affiliated pursuant to the terms of the Affiliation Agreement, dated as of October 3, 2005. See *APPENDIX A*–"AFFILIATION AGREEMENT". As part of its ongoing planning process, the Corporation considers potential future affiliations and acquisitions of operations or properties that may become affiliated with or become part of the Obligated Group in the future. As a result, it is possible that the organizations and assets, which comprise the Obligated Group may change from time to time. See *APPENDIX C*–"SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE–Particular Covenants of the Obligated Group–Consolidation, Merger, Sale or Conveyance."

Possible Increased Competition. The Obligated Group could face increased competition in the future from other hospitals, from skilled nursing facilities and from other forms of health care delivery that offer health care services to the populations which the Obligated Group currently serves. This competition could include the construction of new or the renovation of existing hospitals and skilled nursing facilities, health maintenance organization facilities, ambulatory surgery centers, free standing emergency facilities, private laboratory and radiological services, skilled and specialized nursing facilities, home care, intermediate nursing home care, preventive care and drug and alcohol abuse programs.

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

Availability of Insurance Products. In recent years the health care industry has seen significant reductions in the availability of general commercial liability and other insurance products. There can be no assurance that the Corporation will be able in the future to fund any self-insurance or obtain commercial insurance on reasonably acceptable terms and conditions. Increases in the cost of such insurance products could have a material adverse effect on the Obligated Group and its results of operations.

Risks Related to Tax-Exempt Status

Tax Exemption for Nonprofit Hospitals. Loss of tax-exempt status by a Member of the Obligated Group or by any user of property financed with the proceeds of the Series 2008 Bonds could result in loss of tax exemption of the Series 2008 Bonds and of other tax-exempt debt issued for the benefit of the Obligated Group, and defaults in covenants regarding the Series 2008 Bonds and such 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.

The maintenance by an entity of its tax-exempt status depends, in part, upon its maintenance of its status as an organization described in Section 501(c)(3) of the Code. The maintenance of such status is contingent upon compliance with general rules promulgated in the Code and related regulations regarding the organization and operation of tax-exempt entities, including its operation for charitable and educational purposes and its avoidance of transactions which may cause its assets to inure to the benefit of private individuals. The Internal Revenue Service ("IRS") has announced that it intends to closely scrutinize transactions between nonprofit hospitals and for-profit entities, and in particular has issued revised 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 Obligated Group conducts large-scale and diverse operations involving private parties, there can be no assurance that certain of its transactions would not be challenged by the IRS, which could adversely affect the tax-exempt status of the Obligated Group Members. Management of the Obligated Group believes that it is in compliance with the requirements necessary to maintain its tax exempt status.

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

Intermediate Sanctions. The Taxpayer Bill of Rights 2, enacted on July 30, 1996 (the "Bill"), added Section 4958, commonly referred to as the "intermediate sanctions law," to the Code. Section 4958 of the Code provides the IRS with an "intermediate" tax enforcement tool that may be used as an alternative to revoking the federal tax exemption of an organization that violates the private inurement prohibition. On January 23, 2002, the IRS published final regulations providing additional guidance on the intermediate sanctions law. In 2008, the IRS and Treasury Department published additional final regulations providing the factors the IRS will use in determining whether to revoke the section 501(c)(3) tax-exempt status of an organization that participates in excess benefit transactions, in addition to assessing section 4958 excise taxes against disqualified persons. The regulations are effective for excess benefit transactions occurring after March 28, 2008.

The intermediate sanctions law imposes excise taxes on "excess benefit transactions" between an organization described in Section 501 (c)(3) (other than a private foundation) and its "disqualified persons" (i.e., persons in a position to exercise substantial influence over the affairs of the organization). An "excess benefit transaction" is any transaction involving a disqualified person where a Section 501(c)(3) organization (i) pays more than fair market value or reasonable compensation for a good or service it leases or purchases or (ii) receives less than fair market value or reasonable compensation for a good or services it leases or sells.

The intermediate sanctions law imposes a two-tiered excise tax on disqualified persons and a one-tier excise tax on certain organizational managers. A disqualified person who benefits from an excess benefit transaction will be subject to a first-tier excise tax equal to 25% of the amount of the "excess benefit" (i.e., the excess of the value received by the disqualified person over the value of the goods or services provided). Organizational managers may be subject to a first-tier excise tax equal to 10% of the

amount of the excess benefit (up to a maximum of $10,000 with respect to any one transaction) if they participate in an excess benefit transaction knowingly, willfully, and without reasonable cause. A disqualified person will be subject to a second-tier excise tax equal to 200% of the amount of the excess benefit if the excess benefit transaction is not corrected before the earlier of (i) 90 days after the IRS mails a notice of deficiency with respect to the transaction or (ii) the first-tier excise tax is assessed on the disqualified person.

Internal Revenue Service Examination Program. In recent years, the IRS has increased the frequency and scope of its examination and other enforcement activity regarding tax-exempt organizations and tax-exempt bonds. Currently, the primary penalties available to the IRS under the Code are the revocation of tax-exempt status of an organization and a determination that interest on tax-exempt bonds is subject to federal income taxation. Although the IRS has not frequently revoked the 501(c)(3) tax-exempt status of nonprofit corporations, it could do so in the future. Loss of tax-exempt status by a Member of the Obligated Group or improper use of property financed with proceeds of the Series 2008 Bonds could potentially result in loss of the tax exemption of the interest on the Series 2008 Bonds, and defaults in covenants regarding the Series 2008 Bonds could be triggered. Loss of such tax-exempt status could also result in substantial tax liabilities on income of the Obligated Group. In addition, although the IRS has only infrequently taxed the interest received by holders of bonds that were represented to be tax-exempt, the IRS has examined a number of bond issues and concluded that such bond issues did not comply with applicable provisions of the Code and related regulations.

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, the IRS has sent several hundred post-issuance compliance questionnaires to nonprofit corporations that have borrowed on a tax-exempt basis regarding their post-issuance compliance with various requirements for maintaining the federal tax exemption of interest on their bonds. The questionnaire includes questions relating to the borrower's (i) record retention, which the IRS has particularly emphasized, (ii) qualified use of bond-financed property, (iii) arbitrage yield restriction and rebate requirements (iv) debt management policies and (v) voluntary compliance and education. IRS representatives indicate that after analyzing responses from the first wave of questionnaires, thousands more will be sent. In addition to such questionnaires, the IRS has commenced a number of examinations of hospital tax-exempt bond issuances with wide-ranging focus similar to the questionnaires described above. One aspect of these examinations may be to determine if certain bond issuances qualify for their tax-exempt status.

The IRS has also added a new schedule to IRS Form 990 on which hospitals and health systems will be asked to report how they provide community benefit and to specify certain billing and collection practices. This new schedule also 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.

While no Obligated Group Member has yet received an IRS post-issuance compliance questionnaire, it is anticipated that future questionnaires will be distributed to additional nonprofit corporations.

Although management of the Corporation believes that its expenditure and investment of bond proceeds, use or property financed with tax-exempt debt and record retention practices have complied with all applicable laws and regulations, there can be no assurance that responses by the Obligated Group to a questionnaire or Form 990 or the issuance of surveys will not lead to an IRS review that could adversely affect the market value of the Series 2008 Bonds or of other outstanding tax-exempt

indebtedness of the Corporation or other Obligated Group Members. See "TAX EXEMPTION" and "LEGAL MATTERS" herein.

Tax-Exempt Status of the Series 2008 Bonds. The tax-exempt status of the Series 2008 Bonds is based on the continued compliance by the Issuer, the Obligated Group and users of property financed or refinanced with proceeds of the Series 2008 Bonds with certain covenants relating generally to the use of the facilities financed or refinanced with the proceeds of such Series 2008 Bonds, arbitrage limitations and rebate of certain excess investment earnings to the federal government. Failure to comply with such covenants with respect to the Series 2008 Bonds could cause interest on the Series 2008 Bonds to become subject to federal income taxation retroactive to the original date of issue of the Series 2008 Bonds. In such event, the Series 2008 Bonds are not subject to redemption solely as a consequence thereof, and the principal thereof may be accelerated by the Bond Trustee only with the consent of the Bond Insurer. No additional interest or penalty is payable in the event of the taxability of interest on the Series 2008 Bonds.

Labor Relations

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

Incurrence of Additional Indebtedness

Under certain specific conditions, the Master Indenture permits Additional Indebtedness to be incurred by Obligated Group Members, secured on a parity with the Series 2008 Note. See "SECURITY FOR THE SERIES 2008 BONDS" herein and "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE" in *APPENDIX C* attached hereto.

Certain Matters Relating to Security for the Series 2008 Bonds

See "SECURITY FOR THE SERIES 2008 BONDS" for a discussion of certain factors including certain covenants in the Master Indenture. The effectiveness of the security interest in the Pledged Collateral of the Obligated Group granted pursuant to the Security Agreement may be limited by a number of factors, including: (i) federal statutory provisions forbidding the assignment of Medicare or Medicaid receivables; (ii) the absence of express provisions in the reimbursement contracts with Anthem Blue Cross and Blue Shield permitting the assignment of receivables due a Member of the Obligated Group; (iii) certain judicial decisions that cast doubt upon the right of the Bond Trustee or the Master Trustee, in the event of the bankruptcy of an Obligated Group Member, to collect and retain accounts receivable from Medicare, Medicaid and other governmental programs; (iv) commingling of the Pledged Collateral with other moneys of the Obligated Group not so pledged; (v) statutory liens; (vi) rights arising in favor of the United States of America or any agency thereof; (vii) constructive trusts, equitable or other rights impressed or conferred by a federal or state court in the exercise of its equitable jurisdiction; (viii) federal bankruptcy laws; (ix) rights of third parties in cash not in the possession of the Bond Trustee or the Master Trustee; and (x) claims that might arise if appropriate financing or continuation statements are not filed in accordance with the Kentucky Uniform Commercial Code as from time to time in effect or that might arise during a temporary period during which perfection of claims is achieved without filing. See "SECURITY FOR THE NOTES–Obligated Group Members Pledge of Pledged Collateral" herein.

Amendments. Certain amendments to the Bond Indenture and the Loan Agreement may be made with the consent of the holders of not less than a majority of the aggregate principal amount of the Bonds Outstanding under the Bond Indenture. Certain amendments to the Master Indenture may be made with the consent of the holders of not less than a majority of the principal amount of Notes outstanding under the Master Indenture. Such amendments may adversely affect the security of the holders of the affected Series 2008 Bonds.

Enforceability of Certain Covenants in the Master Indenture

Uncertainties exist as to the enforceability of certain obligations of the Obligated Group contained in the Master Indenture, which bear on the availability of the assets of all Obligated Group Members for payment of debt service on indebtedness, including the Series 2008 Note pledged under the Bond Indenture as security for the Series 2008 Bonds. The practical realization of any rights upon any default under the Loan Agreement, the Bond Indenture or under the Master Indenture will depend upon the exercise of various remedies specified in such instruments, as restricted by federal and state laws. The federal bankruptcy laws may have an adverse effect on the ability of the Bond Trustee and the owners of the Series 2008 Bonds to enforce their claims granted by the Bond Indenture, the Loan Agreement or the Master Indenture. The obligation of the Obligated Group on the Series 2008 Note will be limited to the same extent as the obligations of debtors typically are affected by bankruptcy, reorganization, insolvency, fraudulent conveyance, moratorium or other similar laws affecting the enforcement of creditors' rights and by the availability of equitable remedies.

The remedies available to either the Bond Trustee, the Master Trustee, the Issuer or the owners of the Series 2008 Bonds upon an event of default under the Master Indenture, the Bond Indenture, the Loan Agreement or the Series 2008 Note are in many respects dependent upon judicial actions that are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including, specifically, Title 11 of the United States Code (the "Bankruptcy Code"), the remedies provided in the Master Indenture, the Bond Indenture, the Loan Agreement and the Series 2008 Note may not be readily available or may be limited.

An Obligated Group Member may not be required to make payments on or provide amounts for the payment of the Series 2008 Note issued by or for the benefit of another entity to the extent that any such payment or transfer would render such paying entity insolvent or would conflict with, not be permitted by or would be subject to recovery for the benefit of other creditors of such entity 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 the Series 2008 Note by an Obligated Group Member may be voided by a trustee in bankruptcy in the event of a bankruptcy of such member or by third party creditors in an action brought pursuant to Kentucky fraudulent conveyances statutes. Under the United States Bankruptcy Code, a trustee in bankruptcy and, under Kentucky fraudulent conveyance statutes, a creditor of a related guarantor, may avoid any obligation incurred by a related guarantor if, among other bases thereof (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 Kentucky fraudulent conveyances statutes, or the guarantor is undercapitalized.

Application by courts of the tests of "insolvency," "reasonably equivalent value" and "fair consideration" has resulted in a conflicting body of case law. It is possible that, in an action to force an Obligated Group Member to make a payment on the Series 2008 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, there exists common law authority and authority under Kentucky statutes for the ability of the courts to terminate the existence of a nonprofit corporation or undertake supervision of its affairs on various grounds, including a finding that such corporation has insufficient assets to carry out its stated charitable purposes or has taken some action, which renders it unable to carry out such purposes. Such court action may arise on the court's own motion or pursuant to a petition of Kentucky's Attorney General or such other persons who have interests different from those of the general public, pursuant to the common law and statutory power to enforce charitable trusts and to see to the application of their funds to their intended charitable uses.

Construction Risks

The Corporation is using a portion of the Series 2008 Bond proceeds for construction projects. Numerous risks are involved in any such projects, including delays and increased costs due to strikes, shortages of materials, adverse weather conditions, changes in project design, inflation and numerous other factors. Therefore, there can be no assurances that the costs of completing the projects currently pursued or planned by the Corporation will not increase due to these and other factors.

Other Risk Factors Affecting the Obligated Group

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

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

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

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

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

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

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

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

(8) Inflation or other adverse economic conditions.

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

(10) Imposition of wage and price controls for the health care industry, such as those which were imposed and adversely affected health care facilities in the early 1970s.

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

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

(13) Cost and availability of any insurance, such as malpractice, property, fire, automobile and general comprehensive liability, that organizations such as the Obligated Group Members generally carry, or limitations on coverage.

Nursing Shortage

Recently the healthcare industry, including the Obligated Group, has experienced a shortage of nursing and other technical staff, which has resulted in increased costs and lost revenues due to the need to hire agency nursing personnel at higher rates, to increased compensation levels, and to the inability to use otherwise available beds as a result of staffing shortages. Management of the Obligated Group has indicated that the Obligated Group currently incurs minimal agency nursing costs at its facilities. While minimal agency costs are currently incurred, if the shortage continues, it could adversely affect the Obligated Group's operations or financial condition.

Bond Ratings

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

Market for Series 2008 Bonds

Subject to prevailing market conditions, the Underwriter intends, but is not obligated, to make a market in the Series 2008 Bonds. There is presently no secondary market for the Series 2008 Bonds and no assurance that a secondary market will develop. Consequently, investors may not be able to resell the Series 2008 Bonds purchased should they need or wish to do so for emergency or other purposes.

RELATIONSHIPS AMONG PARTIES

UBS Securities LLC serves as a member of the selling group in connection with the issuance and sale of the Series 2008 Bonds. Mark R. Switow is a Senior Vice President – Investments of UBS Financial Services, Inc., an affiliate of UBS Securities LLC, and serves on the Board of Trustees of the Corporation and the Chair of the Corporation's Finance Committee. A. J. Warner is Senior Vice President – Investments of UBS Financial Services, Inc., an affiliate of UBS Securities LLC, and serves on the Board of Directors of MedGroup Management, LLC.

Fifth Third Securities Inc. serves as a member of the selling group in connection with the issuance and sale of the Series 2008 Bonds. LouAnn Atlas is a Vice President and Trust Officer of Fifth Third Bank, an affiliate of Fifth Third Securities Inc. and serves on the Board of Trustees of the Corporation.

The Bank of New York Mellon Trust Company, N.A. is serving as Bond Trustee under the Master Indenture and Dissemination Agent under the Continuing Disclosure Agreement of the Corporation.

ABSENCE OF MATERIAL LITIGATION

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 2008 Bonds, or questioning or affecting the validity of the Series 2008 Bonds or the proceedings or authority under which they are to be or were issued. Neither the creation, organization or existence of the Issuer nor the title of any of the present members or other officials of the Issuer to their respective offices is being contested. There is no litigation pending or, to the knowledge of the Issuer, threatened against the Issuer which in any manner questions the right of the Issuer to enter into the Bond Indenture or the Loan Agreement or to secure the Series 2008 Bonds in the manner provided in the Bond Indenture and the relevant statutes under which the Series 2008 Bonds are issued.

Obligated Group

Except as described in *APPENDIX A,* the Obligated Group has not been served and, to the knowledge of the Obligated Group, the Obligated Group has not been threatened with any litigation against the Obligated Group except for litigation in which the probable recoveries and the estimated costs and expenses of defense, in the opinion of management of the Obligated Group responsible therefor, will be entirely within the Obligated Group's applicable insurance policy limits (subject to applicable deductibles) or reserves established by the Obligated Group therefor, or which otherwise would not materially adversely affect the business or properties of the Obligated Group.

UNDERWRITING

Morgan Stanley & Co. Incorporated has agreed to purchase the Series 2008 Bonds. Pursuant to a bond purchase agreement entered into by and among the Issuer, the Underwriter and the Corporation, the Underwriter has agreed to purchase the Series 2008 Bonds at an aggregate purchase price of $326,613,125.20 reflecting $1,567,500 of underwriting discount and $1,819,374.80 of original issue discount. The bond purchase agreement provides that the Underwriter will purchase all the Series 2008 Bonds, if any are purchased, and requires the Corporation to indemnify the Underwriter and the Issuer against losses, claims and liabilities arising out of any untrue statement of a material fact contained in this Official Statement or the omission herefrom of any material fact in connection with the transactions contemplated by this Official Statement. The initial public offering price for the Series 2008 Bonds may be changed, from time to time, by the Underwriter.

The Underwriter may offer and sell the Series 2008 Bonds to certain dealers (including dealers depositing the Series 2008 Bonds into unit investment trusts) and others at prices lower than the offering price set forth on the cover page.

TAX EXEMPTION

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

Subject to the condition that the Issuer and the Corporation comply with the above-referenced covenants, under present law, in the opinion of Bond Counsel, interest on the Series 2008 Bonds will not be includible in the gross income of the owners thereof for federal income tax purposes, and, therefore, is exempt from present federal income taxation, except to the extent that such interest will be taken into account in computing an adjustment used in determining the alternative minimum tax for certain corporations and in computing the "branch profits tax" imposed on certain foreign corporations. Interest on the Series 2008 Bonds will not be treated as an item of tax preference in computing the alternative minimum tax for individuals and corporations.

In rendering its opinion, Bond Counsel will rely upon a certificate of the Corporation with respect to certain material facts solely within the Obligated Group's knowledge relating to, among other things, the property financed or refinanced with the proceeds of the Series 2008 Bonds and the application of the proceeds of the Series 2008 Bonds.

The Code includes provisions for an alternative minimum tax ("AMT") for corporations in addition to the corporate regular tax in certain cases. The AMT, if any, depends upon a corporation's alternative minimum taxable income ("AMTI"), which is a corporation's taxable income with certain adjustments. One of the adjustment items used in computing AMTI of a corporation (excluding S corporations, Regulated Investment Companies, Real Estate Investment Trusts, FASITs and REMICs) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). "Adjusted current earnings" would include all tax-exempt interest, including interest on the Series 2008 Bonds.

Under the provisions of Section 884 of the Code, a branch profits tax is levied on the "effectively connected earnings and profits" of certain foreign corporations, which include tax-exempt interest such as interest on the Series 2008 Bonds.

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

LEGAL MATTERS

Certain legal matters incident to the authorization and issuance of the Series 2008 Bonds are subject to the approval of Frost Brown Todd LLC, Louisville, Kentucky, Bond Counsel to the Issuer.

Certain legal matters will be passed upon for the Issuer by the Jefferson County Attorney, Louisville, Kentucky. Certain legal matters will be passed upon for the Corporation and the Obligated Group by their counsel, Frost Brown Todd LLC, Louisville, Kentucky and Kathleen Haddix, General Counsel of the Corporation, and for the Underwriter by their counsel, Stites & Harbison, PLLC, Louisville, Kentucky. Stites & Harbison, PLLC serves from time to time as counsel to the Corporation and the Obligated Group with respect to physician employment, contracts and licensure and certificate of need matters.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The arithmetic accuracy of the mathematical computations supporting the conclusions of The Bank of New York Mellon Trust Company, N.A., in its capacity as escrow trustee (the "Escrow Trustee") under (i) the Escrow Agreement (the "Series 2002 Bond Escrow Agreement"), dated June 1, 2008, by and among the Issuer, the Corporation and the Escrow Trustee (the "Series 2002 Bond Escrow Trustee") and (ii) the Escrow Agreement (the "Series 2004 Bond Escrow Agreement", which together with the Series 2002 Bond Escrow Agreement, the "Escrow Agreements"), dated July 1, 2008, by and among the Issuer, the Corporation and the Escrow Trustee (the "Series 2004 Bond Escrow Trustee"), that principal amounts and the interest thereon of the Government Obligations, and other funds to be deposited in trust with each of the Series 2002 Bond Escrow Trustee and the Series 2004 Bond Escrow Trustee are adequate to provide for the payment, when due, of the Series 2002 Bonds and the Series 2004 Bonds, respectively, and the arithmetical accuracy of the mathematical computations supporting the conclusion of Bond Counsel that such use of a portion of the proceeds of the Series 2008 Bonds will not cause the Series 2008 Bonds to be "Arbitrage Bonds" under Sections 103(b)(2) and 148 of the Code will be verified by The Arbitrage Group as a condition to delivery of the Series 2008 Bonds. Such verification has been based, in part, upon information supplied to The Arbitrage Group by the Underwriter.

CONTINUING DISCLOSURE REQUIREMENTS

The Issuer has determined that no financial or operating data concerning it is material to any decision to purchase, hold or sell the Series 2008 Bonds, and the Issuer will not provide any such information. The Corporation has undertaken all responsibilities for any continuing disclosure to holders of the Series 2008 Bonds, and the Issuer shall have no responsibility or liability to the holders or any other person with respect to such disclosures. *APPENDIX E* to this Official Statement includes a form of the Continuing Disclosure Agreement of the Corporation.

RATINGS

Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and Moody's Investors Service, Inc. have assigned their ratings of "A+" and "A3", respectively. Any explanation of the significance of such ratings may be obtained only from the rating agencies furnishing the same. The Corporation furnished to such rating agencies certain information and materials respecting the Series 2008 Bonds and themselves. Generally, rating agencies base their ratings on such information and materials and on investigations, studies and assumptions made by the rating agencies. There is no assurance that such ratings will remain for any given period of time or that they may not be lowered or withdrawn entirely by the rating agencies, or either of them, if in its or their judgment circumstances so warrant. Any such downward change in or withdrawal of such ratings may have an adverse effect on the marketability of and the market price for the Series 2008 Bonds.

FINANCIAL STATEMENTS

The consolidated financial statements of Jewish Hospital & St. Mary's HealthCare, Inc. as of December 31, 2007 and 2006 and for the years then ended, included in *APPENDIX B* have been audited by Ernst & Young LLP, independent auditors, as stated in their report included in *APPENDIX B*.

Unaudited condensed consolidated financial statements as of April 30, 2008 and unaudited condensed consolidated statements of operations and changes in net assets of the Corporation for the four-month periods ended April 30, 2008 and 2007 are included in *APPENDIX B*. The unaudited condensed consolidated financial statements include all adjustments, consisting of normal recurring accruals, which the Corporation considers necessary for a fair presentation of the results of operations for the four-month periods ended April 30, 2008 and 2007. Management believes these financial statements are in conformity with generally accepted accounting principles, applied in a basis substantially consistent with the audited consolidated financial statements included in *APPENDIX B*.

In addition, a summary of revenue and expenses of the Corporation for the four-month periods ended April 30, 2008 and 2007, which are derived from the unaudited condensed consolidate financial statements of the Corporation, are included in *APPENDIX A* hereto. The consolidated financial statements for the four-months ended April 30, 2008 included in *APPENDIX A* and *APPENDIX B* are not necessarily indicative of the financial results to be expected for the entire fiscal year ending December 31, 2008.

MISCELLANEOUS

Any statements in this Official Statement, including the Appendices hereto, involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. The attached *APPENDICES A, B,* C, *D and E* are integral parts of this Official Statement and must be read together with all of the foregoing statement.

The summaries or descriptions of provisions of the Series 2008 Bonds, the Bond Indenture, the Loan Agreement, the Escrow Agreements and the Master Indenture and all references to other materials not purporting to be quoted in full, are only brief outlines of certain provisions thereof and do not purport to summarize or describe all the provisions thereof. Reference is hereby made to such instruments, documents and other materials for the complete provisions thereof. It is anticipated that CUSIP identification numbers will be printed on the Series 2008 Bonds, but neither the failure to print such numbers on any Series 2008 Bonds nor any error in the printing of such numbers shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for any Series 2008 Bonds.

The Issuer has furnished the information contained herein which relates to it. Except for the information concerning the Issuer under the captions "THE ISSUER," and "ABSENCE OF MATERIAL LITIGATION–Issuer," none of the information in this Official Statement has been supplied or verified by the Issuer, and no representation or warranty is made by or on behalf of the Issuer, express or implied, as to the accuracy or completeness of such information. The Corporation has reviewed the information contained herein that relates to it and has approved all such information for use within this Official Statement.

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The execution and delivery of this Official Statement has been duly authorized by the Issuer.

LOUISVILLE/JEFFERSON COUNTY
METRO GOVERNMENT

By: /s/ Jerry E. Abramson
Mayor

ATTEST:
/s/ Kathleen J. Herron
Metro Council Clerk

APPROVED AS TO FORM AND LEGALITY:

IRV MAZE
JEFFERSON COUNTY ATTORNEY

By /s/ James T. Carey
Title: Assistant County Attorney

Approved:

JEWISH HOSPITAL & ST. MARY'S
HEALTHCARE, INC.

By: /s/ Stephen J. Scannell
Vice President of Finance

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APPENDIX A

Information Concerning Jewish Hospital & St. Mary's HealthCare, Inc. and the Obligated Group

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INTRODUCTION

Jewish Hospital & St. Mary's HealthCare, Inc. (the "Corporation") maintains a regional health network that includes more than 70 health care facilities, including 40 physician practice sites, with approximately 1,900 licensed patient beds in Kentucky and Southern Indiana, making it one of the largest healthcare providers in the region. The merger of CARITAS Health Services, Inc. into then Jewish Hospital HealthCare Services, Inc., which changed its name to that of the Corporation effective November 1, 2005, combines the strength and honors the heritages of the two organizations to provide an array of health care services to the Kentucky and Southern Indiana region, including: hospitals, outpatient care, cancer care, occupational health, psychiatric care and rehab medicine. The Corporation provides these services primarily through Jewish Hospital (hospital), Sts. Mary & Elizabeth Hospital (hospital), Jewish Hospital Shelbyville (hospital), Jewish Hospital Medical Center East (outpatient), Jewish Hospital Medical Center South (outpatient), Jewish Hospital Medical Center Southwest (outpatient), Our Lady of Peace (psychiatric hospital) and Frazier Rehab Institute (rehab hospital). In addition, the Corporation provides home health care to families in 20 Kentucky and Southern Indiana counties, and employs a growing network of physician practices that provide both primary and specialty medical care. The organization employs more than 8,000 people. The core strategies of the Corporation are to (i) build a distinctive culture characterized by engaged team members and organization/physician alignment, (ii) function as a true health system, (iii) become committed to operational excellence through continuously improving quality, service and cost effectiveness; (iv) actively develop and leverage partnerships that add value, and (v) focus on serving the communities where the Corporation provides healthcare through effective and selective growth.

In late 2004, the senior leadership of the former Jewish Hospital HealthCare Services, Inc. (and now the Corporation) (the "Former JHHS") and CARITAS Health Services, Inc. ("Caritas") determined that the two organizations could more effectively meet the growth challenges of the current market by joining together and forming an integrated system. The Former JHHS and Caritas entered into an Affiliation Agreement, described below, which would allow the new organization to combine resources and be positioned to increase market share, develop complementary medical services, accelerate the expansion of physician alignment, extend geographic reach, and enhance revenue opportunities.

JHSMH Licensed Beds – 2008

Facility	Acute Care Beds	Acute Psych Beds	Acute Rehab Beds	LTACH	Skilled Nursing Facility	Total
Jewish Hospital (1)	412			30		442
Sts. Mary & Elizabeth Hospital	298				33	331
Jewish Hospital Shelbyville	70				6	76
Our Lady of Peace (2)		416				416
Frazier Rehab Institute			135			135
Southern Indiana Rehab Hosp. (3)			60			60
Gateway Rehab (4)			40			40
Jewish Hospital Medical Center East (outpatient)						-
Jewish Hospital Medical Center South (outpatient)						-
Jewish Hospital Medical Center Southwest (outpatient)						-
Jewish Hospital Outpatient Care Center						-
St. Mary's Surgery Center (outpatient)						-
Subtotal JHSMH Owned	780	416	235	30	39	1,500
Taylor County Hospital	90					90
Clark Memorial Hospital	221	20				241
Scott Memorial Hospital (5)	25					25
Subtotal JHHS Managed	336	20	0	0	0	356
JHSMH Total	1,116	436	235	30	39	1,856

(1) Jewish Hospital leases 30 acute beds to Kindred for long-term acute care hospital ("LTACH") unit; in addition, excludes 75 CON approved acute care beds not yet implemented at Jewish Hospital;
(2) Our Lady of Peace operates 20 psych beds at Frazier Rehab Institute under Jewish Hospital license;
(3) Jewish Hospital & St. Mary's HealthCare (the "Corporation") owns 1/3 of Southern Indiana Rehab Hospital;
(4) The Corporation purchased 40 licensed beds from Gateway Rehab in 2008;
(5) 107 acute care beds converted to a critical access hospital with 25 beds.

AFFILIATION AGREEMENT

General

The Former JHHS, JH Parent, Inc. (now known as Jewish Hospital HealthCare Services, Inc. ("JHHS")), Caritas and CHI Kentucky, Inc. ("CHI Kentucky") entered into the Affiliation Agreement (the "Affiliation Agreement"), dated October 3, 2005, and effective November 1, 2005 (the "Effective Date"). Under the Affiliation Agreement, Caritas, which operated Sts. Mary & Elizabeth Hospital ("SMEH"), Our Lady of Peace ("OLOP"), a home healthcare entity and a physician group comprised of a network of physician practices, merged into the Corporation. The Corporation operated Jewish Hospital ("Jewish Hospital"), Jewish Hospital Shelbyville ("JH Shelbyville"), Frazier Rehabilitation Institute ("Frazier Rehab"), Jewish Hospital Medical Center East ("MCE"), Four Courts Senior Center ("Four Courts") and Visiting Nurses Association ("VNA"). Upon effectiveness of the Affiliation Agreement JHHS and CHI Kentucky became the sole members of the Corporation with JHHS holding a seventy-five percent (75%) interest in the Corporation and CHI Kentucky holding a twenty-five percent (25%) interest therein. JHHS and CHI Kentucky each have a fifty percent (50%) vote in certain matters involving governance of the Corporation.

CHI Kentucky from the Effective Date through the fifteenth anniversary of the Effective Date has a "buy-up right" to increase its percentage ownership in the Corporation up to 50 percent in certain circumstances, and up to 49 percent in other situations as described in the Affiliation Agreement.

Grants and Other Payments to Members

The Corporation no later than 60 days after the end of each fiscal year shall make a grant to JHHS of $1,000,000 plus the net income derived during the preceding calendar year from the performance of the services by the "JHHS Providers," comprised of Jewish Hospital, Frazier Rehab, JH Shelbyville, MCE and Jewish Hospital Medical Center South ("MCS") derived from procedures not allowed by the *Ethical and Religious Directives for Catholic Health Care Services* (the "CHI Directives").

CHI Kentucky is to contribute to the Corporation $20,000,000 in equal quarterly installments over three years ending November 1, 2008. The remaining amount owed by CHI Kentucky is approximately $3,333,333.

The Affiliation Agreement provides that the Corporation shall make an annual transfer to Jewish Hospital & St. Mary's Foundation ("JHSM Foundation") no later than 60 days after the end of each fiscal year in the greater of 20 percent of the Corporation's net operating income during the preceding calendar year or $1,000,000. JHSM Foundation is a division of the Corporation. None of those transferred funds constitute restricted funds.

The Corporation shall pay to CHI for administrative and support services a service fee equal to .77 percent of the consolidated budgeted operating expenses of the Corporation excluding activities prohibited by the "CHI Directives". For fiscal year 2007, this amount was $6,769,891.

The Corporation is to allocate a minimum of $55,000,000 of its capital for capital expenditures to the "Caritas Providers," SMEH and OLOP, for the first five full fiscal years after the Effective Date of the Affiliation Agreement. The Corporation has allocated $17,592,895 in the aggregate for 2005 through 2007.

Non-Competition and Transfer Restrictions

From the Effective Date and except as part of the Corporation neither JHHS nor CHI Kentucky nor their affiliates can individually or with third parties engage in the business of providing physicians, hospital inpatient, hospital outpatient, ambulatory surgical, imaging, therapy, rehabilitation, nursing, long-term care or other healthcare services (the "Restricted Services") in the following areas (i) a portion of Bullitt and Spencer Counties in Kentucky and all of Jefferson, Meade, Shelby and Oldham Counties in Kentucky and (ii) all of Scott, Clark, Floyd and Harrison Counties in Indiana (the "Restricted Territory"), certain managed hospitals of the Former JHHS being excluded from this restriction. If either JHHS or CHI Kentucky acquires the membership interest of the other in the Corporation, for a period of five years beginning on the effective date of such acquisition, the selling member will not engage in Restricted Services in the Restricted Territory.

Other than home health operations of the Corporation, no additional service locations or operations outside of the Restricted Territory can be undertaken by the Corporation without the consent of both JHHS and CHI Kentucky. Neither JHHS nor CHI Kentucky can directly or indirectly transfer its interest in the Corporation except as provided in the Affiliation Agreement.

Catholic Health Initiatives ("CHI"), the parent of CHI Kentucky, grants to the Corporation a right to purchase the interest of CHI or its affiliates in any hospital, business or facility that is the subject of an acquisition, purchase or other transaction pursuant to which CHI or an affiliate acquires control of any hospital, business or facility or a group thereof that is offering Restricted Services in the Restricted Territory.

Termination and Remedies

The Affiliation Agreement is terminable as a result of certain events and in connection with certain of those events, only after failure of dispute resolution. These termination events include (i) mutual agreement of CHI Kentucky and JHHS, (ii) changes in Corporation activities such that CHI Kentucky would not be in compliance with the CHI Directives or JHHS would not be in compliance with the JHHS Distinctives (as defined in the Affiliation Agreement), (iii) loss of tax-exempt status of CHI Kentucky, the Corporation, or JHHS, or any of their tax-exempt bonds, (iv) failure of the Corporation as of the end of any fiscal year to satisfy certain financial covenants, (v) bankruptcy events of either CHI Kentucky or JHHS, (vi) breaches constituting a material adverse effect under the Affiliation Agreement or related agreements, or (vii) no remaining economic interest of either JHHS or CHI Kentucky in the Corporation.

The remedies that are available upon a termination include (i) mutual agreement of remedies by JHHS and CHI Kentucky, (ii) purchase by JHHS of CHI Kentucky's interest in the Corporation, and (iii) any and all other remedies available at law or in equity with respect to terminations caused by breaches of the Affiliation Agreement or related agreements. In connection with the purchase by JHHS of the CHI Kentucky interest, under certain termination events the purchase price, which is equal to the fair market value of the Corporation multiplied by the percentage interest of CHI Kentucky in the Corporation, adjusts by differing amounts set forth in the Affiliation Agreement with respect to the various termination events. If JHHS fails to purchase the CHI Kentucky interest in connection with certain termination events, then CHI Kentucky may purchase the JHHS interest in the Corporation for a price equal to the fair market value of the Corporation multiplied by the percentage interest of JHHS in the Corporation, subject to adjustments set forth in the Affiliation Agreement.

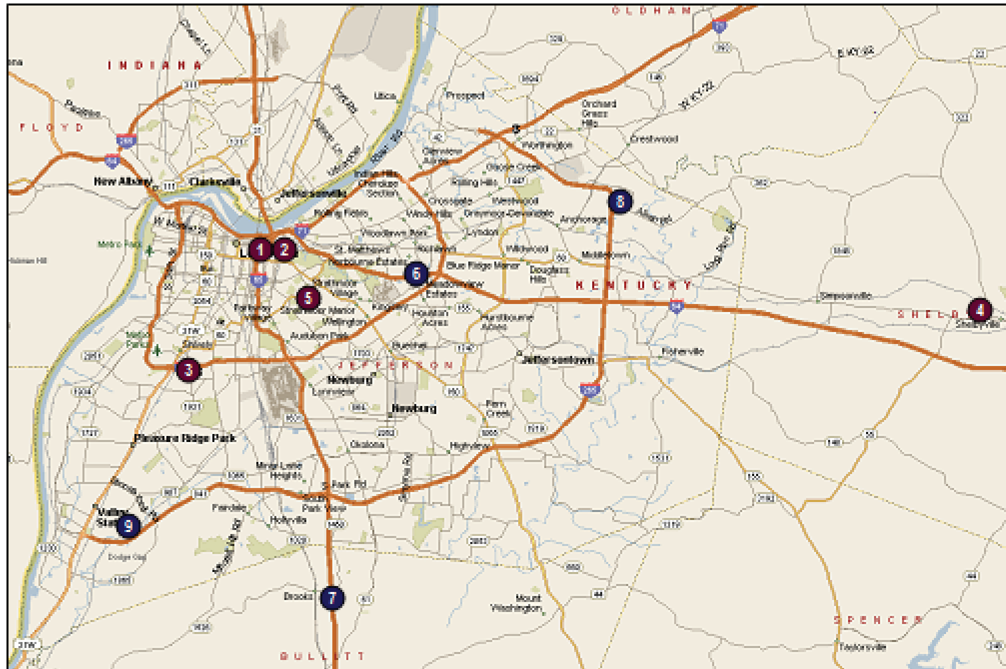
Dispute Resolution

Any dispute arising between JHHS and CHI Kentucky relating to the Affiliation Agreement or the operations or assets of the Corporation that otherwise are not subject to resolution, must be submitted for dispute resolution as set forth under the Affiliation Agreement prior to seeking any other legal remedies that may be available.

Governance

The Corporation is governed by a Board of Trustees with 24 members, 21 of whom are voting members and 3 of whom are ex-officio, non-voting members. Of the 21 voting members of the Board, 14 are appointed by JHHS and 7 are appointed by CHI Kentucky. Certain actions of the Corporation may be taken by the Corporation only after the approval of both JHHS and CHI Kentucky. These actions include (i) amending the Corporation's Articles of Incorporation or its Bylaws; (ii) adopting or materially modifying annual budgets and business plans; (iii) adopting or materially modifying strategic plans; (iv) discontinuing, closing or relocating licensed beds or facilities; (v) approving incurrence of long-term debt; (vi) material mergers, acquisitions, divestitures, and reorganizations; (vii) sales, leases, transfers, pledges, encumbrances or other dispositions of material assets of the Corporation; (viii) dissolutions and liquidations of the Corporation and its subsidiaries; (ix) expanding service areas; (x) establishing any new subsidiaries; (xi) joint ventures; (xii) approving certain name changes; and (xiii) changing the Corporation's mission, vision or core values.

Location of Major Facilities



1. Jewish Hospital
2. Frazier Rehab Center
3. Sts. Mary & Elizabeth Hospital
4. Jewish Hospital Shelbyville
5. Our Lady of Peace
6. Jewish Hospital Medical Center East
7. Jewish Hospital Medical Center South
8. Jewish Hospital Medical Center Northeast (planned)
9. Jewish Hospital Medical Center Southwest

<u>Corporation History</u>

Jewish Hospital, Inc. was incorporated in 1903 as a nonprofit corporation operating under the name of The Jewish Hospital Association of Louisville, Kentucky, Inc. The purpose of Jewish Hospital was to establish and operate a hospital to meet the health care needs of the Louisville, Kentucky community.

The Congregation of the Sisters of Charity of Nazareth (the "Congregation") formed the Nazareth Literary and Benevolent Institution ("NLBI"), a nonprofit corporation, in 1829. NLBI established Sts. Mary and Elizabeth Hospital in 1874 to provide the domestic healthcare ministry of the Congregation.

Jewish Hospital History

The original Jewish Hospital facility was constructed in 1905. In the 1950's, Jewish Hospital moved its core facilities to a 2.5 acre site at Chestnut and Brook Streets in Louisville. The University of Louisville leased this site to Jewish Hospital for a 99-year term ending in the year 2050. These facilities are part of the Louisville Medical Center.

In the 1980's, Jewish Hospital responded to growth opportunities and the need for greater efficiency and flexibility in management by adopting a plan to reorganize its activities on a "holding company" model. The Former JHHS became the holding company of Jewish Hospital, Inc. and four other nonprofit corporations, the only one of remaining importance today is JH Properties, Inc.

In the 1990's, the Corporation embarked on a plan for expansion of its services through acquisitions and mergers. As part of this expansion and growth plan, the Corporation added Frazier Rehab Institute, Jewish Hospital Shelbyville, Visiting Nurse Association, Four Courts, the Outpatient Care Center and the Regional Service Center.

Also, in the late 1990's, the Corporation formed a for-profit subsidiary, MedGroup Management, LLC. MedGroup historically performed management services for physician practices and certain county hospitals located in Kentucky and southern Indiana. Effective November 1, 2005, these management operations were transferred to JHP Management, Inc., a wholly-owned subsidiary of JHHS.

In 2003, the Corporation opened Jewish Hospital Medical Center East, an outpatient surgery and diagnostic facility located in eastern Jefferson County, Kentucky.

Caritas History

The current Sts. Mary & Elizabeth Hospital facility opened in 1958 composed of two original buildings and several additions. In 1913, the Congregation opened Mount St. Agnes Sanitarium to care for persons suffering from nervous psychiatric ailments, which in 1951 became Our Lady of Peace Hospital at its current location in Louisville, Kentucky. In addition, NLBI originally operated Nazareth Home Health, a home health agency initially serving eight counties in north central Kentucky.

In September 1985, NLBI transferred its assets to Sisters of Charity of Nazareth Health System, Inc., a nonprofit corporation, which in turn transferred to Caritas Health Services, Inc., first in 1987, Our Lady of Peace Hospital, and subsequently in 1994, Sts. Mary & Elizabeth Hospital and Caritas Home Health.

Immediately prior to the merger, Caritas was comprised of Caritas Medical Center (Sts. Mary & Elizabeth Hospital), an acute care hospital; Caritas Peace Center (Our Lady of Peace Hospital), a psychiatric hospital; Caritas Surgery Center (St. Mary Surgery Center), an ambulatory surgical center; and Caritas Home Health, a home health agency. Also prior to merger, Caritas was licensed for 747 beds and provided home health services to 12 counties in Kentucky.

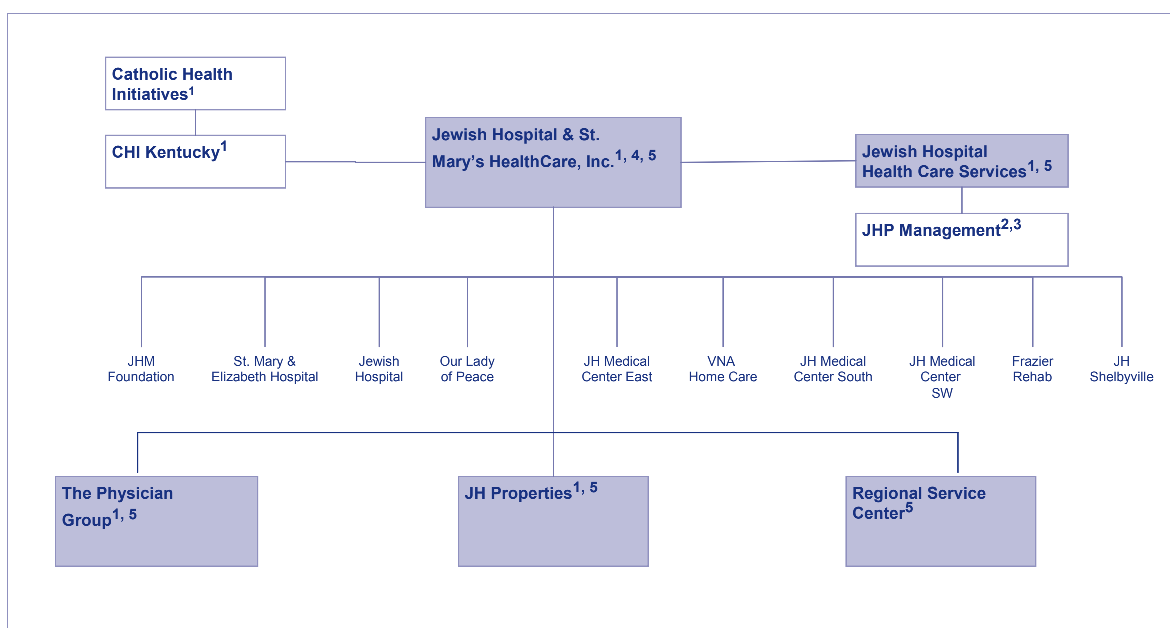
History Since Merger

On October 31, 2005, the Corporation filed amended and restated articles of incorporation to change its name to Jewish Hospital & St. Mary's HealthCare, Inc. Subsequently, Caritas, a wholly-owned subsidiary of CHI Kentucky merged into the Corporation effective November 1, 2005. As a result of the merger, the Corporation became the owner of the following healthcare facilities and services: Caritas Medical Center, Caritas Surgery Center, Caritas Peace Center, and Caritas Home Health. Caritas

Home Health merged its operations with the Corporation-owned Visiting Nurse Association, also known as VNA Home Care. The name VNA Nazareth Home Care was adopted by the merged entity. In December 2005, Caritas Medical Center changed its name to Sts. Mary & Elizabeth Hospital; Caritas Surgery Center changed its name to St. Mary's Surgery Center; and Caritas Peace Center changed its name to Our Lady of Peace. All of the former Caritas and Corporation entities continue to exist subsequent to merger and are now operations of the Corporation as of November 1, 2005. Since the merger, the Corporation has embarked upon an extensive integration plan in order to combine the operations of the Corporation and CHS.

Subsequent to the merger of Caritas into the Corporation, the Corporation has opened several outpatient care facilities including Jewish Hospital Medical Center South ("MCS") in 2006 located in Bullitt County, Kentucky and Jewish Hospital Medical Center Southwest ("MCSW") in 2007 located in southwest Jefferson County, Kentucky. The Corporation has plans to open an additional outpatient care facility in northeast Jefferson County within the next few years. In January 2008, the Corporation purchased the license to operate 40 comprehensive physical rehabilitation beds from Gateway at Norton Rehabilitation Hospital, LLC and Senior Care, Inc., which the Corporation intends to locate at its future Jewish Hospital Medical Center Northeast ("MCNE"). In February 2008, the Corporation sold Four Courts Senior Center, its only nursing and assisted-living facility.

CORPORATE STRUCTURE



1 Non-Taxable

2 Taxable

3 Manages the following:
Clark Memorial Hospital
Scott Memorial Hospital
Taylor Regional Hospital

4 Participates in the following Joint Ventures:
Regional Service Center
Southern Indiana Rehab Hospital, L.P.
HealthStaff Solutions, LLC
Clark Cath Lab Joint Venture
Frazier Clark PT Joint Venture
Caritas Rehab Services, LLC
Bluegrass Regional Cancer Center

5 Obligated Group consists of:
Jewish Hospital & St. Mary's Healthcare, Inc. (JHSMH)
JH Properties, Inc.
JHSMH Network, Regional Service Center, LLC
Jewish Hospital Healthcare Services, Inc.
The Physician Group at Jewish Hospital & St. Mary's Healthcare, Inc.

* Shaded areas represent the Obligated Group Members

The following contains a discussion of each of the Obligated Group Members, comprised of the Corporation, JHHS, JH Properties, Regional Service Center and The Physician Group at Jewish Hospital & St. Mary's HealthCare, Inc. ("TPG").

<u>Obligated Group Members</u>

The Corporation. The Corporation is a Kentucky nonstock, nonprofit corporation organized and operated to provide a regional health care network that includes more than 70 health care facilities, including 40 physician practice sites, and approximately 1,900 patient beds in Kentucky and southern Indiana. The Corporation offers a complete array of health care services, including: three acute care hospitals, outpatient care, cancer care, occupational health, home care, psychiatric care and rehab medicine. The Corporation is controlled by its two corporate members, JHHS and CHI Kentucky. The Corporation and/or its Affiliates employ a network of physician practices that provide both primary and specialty medical care. The Corporation employs more than 8,000 people.

<u>Divisions of the Corporation</u>

The following is a description of certain divisions of the Corporation.

*Jewish Hospital***.** Jewish Hospital is licensed for 517 total beds, 412 of which are adult medical and surgical acute care beds, 30 of which are leased to Kindred Hospitals Limited Partnership as a long-

term acute care hospital ("LTACH") unit, and 75 of which have not yet been implemented. Jewish Hospital operates a regional medical center facility providing primary and secondary care services and is a tertiary care and quaternary regional referral center. Jewish Hospital has become internationally renowned as a high-tech specialty center, developing leading-edge advancements in hand and microsurgery, heart and lung care, rehabilitation medicine (including sports medicine and orthopedics), neuroscience, occupational health, organ transplantation, plastic and aesthetic surgery and primary care. Jewish Hospital is federally designated to perform all five solid organ transplants - heart, lung, liver, kidney and pancreas. Jewish Hospital facilities are located in an area known as the Louisville Medical Center, a complex of medical facilities in the vicinity of the University of Louisville School of Medicine.

The nation's first two successful hand transplants were performed at Jewish Hospital in January 1999 and February 2001. In 2001, Jewish Hospital opened its free-standing Hand Care Center. The Center treats patients with specific upper extremity injuries and diseases and is equipped with an emergency room, operating suites and an overnight recovery center. This facility is connected to the Outpatient Care Center. The Outpatient Care Center provides outpatient surgery, diagnostic studies and endoscopy, and has nine operating rooms and seven endoscopy procedure suites located therein. The Outpatient Care Center is located on the main downtown Jewish Hospital campus.

In 2001, a Jewish Hospital/University of Louisville team implanted an AbioCor Implantable Replacement Heart in two patients becoming the first hospital to undertake these procedures.

*Frazier Rehab Institute***.** Frazier Rehab Institute is a rehab hospital licensed for 135 beds and operates 23 outpatient rehab facilities, 18 of which are in Kentucky and 5 of which are in Southern Indiana. In addition, Frazier Rehab Institute manages Southern Indiana Rehab Hospital, a 60-bed freestanding rehab hospital that is located in New Albany, Indiana, and that is an equal 1/3-partnership among the Corporation, Clark Memorial Hospital (Jeffersonville, Indiana) and Floyd Memorial Hospital (New Albany, Indiana).

*Jewish Hospital Shelbyville***.** Jewish Hospital Shelbyville is a licensed acute care hospital with 70 acute care beds and 6 skilled nursing facility beds located in Shelby County, Kentucky.

*Jewish Hospital Medical Center East***.** MCE is an outpatient facility that provides outpatient surgery, endoscopy, diagnostic medical imaging, cardiopulmonary services, emergency services, rehab services and occupational medicine, and includes 40 private pre-op/recovery patient suites. MCE, with 140,000 square feet, occupies two floors of a three-story building in eastern Jefferson County, Kentucky. The facility is licensed as both an ambulatory care center and ambulatory surgery center.

Jewish Hospital Medical Center South. In May, 2006, MCS opened as an outpatient facility in a 48,000 square foot center located in Bullitt County, Kentucky. The facility provides 24-hour emergency services, magnetic resonance imaging services, a women's center, ambulatory surgical services and endoscopy services. In April 2008, the Kentucky Cabinet for Health Services issued a regulation that would allow MCS to convert from an outpatient care facility to an acute care hospital with as many as 60 beds. The Corporation is actively pursuing this development and filed a letter of intent with the Kentucky Certificate of Need office on June 2, 2008 with the formal application for the project to be filed by July 2, 2008.

*Jewish Hospital Medical Center Southwest***.** MCSW opened a 52,000 square foot facility in August 2007 in southwest Jefferson County. The facility offers 24 hour, 7 days a week emergency services along with imaging and other outpatient and diagnostic services.

*Our Lady of Peace***.** OLOP is one of the largest, private, nonprofit psychiatric hospitals in the country. It offers psychiatric treatment including inpatient, partial hospitalization and outpatient services for children, adolescents, adults and seniors.

*Sts. Mary & Elizabeth Hospital***.** SMEH is a 331-bed primary care hospital located in south Louisville, Kentucky. SMEH offers advance treatment in cancer, cardiac care, lung disease, orthopaedics, vascular and general surgery and emergency services. SMEH also operates a wound healing center and a sleep center on its hospital campus.

VNA Nazareth Home Care. VNA Nazareth Home Care is a licensed home health agency, which through a separate division operates an infusion pharmacy, including home infusion therapy.

*Jewish Hospital & St. Mary's Foundation***.** JHSM Foundation is the primary fundraising entity for the Corporation and its affiliates, and is responsible for approving and soliciting grants for medical research and educational activities.

Jewish Hospital HealthCare Services, Inc. JHHS is one of the two corporate members of the Corporation. JHHS, a Kentucky nonstock, nonprofit corporation, appoints 75% of the Board of Trustees of the Corporation. JHHS, along with CHI Kentucky, holds certain reserve powers over the governance and operations of the Corporation.

JH Properties, Inc. JH Properties is a Kentucky nonstock, nonprofit corporation. The Corporation is its sole member. JH Properties owns and leases real property which is used by the Corporation for its hospital, outpatient and administrative operations and physician offices.

JH Properties owns the following office buildings: (i) Doctors Office Building, 250 East Liberty Street, a ten-story physician office building adjacent to the Jewish Hospital facilities; (ii) Jewish Hospital Medical Plaza, 100 East Liberty Street, an eight-story physician office building adjacent to Jewish Hospital's facilities; and (iii) Jewish Hospital Physicians Plaza, 727 Hospital Drive, Shelbyville, Kentucky, adjacent to Jewish Hospital Shelbyville.

JH Properties owns and manages three buildings that are part of Jewish Hospital's main campus: (i) The Rudd Heart and Lung Center, a l4-story building, a portion of which is leased to physicians; (ii) the 8- story Outpatient Care Center building, which houses the Outpatient Care Center, physician offices and medical office condominiums for physicians, located adjacent to Jewish Hospital's facility on Abraham Flexner Way; and (iii) The Hand Care Center, which connects directly to the Outpatient Care Center and the Rudd Heart and Lung Center.

JH Properties owns and manages a three-story, 210,000 square foot building located in eastern Jefferson County, Kentucky of which it leases the first and second floors to MCE for its ambulatory care and surgery services, while the 70,000 square foot third floor is designed for physician use. It also owns and manages a 50,000 square foot building located in northern Bullitt County, Kentucky which it leases to MCS for its ambulatory care and surgery services. In addition, JH Properties leases a 24,000 square foot Medical Office Building adjacent to MCS and subleases to physicians for medical office use.

JH Properties owns the Corporate Services Center building located at 539 South Fourth Avenue and the adjacent property at 537 South Fourth Avenue in Louisville, Kentucky. The Corporate Services Center houses the Corporation's financial departments, the Data Center and Strategic Planning, Information Services, Information Technology, Central Scheduling, Risk Management, Legal Services and the Medical Records Department. Attached to the building is a parking garage owned by JH Properties with 309 parking spaces for employees at that location.

JH Properties is currently under contract with a developer to lease a 4-story, 120,000 square foot ambulatory care building/physician offices located in northeast Jefferson County, Kentucky which will house the future MCNE, scheduled to open in August 2009.

JH Properties is currently marketing some of its larger office properties for sale to third parties with the intent to lease them back from the buyer(s) and continue the Corporation's operations therein.

Regional Service Center. Regional Service Center is a Kentucky limited liability company. The members of the company are the Corporation, Southern Indiana Rehab Hospital (New Albany, Indiana) and the three hospital facilities managed by JHP Management: Clark Memorial Hospital, Jeffersonville, Indiana; Scott Memorial Hospital, Scottsburg, Indiana; and Taylor Regional Hospital, Campbellsville, Kentucky. The Corporation owns approximately 82% of Regional Service Center. Regional Service Center distributes medical-surgical supplies, products and other services to the partner facilities. The Corporation currently is reviewing its options relating to its supply chain management and may outsource these operations in the future.

The Physician Group at Jewish Hospital & St. Mary's HealthCare, Inc. TPG, the sole member of which is the Corporation, employs over 120 physicians and over 40 physician extenders throughout the primary and secondary service areas of the Corporation. TPG specialties include family and internal medicine, internal medicine/pediatric medicine, cardiology, gastroenterology, neurology, orthopaedics, anesthesia and psychiatry.

The Non-Obligated Group.

The following is a brief description of certain of the Non-Obligated Group entities.

Southern Indiana Rehab Hospital. Southern Indiana Rehab Hospital, located in New Albany, Indiana, is a 60-bed licensed inpatient rehabilitation care hospital. The Corporation, Clark Memorial Hospital (Jeffersonville, Indiana) and Floyd Memorial Hospital (New Albany, Indiana) each own a one-third interest in Southern Indiana Rehab Hospital, which is managed by Frazier Rehab Institute.

University of Louisville and Jewish Hospital Cardiovascular Innovation Institute, Inc. University of Louisville and Jewish Hospital Cardiovascular Innovation Institute, Inc. (the "Institute") is a Kentucky nonstock, nonprofit corporation of which the Corporation and the University of Louisville are the two corporate members. The Institute's mission is to improve care for patients with advanced heart disease with a focus on bio-adaptive heart innovations, including the integration of heart assist devices, biofeedback sensors and related technologies. The Institute conducts a portion of its research in an Animal Research Lab and Research Building located in downtown Louisville, Kentucky.

JHP Management, Inc. JHP Management, Inc. ("JHP"), a Kentucky for-profit corporation and subsidiary of JHHS, provides operational and management services under long-term contracts for Clark Memorial Hospital in Jeffersonville, Indiana, Scott Memorial Hospital in Scottsburg, Indiana and Taylor Regional Hospital in Campbellsville, Kentucky.

Description of Services.

Medical, Surgical and Related Services

The facilities of the Obligated Group provide primary, secondary and tertiary care services. Tertiary level services include all solid organ transplants (heart, renal, liver, pancreas and lung), open-heart surgery, thoracic and vascular surgery, neurology, invasive cardiology and hand and microsurgery.

Special Services

Jewish Hospital provides a number of highly specialized services to the community and the region.

Heart and Lung Services. Jewish Hospital was the site of the first heart transplant and the first lung transplant in Kentucky. Jewish Hospital also began implanting artificial heart devices in 1985. Other "firsts" for the organization include: Jewish Hospital's first cardiomyoplasty in 1994, the first transmyocardial revascularization, the first minimally invasive saphenous vein harvest in the United States, Kentucky's first ventricular remodeling, the first port-access mitral valve surgery, the first liquid ventilation, and the world's first totally-implantable artificial heart.

Jewish Hospital opened the first hospital-owned freestanding cardiovascular research center. The Center for Advanced Medicine provides the infrastructure and resources for the identification of emerging technologies and research opportunities. In 2003, the Corporation and the University of Louisville as a joint project created the Cardiovascular Innovation Institute to elevate heart care research by focusing on the development of heart-assist devices and biotechnology.

Jewish Hospital was the region's only hospital to participate in the National Lung Screening Trial sponsored by the National Cancer Institute.

Hand and Microsurgery. In 1999, Jewish Hospital was the location of the world's first successful hand transplant and the world's first double reimplantation. Jewish Hospital operates the Hand Care Center which is currently staffed by Kleinert, Kutz and Associates Hand Care Center, PLLC, a group practice of physicians recognized internationally and specializing in comprehensive care of the upper extremity. High patient volumes and a pioneering approach to surgical procedures have attracted a large number of physicians from around the world. This training is administered through the University of Louisville School of Medicine.

Neuroscience. In 1996, Jewish Hospital established the Emergency Stroke Center, the region's first center dedicated to comprehensive treatment of stroke. JHSMH as a system has received Primary Stroke Certification by The Joint Commission. Jewish Hospital is able to perform the entire spectrum of interventional neurological procedures including aneurysm coiling, carotid stenting as well as intracranial thrombolysis and clot retrieval.

Through a unique partnership between Frazier Rehab Institute and the University of Louisville Division of Movement Disorders, the Movement Disorders Program at Frazier Rehab and Neuroscience Center provides a comprehensive clinical approach to care for individuals with Parkinson's disease and other movement disorders. This collaboration brings together world-class research with innovative therapeutic care and education that has been recognized by the National Parkinson Foundation as a Center of Excellence, the highest designation awarded by the Foundation. This is the first program, and currently the only program, in Kentucky to earn the Center for Excellence designation.

Spinal Cord Medicine. The Spinal Cord Medicine Program at Frazier Rehab Institute provides innovative, world-class treatment to those affected with spinal cord impairments resulting from trauma, disease or congenital abnormalities. Frazier's Spinal Cord Medicine Program is one of the nation's leading acute rehabilitation programs providing comprehensive treatment utilizing state-of-the-art technologies designed to maximize functional recovery. The NeuroRecovery Network ("NRN") is a grant program created through a joint agreement between the Christopher Reeve Foundation and the Centers for Disease Control and Prevention. The NRN serves to provide support for the translation of basic science and applied research into an intensive activity-based rehabilitation program that will promote the recovery of walking and motor function. Through the establishment of the NRN, specialized centers with physician therapists skilled in the application of locomotor training principles have been created. Frazier Rehab Institute is the lead center in the country (among only seven centers nationwide) to participate in the NRN.

Psychiatric Services. OLOP is one of the largest private, nonprofit psychiatric hospitals in the country. OLOP offers a full continuum of psychiatric treatment including inpatient, partial hospitalization and outpatient services for children, adolescents, adults and seniors. OLOP's access center operates 24/7/365 for persons in crisis situations. OLOP also provides mobile assessment services throughout the Louisville Metro area and psychiatric consultation services at Jewish Hospital and SMEH. OLOP's skilled multidisciplinary team of professionals includes attending psychiatrists, nurses, social workers, teachers, activity therapists, behavioral analysts, chaplains and mental health workers. Experienced staff is trained to address an array of emotional/behavioral/psychiatric disorders, such as depression, anxiety, post-traumatic stress, chronic pain, grief and loss, and chemical dependencies. In addition, OLOP offers innovative treatment alternatives for children and adolescents with legal charges, violence and aggression, developmental disabilities, brain injuries and related conditions. Due to OLOP's unique mission to children and adolescents, it has partnered with Jefferson County Kentucky Public Schools to offer an accredited school for youth to continue their education while hospitalized.

The Corporation through its hospitals maintains an active teaching program for many specialties, including cardiology, family medicine, physical medicine and rehabilitation and others in conjunction with the University of Louisville School of Medicine. The Corporation sponsors its own accredited podiatry residency program, which began in 2007.

Departments and Other Services

The facilities of the Corporation are organized into the following lines of business:

Anesthesia Services
Audiology Testing
Blood Transfusion Services
Cardiac Rehabilitation Services
Cardiopulmonary Service
Care Management
Cochlear Implant Services
Computerized Axial Tomography
Diabetes Services
Electrophysiology
Emergency Services
Endoscopy
Medical Social Service
Neuroscience Services
Nursing Research & Support
Occupational Services
Oncology Services
Ophthalmology Services
Orthopedic Services
Outpatient Diagnostic Services
Outpatient Surgery
Pastoral Services
Patient Registration Services
Peritoneal Dialysis

- End-Stage Renal Disease Services
- Engineering Services
- Enterostomy Services
- Financial Services
- Food & Nutrition Services
- Health Information Management
- Hemodialysis, Inpatient and Outpatient
- Human Resources Services
- Hyperbaric Medicine
- Information Services
- Information Technology Network Communication
- Intensive and Coronary Care Services
- Invasive Cardiology
- Laboratory Pathology
- Long-term Acute Care Services
- Magnetic Resonance Imaging
- Management Engineering Services
- Materials Management
- Medical and Surgical Nursing Services
- Medical Imaging and Nuclear Medicine
- Pharmacy Services
- Physician Hospital Development
- Physician Office Services
- Physician Referral
- Plastic and Aesthetic Surgery
- Positron Emission Tomography
- Postoperative Recovery
- Psychiatry
- Public Relations
- Pulmonary Function Laboratory
- Rehabilitative Services
- Risk Management
- Security Services
- Strategic Planning and Marketing Research
- Surgical Services
- Transplantation Services
- Tumor Registry
- Ultrasound Laboratory
- Vascular Radiology

Home health services. VNA Nazareth Home Care and VNA Home Infusion provide the following home health care services:

- Chemotherapy
- Dietary
- Hemophilia Clotting Concentrate
- Occupational Therapy
- Pain Management
- Parenteral and Enteral Nutrition
- Physical Therapy
- Private Duty
- Respiratory Care
- Skilled Nursing Care
- Social Services
- Speech Therapy

Governance

The present Trustees of the Corporation and their occupations are set forth on the following pages. The President of the Corporation, the Chairperson of JHSM Foundation, and the President of the Medical Staff serve as "ex officio" non-voting members of the Board of Trustees of the Corporation.

JEWISH HOSPITAL & ST. MARY'S HEALTHCARE, INC. TRUSTEES

NAME	PRINCIPAL OCCUPATIONS	TERM EXPIRATION DATE
Ronald W. Abrams, CPA	Chairman of the Board; Retired CPA	2009
Henry M. Altman Jr., CPA	Retired; Consultant – Deming, Malone, Livesay & Ostroff	2008
LouAnn Atlas	Vice President and Trust Officer, Fifth Third Bank	2010
Gary S. Campbell	Healthcare executive, Catholic Health Initiatives	Ex Officio, voting
John W. Derr, M.D.	Physician; President of JHSMH Medical Staff	Ex Officio; non-voting
David W. Fennell	Officer, National City Bank of Kentucky	2009
Sister Susan Gatz	Sister of Charity of Nazareth	2009
Laman A. Gray, Jr., M.D.	Physician	2008
Robert G. Hammer, M.D.	Physician	2008
Sandra Barr Hammond, Esq.	Attorney, Borowitz & Goldsmith	2010
Douglas James	Director of Sales, Radio One	2008
Mark R. Jones, M.D.	Physician	2010
Lowell D. Katz, M.D.	Physician	2009
Martin Margulis	Retired; Former President of retail department store	2008
Elaine Musselman	Insurance executive, Risk Management Services, Inc.	2010
Don Parkinson	Retired; KFC	Ex Officio; non-voting
Jo Ann Rooney	President, Spalding University	2009
Bill Samuels, Jr.	President, Maker's Mark	2009
Julian L. Shapero	Retired; Former President of retail department store	2008
Robert L. Shircliff	President/CEO, JHSMH and JHHS	Ex Officio; non-voting
Mark Switow	Officer, UBS Financial Services	2010
Gerald D. Temes, M.D.	Retired physician	2009
Steven E. Trager, Esq.	Chairman and Chief Executive Officer, Republic Bank & Trust Company	2008
Louis I. Waterman, Esq.	Attorney; Louis I. Waterman, PLLC; Fore, Miller & Schwartz	2010

Management

The key personnel of the Corporation and the other Obligated Group Members responsible for management and policy decisions are set forth below:

Robert Lee Shircliff (50), President and Chief Executive Officer of the Corporation. Education: B.S. University of Louisville (1977); M.H.A. Washington University (1979). Experience: Vice President, Barnes Hospital, St. Louis, Missouri 1979 – 1984; Vice President Sts. Mary & Elizabeth Hospital, Louisville, Kentucky (1984-1985). Mr. Shircliff joined the Former JHHS as a Vice President in 1985, was promoted to Senior Vice President in 1991, and became President and Chief Executive Officer of the Corporation in 2005. Professional: Member, American Hospital Association (1987 – 2008), Member, Kentucky Hospital Association Board of Trustees (2007-2008); Board of Directors, Republic Bank and Trust Company (1999 – 2003); Board of Directors, St. Xavier High School (1989 – 2004), Chairman (1999 – 2004); Board of Trustees, Bellarmine University (2001 – 2007); Board of Directors, Louisville Metro United Way (1995-2001); Board of Directors, Greater Louisville Inc. (2005 – 2008); Board of Directors, University Medical Center, Inc. (2005-2007); Board of Directors, University Health Care, Inc. (2005 – 2008); Board of Directors, Fund for the Arts (2006 – 2008), Fund Chair (2008-2009); Board of Directors, Leadership Kentucky (2003 – 2006); Board of Directors, Leadership Louisville (2006 – 2009); Board of Directors, Cardiovascular Innovation Institute (2005 – 2008); Archdiocese of Louisville Catholic Education Foundation Alumni of the Year Award, 1998; ACHE Senior Level Healthcare Executive Regent's Award (2006); Chairman, 2008 Juvenile Diabetes Research Foundation Gala; Chairman, Metro United Way Shelby County Campaign (1999); Co-Chair, Shelby County Fund for the Arts Campaign (1990); Graduate, Leadership Louisville (1986); Graduate, Leadership Louisville Bingham Fellows (2000).

Deborah K. Molnar (53), Senior Vice President and Chief Operating Officer of the Corporation. Education: Bachelor of Science in Nursing, Spalding University, Louisville, Kentucky (1976); Master of Business Administration, Bellarmine University, Louisville, Kentucky (1986). Employment History: Ms. Molnar has been employed with the Jewish Hospital organization since 1976, serving in the following positions: Clinical Nursing (1976 – 1981); Interim Administrator, Four Courts Senior Center (1981 – 1982); Director, Educational Services for Nursing (1982 – 1983); Director, Surgical Services (1982 – 1984); Director, Human Resources (1984 – 1998); Vice President (1998 – 2000); President and CEO, Jewish Hospital Medical Center East/Vice President, Jewish Hospital HealthCare Services (2000–2005); Senior Vice President, Jewish Hospital & St. Mary's HealthCare (2005-2006); Senior Vice President/Chief Operating Officer (2007 – present). Professional: Member, American College of Healthcare Executives; Member, St. Matthews Business Association. Civic: Spalding University Advisory Board (2000 – present); Graduate, Leadership Louisville Class of 2006; Junior Achievement Volunteer; Junior League of Louisville Community Partner Award; and Innovative Productivity Board Member. In addition, Ms. Molnar received the 2006 and 2007 Partner in Healthcare Awards**.**

Lynn T. Simon, M.D. (48) Senior Vice President and Chief Medical Officer of the Corporation Education: B.A. Indiana University (1981); M.D. University of Louisville School of Medicine (1985); Medical Internship, Rush-Presbyterian-St. Luke's Medical Center, Chicago, Illinois (1986); Neurology Residency, Stanford University, Stanford, California, Administrative Chief Resident (1986-1989); M.B.A. Bellarmine University, Louisville, Kentucky (2002). Professional: Private practice, Neurology, Louisville, Kentucky (1989-2005); Medical Administrator, Jewish Hospital (200-2004); Vice President, Medical Affairs, Jewish Hospital (2004-2005); Senior Vice President, CMO, Jewish Hospital & St. Mary's HealthCare, Inc. (2005 to present). Honors and Professional Membership: Alpha Omega Alpha Honor Medical Society; Senior (medical student) Award for Excellence in Neuroscience; Lange Medical Publications Award for Outstanding Achievement as a Student; Greater

Louisville Medical Society; American Board of Quality Assurance and Utilization Review Physicians; American College of Healthcare Executives; American College of Physician Executives; American College of Medical Quality. Civic: Board of Trustees, Jewish Hospital HealthCare Services, Inc. (2000-2001); Jewish Hospital Active Medical Staff (1989-2005), Honorary Staff (2006 to present); Quality Assurance and Improvement Committee, Jewish Hospital (1992-2000); Medical Executive Committee, Jewish Hospital, 1995-2000, Secretary (1995-1997); Professional Review Committee, Jewish Hospital, Chairman (1999-2000); Neuroscience Committee, Jewish Hospital, Vice Chairman (1992-2001); Jewish Hospital Emergency Stroke Center, Medical Director (1996-2000); American Heart Association, Co-Chairman, Operation Stroke (2000-2001); American Heart Association, President, Kentuckiana Metro Division (2001-2003); Greater Louisville Medical Society, CAPS Committee (2005-2006); Greater Louisville Medical Society, Judicial Council, Secretary (2005-2006); American College of Medical Quality-Grants and Scholarships Committee (2006 to present); Greater Louisville Medical Society, Judicial Council, Chair (2007 to present).

Joanne M. Berryman (59), Senior Vice President Rehabilitation & Network Hospitals Agenda. Education: B.S.N., University of Louisville School of Nursing (1980); M.S.N. in Nursing Administration, University of Texas, Arlington (1982). Employment History: Ms. Berryman has held a number of positions with the Corporation since she returned to Louisville in 1981. As Assistant Vice-President, she led the program development, construction and first two-year successful operations of the free-standing Outpatient Care Center on the Jewish Hospital Medical Center Campus. Prior to the September 1, 1994 merger of Frazier Rehab Institute into the Corporation, she was President and Chief Executive Officer of Frazier Rehab Institute, and Vice President of the Corporation (1990-1994). Ms. Berryman became Senior Vice President of the Corporation in 1996. In the same year she led the merger of the Visiting Nurse Association into Jewish Hospital. She also orchestrated the acquisition of the Southern Indiana Rehab Hospital, forming a Southern Indiana community partnership among Clark Memorial Hospital, Floyd Memorial Hospital with Frazier appointed as the managing partner. Professional: Honorary Doctorate from Spalding University; Fellow, American College of Health Care Executives; Board Member, University of Louisville Board of Overseers; Board Member, Spalding University. Civic: Board of Directors, Rotary Club of Louisville (1996, 2001), Member (1991- 2008); Graduate, Leadership Louisville; University of Louisville, Alumni Board (1996-2003); Board of Directors, Metro United Way.

David G. Laird (61), Senior Vice President of Business & Strategic Development. Education: B.A. & M.A., Western Kentucky University (1969; 1971); M.H.A., Saint Louis University (1974); Yale Executive Management Program, Yale University (1989). Employment History: Mr. Laird held a number of positions with Humana from 1974 – 1992, the last being Senior Vice President of Marketing and Sales. Mr. Laird led several financial turnaround situations as CEO of two Louisville, Kentucky hospitals: University Hospital and Suburban Hospital; He was Vice President of European Operations for Humana for 6 years. (1977-1983) He previously ran two hospitals for Humana in Texas and New Mexico. COO and CEO of various entrepreneur ventures (1992 – 1998); Senior Vice President for Norton Healthcare (1998 – 2006). For two years he headed up Norton Hospital. He was brought in to financially turn it around as well. Executive Vice President, Faulkner Healthcare Real Estate Prior (2006 – 2008); Mr. Laird joined JHSMH in March 2008 as a Senior Vice President of Business & Strategic Development. Professional: Board Member, Hôpital De La Tours, Geneva, Switzerland (1980-1983); Board Member, Humana Hospital, Madrid, Spain (1981-1983); Board Chairman, Letus, Redwood City, CA (1991-1994); Board Member, Healthcare International, Glasgow, Scotland (1991-1994); Board Member, HealthTask, Atlanta, GA (1995-1996); Co-Founder & Board Member, MTS and American Hospital Directory, Louisville, KY (1995-1998); Board Member, Medical News, Louisville (2006-2008); Board Member, Western Kentucky University Advisory Board, College of Education (2005 – Present); Board Member, MedX12 (2006-Present); Board Member, Nucleus (2008); Board Member, Metacyte (2008); Board Member, American Collaborative Biorepository (2008). Civic: Board Member,

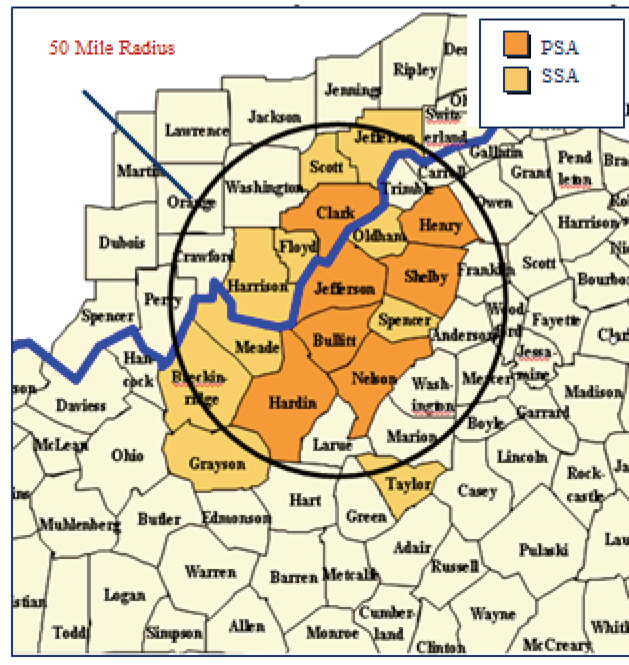
Esperanza, Hobbs, New Mexico (1974-1975); Board Member, Wellington Foundation, London, England (1978-1983); Board Chairman, American Church in London, England (1980-1983); Advisory Board Member, Christ United Methodist Church, Louisville, KY (1984-1989); Board Member, Kentucky Country Day School (KCD) (1984-1988); Board Chairman, (KCD), Louisville, KY (1989); Board Member, American Red Cross (1986-1989); The Cabbage Patch, Louisville, KY (2005-2008).

Stephen J. Scannell (52), Associate Chief Financial Officer and Vice President of Finance. Education: B.A. in Accounting, Bellarmine University, Louisville, Kentucky (1979); M.B.A., Bellarmine University, Louisville, Kentucky (1995); currently completing coursework for a Masters in Nonprofit Administration at University of Notre Dame. Employment History: Audit services (hospitals), Jones, Nale and Mattingly (1979-1980); Tax and audit services, Touche Ross & Company (now Deloitte & Touche), Mobile, Alabama (1980-1981); Eskew & Gresham (now Crowe Chizek), Louisville, Kentucky (1981-1983); Senior Auditor, Arthur Young (now Ernst & Young) (1983-1987); Audit Manager and Director of Education, Ernst & Young (1987-1988); Audit Manager (hospital division), Director (hospital and corporate audits), Humana, Inc. (1988-1989); Audit Senior Manager, Ernst & Young (1989-1992); Director of Finance for managed facilities, Jewish Hospital HealthCare Services, Inc. (1992-1997); Assistant Vice President of Financial Services, Jewish Hospital HealthCare Services, Inc. (1997-2004); Vice President of Finance and Associate Chief Financial Officer of the Corporation (2004-present). Professional: Board Member, Chair of Finance Committee, Meredith Dunn Learning Center (1989-1990); Member and Past President, Board of the Healthcare Financial Management Association Kentucky Chapter (HFMA) (1995-2003); Member of the Year, HFMA (1993); Frederick T. Muncie Gold Award, HFMA (1998). Civic: Board Vice President, Big Brothers Big Sisters (present).

Acting Chief Financial Officer. Since April 2008, the Corporation has not had a chief financial officer. It is currently conducting a search through a national search firm for a replacement with experience in both improving and implementing performance of healthcare entities similar to the Corporation. Management has initially targeted to fill this position by November 2008. In the interim, Navigant Consulting, Inc., in addition to assisting the Corporation in creating a plan for improving financial performance, is providing chief financial officer services for the Corporation.

SERVICE AREA AND SELECTED COMPARATIVE DATA

Corporation Service Area



The Corporation's primary service area ("PSA") and secondary service area ("SSA") counties are shown in the tables below. The PSA accounts for 80% of Corporation discharges while the SSA accounts for an additional 10% of discharges. The remaining approximate 10% of discharges is derived from the tertiary service area comprised of 100 additional counties in Kentucky, 42 additional counties in Indiana and counties in ten other states. The PSA has experienced a 3.1% growth in population from 2000 to 2005. The total population of the PSA is projected to reach 1.095 million persons by 2010. Population growth is projected to be greater outside Jefferson County in the smaller PSA counties of Bullitt, Shelby, Nelson, Henry and Hardin in Kentucky. Likewise, the SSA population is projected to grow 8.8% between 2010 and 2020 with high growth in Oldham and Spencer Counties in Kentucky.

The Corporation is positioning its geographic strategy through market development activities to be aligned with the population growth in Bullitt, Shelby, Oldham, Hardin, Henry, Spencer and Nelson Counties in Kentucky.

Corporation Service Area by County

Primary Service Area

COUNTY	Census 2000	2005	Projection 2010
JEFFERSON, KY	693,604	699,869	710,120
SHELBY, KY	33,337	36,820	41,445
BULLITT, KY	61,236	67,029	72,816
HARDIN, KY	94,174	97,956	102,848
CLARK, IN	96,474	105,035	105,917
NELSON, KY	37,477	40,977	45,000
HENRY, KY	15,060	15,761	16,605
PSA SUBTOTAL	**1,031,362**	**1,063,447**	**1,094,751**

Secondary Service Area

COUNTY	Census 2000	2005	Projection 2010
SPENCER, KY	11,766	15,356	19,384
OLDHAM, KY	46,178	51,988	58,123
HARRISON, IN	34,325	36,810	38,844
JEFFERSON, IN	31,705	32,704	33,044
FLOYD, IN	70,823	71,997	72,417
MEADE, KY	26,349	28,191	29,533
TAYLOR, KY	22,927	23,727	24,262
GRAYSON, KY	24,053	25,181	26,440
SCOTT, IN	22,960	23,820	24,740
BRECKINRIDGE, KY	18,648	19,276	20,459
SSA SUBTOTAL	**309,734**	**329,050**	**347,246**
PSA & SSA Total	**1,341,096**	**1,392,497**	**1,441,997**

Source: Kentucky State Data Center Population Projections

Economy & Major Employers

The Greater Louisville region is a 24-county area centered around Metro Louisville which became the 16th largest U.S. city after the merger of the City of Louisville and Jefferson County, Kentucky governments in 2003. It is located in the geographic center of the Ohio River Valley region at a focal point where railroads, highways and the Ohio River converge, offering excellent accessibility to all major markets, and is close to the population center of the United States. Metro Louisville, the largest municipality in Kentucky, is a commercial, industrial, medical, educational, cultural and financial center for the Greater Louisville region.

Metro Louisville is served by six railroad companies, which provide freight service to principal markets throughout the United States. Scheduled commercial airline service is available at Louisville International Airport and Bowman Field. The Louisville and Jefferson County Riverport Authority, and several privately-owned facilities provide public-use port facilities. Metro Louisville also serves as a U.S. Customs Port of Entry.

The following tables set forth information concerning population and per capita personal income in Louisville and Jefferson County.

Population Growth

Area	2000	Estimated 2006	Estimated 2007
Louisville/Jefferson County	693,604	703,617	709,264

Source: Bureau of the Census web-site www.census.gov

Per Capita Personal Income

	2004	2005	2006
Louisville MSA	$32,522	$33,748	$35,392

Source: Bureau of Economic Analysis web-site www.bea.doc.gov

The unemployment rate for the Louisville Metropolitan Statistical Area was 5.1% for 2007. The following table sets forth the unemployment percentage rates in the Lousiville MSA for the calendar years 2004 – 2007.

Unemployment Rates

	2004	2005	2006	2007
Louisville MSA	5.3%	5.9%	5.6%	5.1%

Source: Bureau of Labor Statistics web-site www.bls.gov

Major Employers

UPS Worldport, a $1.1 billion international air hub located at Louisville International Airport, gives local companies a strategic advantage in e-commerce, supply chain management and customer service. The hub enables Louisville companies to "expand" their business day because they can ship their product as late as midnight and still get it to their customers as early as 8:00 a.m. the next morning. UPS is currently expanding its Worldport hub by 1.1 million square feet, bringing the facility to 5.1 million square feet. UPS, already one of the largest employers in the state with more than 20,000 workers, plans to add 1,284 full-time jobs at the facility and 3,787 permanent part-time positions. UPS began work on its expansion in 2006, with the entire project to be completed by November 2010.

PRIVATE-SECTOR EMPLOYERS

Rank	Major Employers	2007 Employees	Product/Service	Year Founded
1.	United Parcel Service Inc.	20,674	Air express and distribution	1963
2.	Humana Inc.	8,775	Managed health care provider	1961
3.	Norton Healthcare Inc.	8,054	Health care	1886
4.	Ford Motor Co. - Kentucky Truck Plant Ford Motor Co. – Louisville Assembly Plant	7,586	Automotive manufacturer	1913

Rank	Major Employers	2007 Employees	Product/Service	Year Founded
5.	Jewish Hospital & St. Mary's HealthCare Inc.	6,229	Health care	1874
6.	GE Consumer & Industrial	5,000	Household appliance manufacturer	1953
7.	The Kroger Co	4,644	Retail grocer	1883
8.	Baptist Healthcare System	3,536	Health care	1924
9.	Kindred Healthcare Inc.	3,033	Health care	1985
10.	University of Louisville Hospital	2,417	Health care	1817
11.	Catholic Archdiocese Of Louisville	2,348	Schools/churches/ related activities	1808
12.	Yum Brands Inc.	2,219	Restaurant	1997
13.	Caesars Indiana	1,895	Gaming entertainment	1996
14.	Publishers Printing Co. LLC	1,689	Magazine printer	1866
15.	AT&T Inc.	1,561	Communications	1879
16.	American Commercial Lines Inc.	1,560	Barge construction	1939
17.	Lowe's Cos. Inc.	1,520	Retail	1984
18.	JPMorgan Chase & Co.	1,500	Banking/financial services	1854
19.	Anthem Blue Cross And Blue Shield Kentucky	1,438	Managed health care/insurance	1938
20.	Floyd Memorial Hospital And Health Services	1,409	Health care	1953

Greater Louisville is also an important center for local, state, and federal government agencies. The Kentucky Air National Guard and Army National Guard are headquartered at the Louisville International Airport; the U.S. Defense Department operates the Defense Mapping Agency and a veteran's hospital in the area; and the U.S. Corp of Engineers maintains the McAlpine Locks and Dam. Under a current federal base realignment and closure plan, Fort Knox military installation, located in three Kentucky counties, including Meade County, Kentucky (where the Corporation maintains a rural health clinic facility), is expected to increase its operations and population. The anticipated increase in soldiers and civilians should be at least 3,500, commencing in 2008.

PUBLIC-SECTOR EMPLOYERS

Rank	Major Employers	2007 Employees	Product/Service
1.	Jefferson County Public Schools	13,593	K-12 Public education
2.	University of Louisville	5,763	Higher education
3.	Louisville-Jefferson County Metro Government	5,698	Government service
4.	Kentucky State Government	4,535	Government service
5.	U.S. Government	2,822[1,2]	Federal government service
6.	U.S. Postal Service	2,653	Postal services
7.	Bullitt County Public Schools	1,700	K-12 Public education
8.	U.S. Bureau of the Census	1,638	Government service
9.	Greater Clark County Schools	1,600	K-12 Public education
10.	Oldham County Public Schools	1,448	K-12 Public education

Rank	Major Employers	2007 Employees	Product/Service
11.	Louisville VA Medical Center	1,406	Health care
12.	New Albany-Floyd County Consolidated School Corp.	1,400	K-12 Public education
13.	Shelby County Public Schools	956	K-12 Public education
14.	Jefferson Community and Technical College	722	Higher education
15.	Transit Authority of River City	672	Public transportation
16.	Louisville-Jefferson County Metropolitan Sewer District	584	Sewer service
17.	Clark County Government	474	Government service
18.	Louisville Water Co.	443	Water service
19.	Indiana University Southeast	429	Higher education
20.	South Harrison Community School Corp.	405	K-12 Public education

[1] Number includes employees in Jefferson, Bullitt, Shelby and Oldham counties. Number does not include employees of U.S. Postal Service, Louisville VA Medical Center or U.S. Census Bureau, nor the employees in Fort Knox, Kentucky.
[2] Number is as of December 31, 2006.
Source: Business First December 28, 2007

Louisville Market

The Corporation owns 34% (1,370) of the total licensed beds (excluding 75 approved beds not yet implemented at Jewish Hospital, 30 LTACH beds leased to Kindred Hospitals, and 40 rehab beds to be located at the Corporation's future MCNE) and services 29.1% of the total acute discharges in the Louisville market. Jewish Hospital operates with the highest patient occupancy rate of 83% among competitors, and compared to a total of 56% for the Louisville market. The Jewish Hospital average length of stay of 6.0 days is slightly higher than the Louisville average of 5.6 days. This is to be expected as Jewish Hospital provides a significant amount of tertiary care such as organ transplantation that other Louisville providers do not provide at their hospitals.

The Corporation's primary competition includes Baptist Hospital East with a 71% occupancy rate, University of Louisville Hospital (71%), Norton Suburban Hospital (67%), Norton Audubon Hospital (45%) and Norton/Kosair Children's Hospital (29%). Including CON-approved beds, Louisville has a total of 4,139 acute licensed beds.

2007 Hospital Statistics – Louisville Hospitals

Hospital	Beds Licensed	Number of Discharges	% of Total Discharges	Discharge Days	Avg. Length of Stay	Occupancy rate (%)
Corporation (1)	**1,370**	**42,323**	**29.1%**	**314,927**	**7.4**	**64%**
Jewish Hospital (2)	412	21,088	14.5%	124,943	5.9	83%
Sts. Mary & Elizabeth Hospital	331	12,437	8.6%	66,931	5.4	55%
Frazier Rehab Institute	135	1,872	1.3%	28,588	15.3	58%
Our Lady of Peace	416	4,315	3.0%	82,387	19.1	57%
Jewish Hospital Shelbyville	76	2,611	1.8%	12,078	4.6	47%
Baptist Hospital East	**519**	**29,509**	**20.3%**	**135.379**	**4.6**	**71%**
Norton Healthcare						
Norton/Kosair Children's Hospital	915	20,056	13.8%	98,459	4.9	29%
Norton Suburban Hospital	380	22,770	15.7%	93,405	4.1	67%
Norton Audubon Hospital	432	13,219	9.1%	71,472	5.4	45%
University of Louisville Hospital	**404**	**17,399**	**12.0%**	**104,348**	**6.0**	**71%**
Total	4,020	145,276	100%	817,990	5.6	56%

Notes:

(1) Excludes Gateway Rehab (40 beds) purchased by the Corporation in 2008 which the Corporation intends to locate at its future Northeast facility;
excludes Southern Indiana Rehab Hospital (60 beds) with the Corporation being 1/3 owner.

(2) Does not include 30 acute care beds leased to Kindred for LTACH;
excludes 75 CON approved acute care beds not yet implemented at Jewish Hospital.

Source: 2007 Kentucky Hospital Association Compdata; JHSMH Statistics.

Corporation Market Share

The following table indicates the Louisville inpatient market share held by the Corporation and the other non-profit hospital healthcare providers for the periods ended September, 30, 2006 and 2007.

	For the periods ended:	
	September 30, 2006[1]	September 30, 2007[1]
Corporation	31.9%	32.3%
Norton Healthcare	36.9%	36.3%
Baptist Hospital East	20.1%	19.9%
University Hospital	10.5%	11.2%
Gateway[2]	0.5%	0.3%

[1] Data without neonates/newborns/obstetrics and psychiatry

[2] Corporation purchased the 40 licensed beds from Gateway rehab in January, 2008

Source: 2007 Kentucky Hospital Association Compdata

The Louisville area non-profit hospital healthcare providers, exclusive of the Corporation, have commenced or completed significant projects in Metro Louisville. Baptist Hospital East has undertaken an approximate $130 million expansion to its main campus anticipated for opening in 2008. In addition, Baptist Hospital anticipates the opening of its approximate $63 million Eastpoint Ambulatory Center in 2008. Norton Healthcare is constructing an approximate $146 million Norton Brownsboro Hospital scheduled for completion in 2009. Also, Norton Healthcare is anticipating opening its approximate $9.7 million Norton Cancer Radiation Center in 2009. An approximate $40 million University of Louisville Faculty Medical Building is scheduled for opening in 2008.

The planned growth of the Corporation has been consistent and concentrated in its key specialized clinical centers of excellence. The growth is reflected in the market share for each of the following services. The Corporation has a commanding market share in adult transplantation (100%) and rehabilitation services (80.6%). Other notable high share services include: thoracic surgery (41.1%); cardiac services (39.2%); general medicine (39.0%) and vascular services (33.4%). The following table lists for 2007 adult medical surgical market share of the Corporation for the identified services:

2007 JHSMH Market Share
Inpatient Market Share by Clinical Service

CLINICAL SERVICE	2007 Market Share %
ADULT TRANSPLANTATION	100.0
REHABILITATION	80.6
THORACIC SURGERY	41.1
CARDIAC SERVICES	39.2
GENERAL MEDICINE	39.0
VASCULAR SERVICES	33.4
NEUROLOGY	29.5
ORTHOPEDICS	27.6
GENERAL SURGERY	26.2
UROLOGY	25.7
NEUROSURGERY	25.6
OPHTHALMOLOGY	25.4
ONCOLOGY	24.0
TOTAL	33.8

Source: Kentucky Hospital Association Compdata.

MEDICAL STAFF AND THE PHYSICIAN GROUP

Corporation Physicians

The Corporation's Medical Staff is organized and operated within the guidelines established by The Joint Commission ("Joint Commission"). Physicians admitted to practice at Jewish Hospital Shelbyville are divided into groups of Consulting, Active, Courtesy and Provisional Staff. Physicians admitted to practice at the other Corporation facilities are divided into groups of Active, Referring and Provisional Staff.

As of April 2008, the Corporation, exclusive of Jewish Hospital Shelbyville, had 1,503 members on the combined Medical Staff. Of these, 1,342 were on the Active Staff and 161 were on the Provisional Staff. The Corporation Medical Staff in Metro Louisville represents approximately one-third of the physicians listed by the Jefferson County Medical Society for 2008.

As of April 2008, Jewish Hospital Shelbyville listed 164 members on its Medical Staff. Of these, 54 were on the Active Staff , 85 were on the Courtesy Staff, 11 were on the Provisional Staff, and 14 were on the Consulting Staff.

Consistent with Joint Commission guidelines, the combined Medical Staff of Jewish Hospital, SMEH, OLOP, MCE, MCS, MCSW, St. Mary's Surgery Center and Frazier Rehab Institute (the "Corporation Medical Staff") is a formally organized body fully integrated and operational and interfacing with the Board of Trustees of the Corporation, the Frazier Rehab Institute Advisory Board, and the management of each facility. The Medical Staff of Jewish Hospital Shelbyville is separately organized and operates under its own Medical Staff Bylaws separate from the Corporation Medical Staff Bylaws. The President of the Corporation Medical Staff serves as a non-voting member of the Board of Trustees of the Corporation.

As of April 2008, the specialties of the Active, Courtesy and Provisional Medical Staff of the Corporation, exclusive of Jewish Hospital Shelbyville, and the number of physicians and the number of board certified physicians are set forth on the following charts. The average age of the Active Courtesy and Provisional Medical Staff of the Corporation is 51.

Corporation Medical Staff (exclusive of Jewish Hospital Shelbyville)

SPECIALTY	TOTAL NUMBER OF PHYSICIANS	BOARD CERTIFIED
Department of Medicine		
Allergy	13	12
Cardiology	112	98
Dermatology	25	22
Endocrinology	14	12
Family Practice	106	75
Gastroenterology	47	41
Internal Medicine	178	134
Hematology/Oncology	30	23
Infectious Disease	17	13
Nephrology	35	27
Neurology	33	22
Oncology	12	10
Pediatrics	35	32
Physical Medicine and Rehab	18	12
Pulmonary Diseases	43	33
Rheumatology	10	8
Department of Surgery		
Anesthesiology	45	37
Cardiac/Vascular/Thoracic	36	32
Colorectal Surgery	6	4
General Surgery	67	62
Gynecology	72	61
Hand Surgery/Plastics	22	8
Neurosurgery	16	14
Ophthalmology	48	39
Oral/Maxillofacial Surgery	29	23
Orthopaedic Surgery	80	63
Otolaryngology	32	32
Pediatric Surgery	13	10
Plastic Surgery	33	27
Surgical Assistants	11	2
Transplant Surgery	4	3
Urology	33	29
Other Departments		
Medical Imaging	66	58
Emergency Medicine	44	34
General Dentistry	9	1
Occupational Medicine	6	4
Pathology	11	10
Pain Management	17	6
Prosthodontics	1	1
Psychiatry	38	25
Podiatry	33	15
Palliative Medicine	3	3
Total	**1,503**	**1,177**

As of April 2008, the specialties of the Active, Courtesy and Provisional Medical Staff of Jewish Hospital Shelbyville, the number of physicians, and the number of board certified physicians are set forth below:

SPECIALTY **Dept. of Family Practice/Medicine**	**TOTAL NUMBER OF PHYSICIANS**	**BOARD CERTIFIED**
Allergy	7	7
Cardiology	10	10
Dermatology	0	0
Diagnostic Radiology/Medical Imaging	20	20
Emergency Medicine	17	17
Hospitalists in Emer. Med.	11	11
Endocrinology	0	0
Family Practice	17	15
Gastroenterology	1	1
Internal Medicine	3	3
Internal Med/Pediatrics	1	1
Infectious Disease	0	0
Nephrology	6	6
Neurology	1	0
Oncology/Hematology	6	0
Pediatrics	6	6
Pediatric Cardiology	4	4
Physical Medicine and Rehab	6	6
Pulmonary Diseases	4	3
Rheumatology	0	0
Dept. of Surgery		
Anesthesiology	2	2
General Dentistry	1	0
General Surgery	6	6
Hand Surgery/Orthopedics	1	1
Neurosurgery	1	1
Obstetrics/Gynecology	3	3
Ophthalmology	2	2
Oral/Maxiollofacial Surgery	3	1
Orthopaedic Surgery	4	4
Otolaryngology	6	6
Pain Management/Anesthesia	2	2
Pathology	5	5
Pediatric Orthopedics	0	0
Plastic Surgery	0	0
Spine Surgery/Orthopedics	1	1
Urology	7	7
Total	**164**	**151**

The average age of the Medical Staff of Jewish Hospital Shelbyville is 49.

The ten most active Jewish Hospital and SMEH admitting physicians, by specialty and age, are set forth below in the following two tables:

Top Physician Admitters – Jewish Hospital:

	Specialty	Age	Admissions	Patient Days
1	General Medicine	49	506	3,237
2	Cardiology	56	481	3,481
3	Family Practice	58	438	2,252
4	Family Practice	40	434	2,147
5	Orthopedics	46	399	1,211
6	Cardiology	46	382	2,101
7	General Medicine	34	260	1,793
8	Cardiology	50	253	1,642
9	General Medicine	52	247	1,827
10	General Medicine	35	243	1,660

Top Physician Admitters – Sts. Mary & Elizabeth Hospital:

	Specialty	Age	Admissions	Patient Days
1	General Medicine	44	552	3,118
2	Orthopedics	54	425	2,052
3	General Medicine	44	315	1,753
4	Cardiology	59	245	1,041
5	Pulmonology	53	212	1,400
6	General Medicine	43	187	1,063
7	General Medicine	51	169	1,205
8	Family Practice	46	164	1,186
9	General Medicine	32	162	997
10	Pulmonology	56	143	1,129

A change in admitting practices by a major admitter or a group of physicians could have an adverse effect on the Corporation. Although the Corporation believes that its relationship with its Medical Staff is good, the members of the Medical Staff have the right to change their hospital-based practice if they choose to do so.

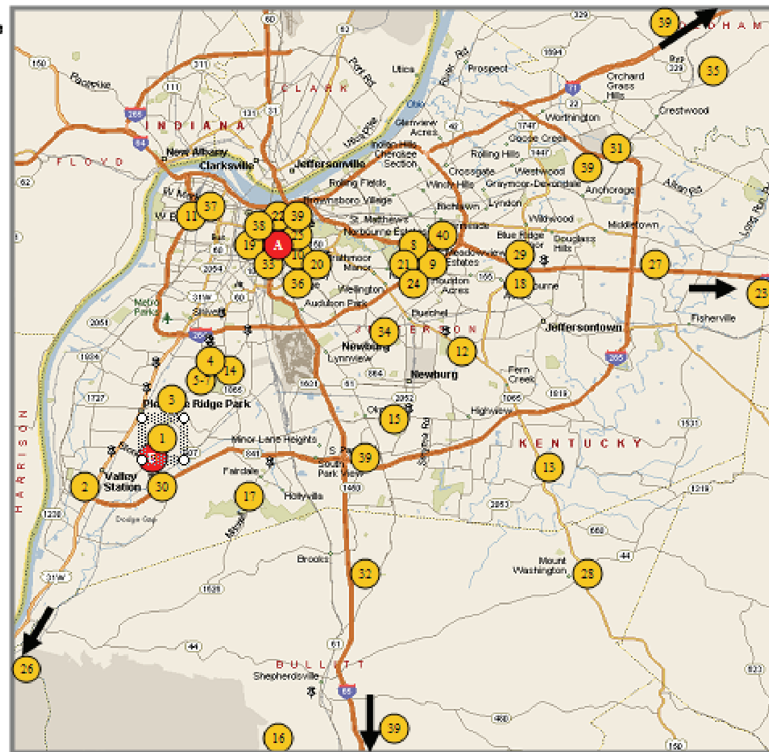
The Physician Group ("TPG")

The Physician Group at Jewish Hospital & St. Mary's HealthCare

A. Administration
B. Central Business Office

PRACTICE SITES

1. Valley Medical
2. Sun Valley Family Care
3. Southend Medical Clinic
4. Jefferson Medical Associates/Robert Jacob, MD
5. Associates in Anesthesiology
6. HIPS
7. The Colon Cancer Screening Program
8. Associates in Internal Medicine
9. Premier Internal Medicine
10. Gaylon Owens, MD
11. Westside Medical Center
12. Haller, Hazlett and Adams
13. Haller, Hazlett and Adams - Glenmary
14. Voltaire Briones, MD
15. Family Practice Associates
16. FPA – South
17. Fairdale Family Medical
18. Donald Venhoff, MD
19. eICU
20. Highlands Family Medicine
21. Dupont Internal Medicine
22. Louisville Heart Specialists
23. Louisville Heart Specialists (Shelbyville)
24. Neurology Associates of Greater Louisville
25. Louisville Neurology
26. JH Health Center - Meade County
27. Family Medicine East
28. Mt. Washington Medical Associates
29. Murphy & Wheeler Family Medicine (Dec. 2007)
30. Southwest Internal Medicine
31. Ford Motor Company
32. Saleem Family Medicine
33. Hand Care Center Anesthesia
34. Peace Psychiatric & Counseling Services
35. Crestwood Family Care
36. Kentuckiana Adult Medicine
37. Jewish Hospital Diabetes Center
38. Medical Center Anesthesiologists
39. Orthopaedic Associates (5 locations)
40. Kentuckiana Colon & Rectal Surgery



Since the merger, the Corporation has embarked on an extensive effort to cause physicians and physician groups to align with the Corporation's health system. This physician alignment strategy is intended to allow the physicians and the Corporation to work together seamlessly, and to allow the physicians to drive clinical and quality decisions while the administration advises on the operations of the Corporation. This strategy is designed to allow the Corporation and its aligned physicians to deliver the highest quality of care in the most efficient manner and to meet the goals of both the physicians and the Corporation. The Corporation is implementing this strategy through several methods, with physician employment being the initial and primary focus currently.

TPG employs substantially all of the physicians that the Corporation employs. The Corporation, through TPG, has expanded significantly its employed physicians from approximately 50 physicians employed at the time of merger to more than 120 physicians and more than 40 physician extenders employed currently. TPG's employed physicians provide healthcare services at 40 practice sites throughout the Corporation's PSA and SSA. TPG has developed an economic compensation model that encourages physician productivity while enhancing quality outcomes. TPG also has developed other alignment strategies to increase physician involvement with, and integration into, the Corporation's health system.

UTILIZATION AND FINANCIAL PERFORMANCE

Utilization of the Corporation's Facilities

Data regarding utilization of the Corporation's facilities for the fiscal years ended December 31, 2005, 2006 and 2007, and for the four months ended April 30, 2007 and 2008, are summarized as follows:

	Years Ended December 31,			Four Months Ended April 30,	
	2005	2006	2007	2007	2008
Licensed Beds:					
Jewish Hospital (1)	442	442	442	442	442
Frazier Rehab Institute	135	135	135	135	135
Jewish Hospital Shelbyville	76	76	76	76	76
Four Court Senior Center	71	71	71	71	
St. Mary's & Elizabeth	331	331	331	331	331
Our Lady of Peace	416	416	416	416	416
Total Licensed Beds (2)**	1,471	1,471	1,471	1,471	1,400
Beds in Service	1,219	1,190	1,173	1,173	1,102
Occupancy Rate – Licensed Beds	71.44	64.29	64.89	68.06	65.46
Occupancy Rate – Beds in Service	84.07	79.47	81.37	85.35	83.16
Acute Care Discharges	24,774	34,371	35,167	12,017	11,871
Rehab Discharges	1,679	1,856	1,872	597	655
Long-term Care Discharges	445	1,268	1,236	392	374
Psych Discharges	662	4,074	4,315	1,348	1,228
Total Discharges	27,560	41,569	42,590	14,354	14,128
Acute Care Days	144,793	190,554	192,382	67,046	66,872
Rehab Days	24,990	29,392	28,588	9,824	10,358
Long-term Care Days	32,012	38,988	38,649	12,915	6,346
Psych Days	13,177	80,119	82,387	28,282	25,256
Observation Days	6,282	6,144	6,382	2,071	2,056
Total Days	221,254	345,197	348,388	120,138	110,888
Adjusted Acute Patient Days	252,967	339,993	352,354	119,880	123,563
Jewish Hospital Only:					
Medicare Average Length of Stay	6.70	6.56	6.40	6.45	6.71
Total Average Length of Stay	6.10	6.00	6.00	6.00	6.10
Medicare Case Mix Index	2.08	2.13	2.08	2.13	2.08
Total Case Mix Index	2.06	2.02	2.04	2.02	2.02
St. Mary's & Elizabeth					
Medicare Average Length of Stay	5.25	5.44	5.35	5.49	5.48
Total Average Length of Stay	4.60	4.90	4.90	5.00	5.00
Medicare Case Mix Index	1.17	1.28	1.44	1.49	1.33
Total Case Mix Index	1.10	1.22	1.34	1.40	1.33

(1) Jewish Hospital leases 30 acute beds to Kindred for LTACH unit.
Jewish Hospital excludes 75 acute care beds CON approved but not yet implemented.

(2) The Corporation excludes 40 beds purchased from Gateway Rehab in 2008, which the Corporation intends to locate at its future MCNE.

Utilization data includes inpatient and outpatient use of the Corporation's ancillary services for the fiscal years ended December 31, 2005, 2006 and 2007, and for the four months ended April 30, 2007 and 2008, and are summarized as follows:

	Years Ended December 31,			Four Months Ended April 30,	
	2005	2006	2007	2007	2008
Surgical Cases – Inpatient	9,964	12,014	12,061	4,082	3,841
Surgical Cases – Outpatient	27,683	34,728	33,659	11,299	10,922
	37,647	46,742	45,720	15,381	14,763
Endoscopy – Inpatient	3,529	5,245	5,202	1,830	1,901
Endoscopy Cases – Outpatient	10,982	15,099	16,201	5,269	5,036
	14,511	20,344	21,403	7,099	6,937
Heart Cath Procedures – Inpatient	3,436	5,716	5,636	2,058	1,835
Heart Cath Procedures – Outpatient	2,704	4,633	5,038	1,897	1,703
	6,140	10,349	10,674	3,955	3,538
Angioplasty Procedures – Inpatient	1,487	1,700	1,387	524	399
Angioplasty Procedures – Outpatient	400	404	409	123	215
	1,887	2,104	1,796	647	614
Cardiology Procedures – Inpatient	58,173	51,790	54,699	18,994	18,682
Cardiology Procedures – Outpatient	35,008	33,492	36,942	12,675	12,872
	93,181	85,282	91,641	31,669	31,554
Laboratory tests – Inpatient	1,309,117	1,602,100	1,670,775	588,624	600,904
Laboratory tests – Outpatient	596,921	811,381	914,365	299,539	337,582
	1,906,038	2,413,481	2,585,140	888,163	938,486
Medical Imaging Procedures–Inpatient	120,452	184,950	192,132	66,168	64,894
Medical Imaging Procedures–Outpatient	181,606	289,401	330,490	104,116	114,245
	302,058	474,351	522,622	170,284	179,139
MRI's and PET Scans – Inpatient	3,860	5,174	6,559	1,943	2,143
MRI's and PET Scans – Outpatient	13,957	17,318	20,330	6,358	7,072
	17,817	22,492	26,889	8,301	9,215
Emergency Room–Inpatient	11,637	19,040	20,138	6,754	7,196
Emergency Room–Outpatient	67,825	108,741	132,982	39,806	49,919
	79,462	127,781	153,120	46,560	57,115
Physical, Occupational, and Speech Therapy Procedures – Outpatient**	263,518	272,607	272,916	91,152	91,593
Transplants:					
Heart	17	15	11	5	4
Kidney	77	90	88	20	28
Pancreas	6	4	10	-	-
Liver	43	37	43	15	8
Lung	13	12	7	3	2
Transplants	156	158	159	43	42
Home Health Visits*	227,037	205,579	169,092	61,556	58,538
Home Health Episodes**	7,954	7,285	8,221	2,635	2,973

* Decreases due to implementation of Medicare prospective payment system for these services.

** Only includes Medicare episodes for years 2005 and 2006.

Financial Results of the Corporation

The consolidated financial statements of Jewish Hospital & St. Mary's HealthCare, Inc. as of December 31, 2007 and 2006 and for the years then ended, included in *APPENDIX B* have been audited by Ernst & Young LLP, independent auditors, as stated in their report included in *APPENDIX B*.

Unaudited condensed consolidated financial statements as of April 30, 2008 and unaudited condensed consolidated statements of operations and changes in net assets of the Corporation for the four-month periods ended April 30, 2008 and 2007 are included in *APPENDIX B*. The unaudited condensed consolidated financial statements include all adjustments, consisting of normal recurring accruals, which the Corporation considers necessary for a fair presentation of the results of operations for the four-month periods ended April 30, 2008 and 2007. Management believes these financial statements are in conformity with generally accepted accounting principles, applied in a basis substantially consistent with the audited consolidated financial statements included in *APPENDIX B*.

Jewish Hospital & St. Mary's HealthCare, Inc. Financial Results

	Year ended December 31,			Four Months Ended April 30,	
	2005*	**2006**	**2007**	**2007**	**2008**
		(In Thousands)		*(In Thousands)*	
Operating revenues:					
Net patient service revenue	$ 564,589	$ 812,187	$ 870,708	$ 290,728	$ 312,892
Investment income	3,093	2,216	2,531	1,012	918
Other operating revenue	26,449	27,468	31,152	9,411	10,149
Operating revenues	594,131	841,871	904,391	301,151	323,959
Operating expenses:					
Personnel	262,816	388,495	413,097	135,075	143,595
Non-personnel	253,068	340,118	353,567	116,396	120,741
Provision for doubtful accounts	38,440	68,418	87,411	26,258	33,370
Depreciation	39,169	38,861	42,616	14,117	13,759
Interest	11,682	16,009	17,681	5,844	6,771
Operating expenses	605,175	851,901	914,372	297,690	318,236
Income (loss) from operations before non-recurring expenses and equity in earnings of uncombined entities	(11,044)	(10,030)	(9,981)	3,461	5,723
Non-recurring expenses:					
Asset impairment	12,460	-	-	-	-
Integration and transitional expenses	4,216	797	-	-	-
Due diligence	1,751	(58)	-	-	-
Non-recurring expenses	18,427	739	-	-	-
Income (loss) from operations before equity in earnings of uncombined entities	(29,471)	(10,769)	(9,981)	3,461	5,723
Equity in earnings of uncombined entities	796	295	445	337	42
Operating income (loss)	(28,675)	(10,474)	(9,536)	3,798	5,765
Nonoperating items:					
Investment income	14,301	22,527	10,171	10,284	(14,462)
Other, net	(4,362)	1,697	(529)	1	4,033
Nonoperating gain (loss), net	9,939	24,224	9,642	10,285	(10,429)
Excess of revenues over expenses (expenses over revenues)	$ (18,736)	$ 13,750	$ 106	$ 14,083	$ (4,664)

* The 2005 financial results include operations of the former Jewish Hospital Health Services (JHHS) entities from January 1, 2005 through December 31, 2005 and operations of the merged Caritas Health Services (CHS) entities from November 1, 2005 through December 31, 2005. If CHS had been reported for the entire year ended December 31, 2005, consolidated operating revenue would have been $773 million, operating loss would have been $31 thousand and net loss would have been $23 thousand.

In previous years, JHSMH's investments were classified as other-than-trading. As such, unrealized gains and losses that were considered temporary were excluded from the excess of revenues over expenses. During 2007, management determined that its investment portfolio was more accurately classified as trading with unrealized gains and losses included in excess of revenues over expenses. Reclassifications made in the financial statements are explained in the below table:

	2005	2006	2007	Four Months Ended 2007
Excess of revenues over expenses before reclassification	$ (20,739)	$ 8,436	$ 7,618	$ 11,512
Reclassification to investment income	2,003	5,314	(7,512)	2,571
Excess of revenues over expenses after reclassification	$ (18,736)	$ 13,750	$ 106	$ 14,083

The financial results presented above are of the Corporation. The Obligated Group is included in above and comprises all material operating business units of the Corporation. The excess of revenues over expenses (expenses over revenues) for the Obligated Group is ($21.7) million, $10.8 million, and ($176) thousand for the years ended December 31, 2005, 2006 and 2007, respectively, compared to excess of revenues over expenses (expenses over revenues) for the Corporation of ($18.7) million, $13.8 million and $106 thousand for the years ended December 31, 2005, 2006 and 2007, respectively. The excess of revenues over expenses (expenses over revenues) for the Obligated Group is $10.7 million and ($847) thousand, for the four-month periods ended April 30, 2007 and 2008, respectively, compared to excess of revenues over expenses (expenses over revenues) for the Corporation of $14 million and ($4.7) million for the four-month periods ended April 30, 2007 and 2008, respectively.

The Corporation has caused The Bank of New York Mellon Trust Company, N.A. as successor Dissemination Agent, to file audited financial statements of the Corporation for the years ended December 31, 2006 and 2007 with the following Nationally Recognized Municipal Securities Information Repositories: Bloomberg Municipal Repository, 100 Business Park Drive, Skillman, New Jersey 08558; DPC Data, Inc., One Executive Drive, Fort Lee, New Jersey 07024; Interactive Data Pricing and Reference Data, Inc., Attn: NRMSIR, 100 William Street, New York, New York 10038; and Standard & Poor's, 55 Water Street, 45th Floor, New York, New York 10041; and information filed with these repositories and as further supplemented from time to time, is included by reference herein.

Management's Discussion of Performance for the Years Ended December 31, 2007, December 31, 2006 and December 31, 2005

The following discussion should be read together with consolidated financial statements and the notes thereto included in Appendix B.

Overview. The Corporation is a not-for-profit corporation located in Louisville, Kentucky providing hospital, outpatient care, occupational health, psychiatric care, rehab medicine and physician services.

Critical Accounting Policies. Management's discussion and analysis of financial condition and results of operations are based upon the Corporation's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these consolidated financial statements requires the use of estimates and judgments that affect the reported amounts and related disclosures of commitments and contingencies. The Corporation relies on historical experience and on various other assumptions that management believes to be reasonable under the circumstances to make judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ materially from these estimates.

The Corporation believes the following critical accounting policies, among others, affect the more significant judgments and estimates used in the preparation of its consolidated financial statements.

Revenue recognition. The Corporation has agreements with Medicare, Medicaid and other third party payors that provide for payments. These payment arrangements may be based upon prospective rates, discounts from established charges, or per diem payments. Net patient service revenue is recorded

at the estimated net realizable amounts from Medicare, Medicaid, other third party payors and individual patients for services rendered. Retroactive adjustments that are likely to result from future examinations by third party payors are accrued on an estimated basis in the period the related services are rendered and adjusted as necessary in future periods based upon new information or final settlements.

Collectability of accounts receivable. Accounts receivable consist primarily of amounts due from the Medicare and Medicaid programs, other government programs, managed care health plans, commercial insurance companies and individual patients. Estimated provisions for doubtful accounts are recorded to the extent it is probable that a portion or all of a particular account will not be collected.

In evaluating the collectability of accounts receivable, the Corporation considers a number of factors, including the age of the accounts, changes in collection patterns, the composition of patient accounts by payor type, and general industry conditions. Actual collections of accounts receivable in subsequent periods may require changes in the estimated provision for loss. Changes in these estimates are charged or credited to the results of operations in the period of the change.

The provision for doubtful accounts totaled $87 million, $68 million and $38 million for the years ended December 31, 2007, 2006 and 2005 respectively.

Estimated malpractice costs. The provision for estimated self-insured medical malpractice claims includes estimates of the ultimate costs for incurred claims that have been identified and for claims that have been incurred but not reported. See note 7 of the notes to the consolidated financial statements.

Recently Issued Accounting Pronouncements. In September 2006, the Financial Accounting Standards Board ("FASB") issued SFAS 157, which addresses how companies should measure fair value when they are required to use a fair value measure for recognition or disclosure purposes under generally accepted accounting principles. SFAS 157 is effective for fiscal years beginning after November 15, 2007. In February 2008, FASB issued SFAS 157-2 , which deferred the effective date of SFAS 157 for one year for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. The provisions of SFAS 157 apply to assets and liabilities, including investments, loans and transfers of financial assets, derivatives, financial liabilities, and other various financial assets and liabilities. The adoption of SFAS 157 did not have a material impact on the Corporation's financial position, results of operations or liquidity.

Results of Operations. Management has focused for the past three years on growth. This has included the signing of the Affiliation Agreement, effective November 1, 2005 with Caritas which operates SMEH, OLOP, a home healthcare entity and a physician group. In 2006 and 2007, respectively, the Corporation opened MCS and MCSW.

Operating revenue increased 7% for the year ended December 31, 2007 to $904 million compared to $842 million for the year ended December 31, 2006, primarily as result of increased market share. Operating revenue increased 42% for the year ended December 31, 2006 compared to the year ended December 31, 2005, primarily as a result of the Affiliation Agreement with Caritas, which was effective November 1, 2005.

Despite growth in market share and operating revenues, operating margins did not improve materially, primarily because operating expenses also increased 7% for the year ended December 31, 2007 as compared to the year ended December 31, 2006. Although, the growth over the past three years has been instrumental in the long-term success of the organization, the Corporation has engaged Navigant Consulting, Inc., a national consulting firm, to help the Corporation reduce its operating expenses, increase productivity and improve its operating margin.

Capital costs. Depreciation expense increased to $43 million for the year ended December 31, 2007 from $39 million for the years ended December 31, 2006 and 2005. The increase is primarily the result of incurred growth at MCS, MCSW, and investment in existing infrastructure.

Interest expense increased to $18 million for the year ended December 31, 2007 from $16 million for the year ended December 31, 2006 and $12 million for the year ended December 31, 2005. The increase is primarily a result of previously capitalized projects being placed in service, such as MCS and Frazier Rehab.

Investment income decreased to $10 million for the year ended December 31, 2007 compared to $23 million for the year ended December 31, 2006 and $14 million for the year ended December 31, 2005. The fluctuation has primarily been driven by market changes.

Liquidity. Cash flows provided by operations aggregated $45 million for the year ended December 31, 2007, $36 million for the year ended December 31, 2006 and $86 million for the year ended December 31, 2005. During each year the Corporation has maintained sufficient liquidity to fund ongoing capital expenditure programs.

Cash and cash equivalents totaled $38 million at December 31, 2007 compared to $35 million at December 31, 2006 and $45 million at December 31, 2005. Long-term debt, note payable and capital lease obligations at December 31, 2007 totaled $372 million.

Capital Resources. Capital expenditures were $44 million for the year ended December 31, 2007, $53 million for the year ended December 31, 2006 and $81 million for the year ended December 31, 2005.

Management believes that its capital expenditure program is adequate to improve and equip existing facilities.

Other Information.

Effects of inflation and changing prices. The Corporation derives a substantial portion of its revenues from the Medicare and Medicaid programs. Congress and certain state legislatures may enact reimbursement changes limiting the Corporation's ability to recover its cost increases through increased pricing of its healthcare services.

The Corporation believes that its operating margins may continue to be under pressure as the growth in operating expenses, particularly labor and employee benefits costs, exceeds payment increases from third party payors.

Effects of Failed Auction Rate Certificates. The Series 2002 Bonds and the Series 2004 Bonds were issued as Auction Rate Certificates ("ARCs"). In recent months, several financial institutions that supported the auction bidding for the ARCs have discontinued their support and interest rates have increased as auctions have failed to produce adequate bids. These events have not had a material impact on the Corporation's operating results for the first quarter of 2008, as the first failure occurred on February 13, 2008. Continued auction failures will increase the rates paid on these ARCs (as of April 1, 2008, at approximately 3.6%), which could reach a maximum rate of 12% as prescribed in the respective Bond Indentures for the Series 2002 Bonds and the Series 2004 Bonds. A portion of the proceeds from the sale of the Series 2008 Bonds offered hereby is to refund the Series 2002 Bonds and the Series 2004 Bonds.

Sale of Nursing and Assisted-Living Facility. In February 2008, the Corporation sold the assets of Four Courts Senior Center. The gain on the sale of the facility was $3,326,000. Certain assets of Four Courts were financed with proceeds from bond issues that have subsequently been refinanced as part of the Series 1996 Bonds and the Series 2002 Bonds. Approximately $905,000 of Series 1996 Bonds and $2,575,000 of the Series 2002 Bonds will require redemption within 90 days of the sale.

Management's Discussion of Performance for the Four Months Ended April 30, 2008 Compared to the Four Months Ended April 30, 2007

The following discussion should be read together with consolidated financial statements and the notes thereto included in Appendix B. Critical Accounting Policies (including Revenue Recognition, Collectability of Accounts Receivable (except as noted below) and Estimated Malpractice Costs) and Recently Issued Accounting Pronouncements and Other Information are the same for the periods discussed below as for the Years Ended December 31, 2007, December 31, 2006 and December 31, 2005 set forth above.

Collectability of accounts receivable. The provision for doubtful accounts totaled $33 million and $26 million for the periods ended April 30, 2008 and 2007, respectively. The increase is primarily a result of an increase in self pay utilization.

Results of Operations. Revenues increased 7.6% to $324 million for the four months ended April 30, 2008 compared to $301 million for the similar period in 2007, primarily as a result of favorable reimbursement increases. Acute discharges decreased less than 1% in the four months ended April 30, 2008 compared to the same period in 2007. The Corporation generated additional discharges in 2008 by the opening of MCSW in August 2007.

Personnel wage and benefit costs increased 6.3% to $144 million for the four months ended April 30, 2008 from $135 million for the same period in 2007. The non-inflationary increase is principally attributable to more employed physicians in comparison with the same period during 2007 and the opening of MCSW.

Included within non-personnel operating expenses, there is a non-recurring out of period net favorable impact of $1.6 million related to refunds for amended provider tax returns that positively affects April 2008 operating income.

Capital costs. Depreciation expense decreased to $13.8 million for the four months ended April 30, 2008 compared to $14.1 million for the same period in 2007. The decrease is a result of a slow down of capital spending.

Interest expense increased to $6.8 million for the four months ended April 30, 2008 compared to $5.8 million for the same period in 2007. The increase was primarily a result of higher interest rates resulting from failed remarketings of the ARCs related to the Series 2002 and Series 2004 Bonds.

Investment income decreased to a loss of $14.5 million for the four months ended April 30, 2008 compared to income of $10.3 million for the same period in 2007. The loss in the first four months of 2008 is primarily the result of market changes.

Liquidity. Cash flows provided by operations aggregated $14 million for the four months ended April 30, 2008 compared to $11 million for the same period a year ago. Operating cash flows have

remained relatively consistent for the four months ended April 30, 2008 as compared to the same period in 2007.

At April 30, 2008 cash and cash equivalents totaled $41 million compared to $38 million at April 30, 2007.

Long-term debt, note payable and capital lease obligations were $363 million at April 30, 2008. There have been no additions to long-term debt during the four months ended April 30, 2008.

Capital Resources. Capital expenditures were $11.6 million and $18.3 million for the four months ended April 30, 2008 and 2007.

Management believes that its capital expenditure program is adequate to improve and equip existing facilities.

Source of the Corporation's Revenue

Approximately 95% of the total operating revenues of the Corporation, which includes Jewish Hospital, MCE, MCS, MCSW, Frazier Rehab Institute, VNA, VNA Home Infusion, Jewish Hospital Shelbyville, SMEH, OLOP and Four Courts is derived from payments received from third party payors, including the federal government under the Medicare program, the Kentucky Department for Human Resources under its Medicaid program and commercial insurance carriers, including but not limited to Anthem and Humana. The following is an approximate percentage breakdown of patient service revenue by source for the fiscal years ended December 31, 2005, 2006 and 2007 and for the four months ended April 30, 2007 and 2008.

Percentage Of Revenue By Source In Dollars

	Years Ended December 31,			**Four Months Ended April 30,**	
	2005	**2006**	**2007**	**2007**	**2008**
Medicare	38.5%	40.7%	43.0%	42.5%	43.8%
Medicaid and Other Welfare Programs	6.1%	8.7%	9.1%	8.3%	9.4%
Commercial Insurance	28.3%	24.2%	18.4%	22.6%	15.3%
Humana	7.1%	9.5%	9.4%	10.5%	9.0%
Anthem	15.0%	11.6%	13.7%	11.7%	15.1%
All Other, Including Self-Pay	5.0%	5.3%	6.4%	4.4%	7.4%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

Payments to acute care hospitals for services to members of Anthem and Humana are on the basis of diagnosis related groups. Rehabilitative stays are reimbursed on a per diem or negotiated rate basis for Anthem and Humana. A few other commercial payors also pay case rates in certain instances. The majority of payments for other commercial plans is based on a discount from billed charges or per diem based reimbursement methodology.

The hospitals within the Corporation are certified providers for the Medicare and Medicaid programs. The Medicare program reimburses the hospitals on the basis of diagnosis related groups for acute care inpatient stays. Rehabilitative cases are reimbursed on a prospective payment system.

The Medicare program is administered by the Social Security Administration, through National Government Services of Kentucky, its fiscal intermediary in Kentucky. The Medicaid program, which is the state's welfare program of payments to hospitals for provision of medical services to the indigent, currently bases its traditional reimbursement on the basis of diagnosis related groups for acute care inpatient stays and per diems for psychiatric patients, funded approximately 70% by the federal government and approximately 30% by the state government. Certain Medicaid beneficiaries are enrolled in the Passport program administered by University Health Care, Inc., a joint-venture among the Corporation, Norton Healthcare, Inc., University Medical Center, Inc., the University of Louisville Medical School Practice Association and the Louisville/Jefferson County Primary Care Association. For a description of certain recent changes in the Medicare and Medicaid programs, see "BONDHOLDERS' RISKS."

ADDITIONAL INFORMATION

Employees

As of December 31, 2007, the Obligated Group employed 5,645 full-time employees and 2,370 part-time employees, for a total of 6,188 full-time equivalent employees. The Obligated Group has never experienced a work stoppage, nor have any areas of service ever been closed due to a shortage of nurses or other personnel. Employees are not represented by a labor union and the Obligated Group is not engaged in any activities related to unionization or collective bargaining. The Obligated Group considers relations with employees to be very good. Our August 2007 Team Member Satisfaction survey resulted in our team member satisfaction being at the 81st percentile (in the top 20% percentile of all facilities surveyed across the country).

Volunteer Services

The Obligated Group has a volunteer force of over 200 individuals who provide numerous services, including staffing the information desk, delivering patient mail, data entry in several hospital departments and assisting families in the Intensive Care waiting room. Volunteers donate over 20,000 hours in 30 service areas each year.

Insurance Program

The Corporation and affiliates provide for professional liability insurance through [i] a self-funded insurance trust that covers claims up to $2,000,000 per occurrence and $14,000,000 annual aggregate; and [ii] a $35,000,000 per occurrence and $35,000,000 annual aggregate excess commercial professional and general liability coverage insurance policy covering claims above the primary level. An annual review of the funding requirements of the self-funded trust by an independent actuarial firm provides the basis for contributions to the trust.

The Corporation and affiliates maintain all-risk property insurance, with endorsements for business interruption, gross earnings, additional perils and contingent business interruption for all its facilities with a $1,000,000,000 limit combined Property Damage and Business Interruption coverage; fleet auto insurance with a limit of $1,000,000; non-owned aircraft liability insurance with a limit of $15,000,000; heliport liability insurance with a limit of $15,000,000; garagekeepers' liability insurance with a limit of $1,000,000; directors' and officers' liability and reimbursement insurance with an aggregate limit of $10,000,000; and fiduciary liability (including pension fund insurance) and crime

coverage (including employee dishonesty coverage) with a limit of $10,000,000. The Corporation and affiliates are self-insured against workers' compensation liability with a self-insured retention amount of $750,000. The Corporation purchases excess workers' compensation insurance with a limit of $25,000,000 and employers' liability insurance with a limit of $1,000,000.

Education

Through a series of affiliation agreements with the University of Louisville, the Corporation and Jewish Hospital maintain active teaching programs for medical students, interns and residents, including programs in surgery, internal medicine and family practice. Special programs are also maintained in a number of medical and surgical sub-specialties. In August of 2007, Jewish Hospital opened the Jewish Hospital Podiatric Residency Program, its first owned residency program, wherein Jewish Hospital employs residents and operates an active teaching program in podiatric medicine.

Accreditation, Memberships, Affiliations, Licensing

The Corporation and its provider-based facilities, including Jewish Hospital and SMEH, received a three year accreditation from the Joint Commission in January 2006. Jewish Hospital Shelbyville received a three year accreditation from the Joint Commission in April 2008. Jewish Hospital's, SMEH's and OLOP's state licenses were most recently renewed through November 2008.

The Social Security Administration has certified each of Jewish Hospital, Jewish Hospital Shelbyville and SMEH as a Medicare Provider Hospital; and approved Jewish Hospital's End – Stage Renal Disease Program and Renal Transplantation Services. With respect to its heart transplantation program, Jewish Hospital is on the national Network for Blue Cross as a preferred provider and a Medicare approved facility.

Jewish Hospital, Jewish Hospital Shelbyville and SMEH are members of the American Hospital Association, Kentucky Hospital Association, and the Healthservice Council of Metropolitan Louisville. Jewish Hospital is also a member of Louisville Medical Center, Inc.

Jewish Hospital, Jewish Hospital Shelbyville and SMEH are affiliated by agreements with numerous educational institutions throughout Kentucky, Indiana and various other states; their primary affiliations being with the University of Louisville located in Louisville, Kentucky.

Litigation

U.S. Attorney's Office Investigation. In July 2005, two former employees of Scott Memorial Hospital filed a qui tam action under seal in the United States District Court for the Southern District of Indiana against Scott Memorial Hospital and the Corporation alleging improper billing practices for tests and lab procedures conducted by the laboratory at Scott Memorial. The Corporation is a party to this action due to its management contract via its wholly-owned subsidiary, MedGroup Management, LLC with Scott Memorial. In early 2007, the U.S. government declined to intervene in this action and the seal was lifted on the complaint. Discovery is being conducted. Although the outcome of the case cannot be predicted with certainty, management reasonably believes that the outcome of the case will not have a material adverse effect on the Corporation's financial position.

Employment Litigation.. In January 2001, an employee of Jewish Hospital filed a complaint in Jefferson Circuit Court, Louisville, Kentucky, alleging race, age and sex discrimination, breach of contract, promissory estoppel and intentional infliction of emotional distress. The plaintiff seeks compensatory and punitive damages. On December 5, 2001, the plaintiff filed a motion to amend the complaint to add an additional plaintiff and to convert the case to a class action. On February 1, 2002, the

court granted the motion to amend. Plaintiff's motion to certify the class was subsequently denied, but the Court allowed Plaintiff's counsel to add approximately 24 additional plaintiffs to the lawsuit. The Plaintiffs' claims will be tried in small groups based on the substance of the allegations. Discovery in the case is ongoing. The first trial is scheduled to begin on August 12, 2008. The Corporation is vigorously defending the action. Management of the Corporation reasonably believes that the outcome of this litigation will not have a material adverse effect on the Corporation's financial position.

Other Litigation.. The Corporation and other unrelated parties are defendants in various medical malpractice or employment lawsuits other than those described above. Management of the Corporation believes that it possesses adequate defenses to these claims, and in the event of any adverse judgments to the Corporation, management believes that adequate reserves and insurance are available for satisfaction of any such judgments. The Corporation is involved in other litigation from time to time, none of which management considers material to the Corporation.

OIG Self-Disclosure. In early 2007, through its internal compliance program, the Corporation discovered irregularities which resulted in limited overpayments to certain physicians within its home health agency division. As a result, on October 16, 2007, the Corporation self-disclosed these irregularities to the Office of Inspector General pursuant to the voluntary self-disclosure program. In April 2008, the Corporation provided additional information upon the government's request. Although the outcome is uncertain, management of the Corporation reasonably believes that the outcome of this disclosure will not have a material adverse effect on the Corporation's financial position.

Kentucky Licensure. In January, 2006 the Kentucky Cabinet for Health and Family Services (the "Cabinet") issued a statement of deficiency asserting that MCE is not being operated in compliance with a Kentucky regulation for ambulatory surgery centers. The Corporation believes that its operations are in accordance with the applicable Kentucky licensure regulations and has been engaged in a dialogue with the Cabinet regarding the appropriateness of the statement of deficiency. From January 2006 to November 21, 2007, the Cabinet gave the Corporation extensions on responding to the statement of deficiency. On November 21, 2007, the Secretary of the Cabinet issued a letter concluding that the existing Kentucky regulation needed clarification and that MCE could maintain the status quo with respect to its services and operations while the regulation is revised.

The Cabinet has not yet promulgated a new regulation for ambulatory surgery centers, but a proposal has been circulated by a committee of the Kentucky Hospital Association (the "KHA"), which the Corporation views as adverse to the Corporation's position on the issue. If the language of the KHA proposal were adopted by the Cabinet and incorporated into a new regulation, such a result could adversely affect reimbursement or payment to the Corporation for certain services and procedures currently performed at MCE. The Corporation intends to continue to negotiate with the Cabinet and KHA regarding the language of the proposed new regulation. Management reasonably believes that an unfavorable outcome regarding the statement of deficiency and the proposed new regulation will not have a material adverse effect on the Corporation's financial position or materially impact the ability of the Corporation to pay debt service on its outstanding bonds.

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APPENDIX B

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF JEWISH HOSPITAL & ST. MARY'S HEALTHCARE, INC. FOR THE FISCAL YEARS ENDED DECEMBER 31, 2007 AND 2006, AND UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF JEWISH HOSPITAL & ST. MARY'S HEALTHCARE, INC. FOR THE FOUR MONTH PERIODS ENDED APRIL 30, 2008 AND 2007

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Consolidated Financial Statements and Other Financial Information

Jewish Hospital & St. Mary's HealthCare, Inc.
Years Ended December 31, 2007 and 2006
With Report of Independent Auditors

Jewish Hospital & St. Mary's HealthCare, Inc.

Consolidated Financial Statements and Other Financial Information

Years Ended December 31, 2007 and 2006

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Report of Independent Auditors

The Board of Trustees
Jewish Hospital & St. Mary's HealthCare, Inc.

We have audited the accompanying consolidated balance sheets of Jewish Hospital & St. Mary's HealthCare, Inc. (JHSMH) as of December 31, 2007 and 2006, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of JHSMH's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Jewish Hospital & St. Mary's Healthcare Network Regional Service Center, LLC, a partnership in which JHSMH owns a controlling interest, which statements reflect total assets of approximately $21,761,000 and $22,083,000 as of years ended December 31, 2007 and 2006, respectively, and total excess revenues over expenses of approximately $1,148,000 and $3,409,000 for the years then ended, respectively. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Jewish Hospital & St. Mary's Healthcare Network Regional Service Center, LLC, is based solely on the report of the other auditors.

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 consolidated financial statements are free of material misstatement. We were not engaged to perform an audit of JHSMH's internal controls over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the JHSMH'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 consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Jewish Hospital & St. Mary's HealthCare, Inc. at December 31, 2007 and 2006, and the consolidated results of its operations, changes in net assets, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

As discussed in Note 5 to the consolidated financial statements, JHSMH adopted Statement of Financial Accounting Standard No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132(R)*, as of December 31, 2006.

May 16, 2008

Jewish Hospital & St. Mary's HealthCare, Inc.

Consolidated Balance Sheets

	December 31 2007	December 31 2006
	(In Thousands)	
Assets		
Current assets:		
Cash and cash equivalents	**$ 37,781**	$ 35,096
Investments	**89,457**	92,848
Assets limited as to use-required for current liabilities:		
Self-insurance trust	**8,870**	9,474
Other	**–**	1,734
	8,870	11,208
Receivables:		
Patient accounts, less estimated doubtful accounts (2007-$70,360; 2006-$50,960)	**144,037**	136,874
Other	**11,815**	19,067
	155,852	155,941
Inventories	**23,097**	24,181
Estimated receivable for third-party settlements	**992**	1,087
Prepaid expenses	**7,665**	9,052
Total current assets	**323,714**	329,413
Assets limited as to use (net of current portion):		
Funds held by bond trustee	**–**	6,045
Funded depreciation accounts	**31,165**	29,290
Self-insurance trust	**10,784**	8,377
Foundation funds:		
Board designated	**101,145**	94,800
Temporarily restricted	**10,697**	9,794
Permanently restricted	**5,556**	5,319
	159,347	153,625
Investments in unconsolidated entities	**6,930**	7,651
Property and equipment, net	**431,230**	430,386
Goodwill, net	**3,852**	4,159
Deferred financing costs, net	**7,125**	7,612
Other assets	**13,830**	15,553
Total assets	**$ 946,028**	$ 948,399

	December 31	
	2007	**2006**
	(In Thousands)	
Liabilities and net assets		
Current liabilities:		
Accounts payable	**$ 45,437**	$ 46,420
Accrued expenses:		
Salaries, wages and benefits	**34,727**	32,562
Interest	**1,974**	2,122
Other	**30,700**	27,977
	67,401	62,661
Long-term debt due within one year	**11,623**	10,320
Total current liabilities	**124,461**	119,401
Long-term debt due after one year	**360,162**	371,452
Interest rate swap liability	**16,183**	13,596
Liability for defined benefit retirement plans	**53,328**	56,444
Other long-term liabilities	**21,165**	21,431
Total liabilities	**575,299**	582,324
Minority interest in subsidiaries	**2,434**	2,336
Net assets:		
Unrestricted	**352,185**	349,891
Temporarily restricted	**10,552**	8,558
Permanently restricted	**5,558**	5,290
Total net assets	**368,295**	363,739
Total liabilities and net assets	**$ 946,028**	$ 948,399

See accompanying notes.

Jewish Hospital & St. Mary's HealthCare, Inc.

Consolidated Statements of Operations and Changes in Net Assets

	Years Ended December 31	
	2007	**2006**
	(In Thousands)	
Revenues:		
Net patient service revenue	**$ 870,708**	$ 812,187
Rental revenue	**6,936**	7,049
Management fee revenue	**2,069**	2,164
Investment income	**2,531**	2,216
Other revenue	**22,147**	18,255
Total revenues	**904,391**	841,871
Operating expenses:		
Personnel	**413,097**	388,495
Supplies	**183,678**	169,331
Purchased services	**71,809**	66,774
Professional fees	**33,303**	31,753
Provision for doubtful accounts	**87,411**	68,418
Depreciation	**42,616**	38,861
Interest	**17,681**	16,009
Other	**51,292**	57,085
Provider taxes	**13,485**	15,175
Total operating expenses	**914,372**	851,901
Loss from operations before non-recurring expenses and earnings of unconsolidated entities	**(9,981)**	(10,030)
Non-recurring expenses - Integration and transitional expenses	**–**	739
Loss from operations before earnings of unconsolidated entities	**(9,981)**	(10,769)
Earnings of unconsolidated entities	**445**	295
Operating loss	**(9,536)**	(10,474)
Nonoperating gains (losses):		
Investment income	**10,171**	22,527
Gain on disposal of property and equipment	**338**	2,177
Other, net	**(867)**	(480)
Nonoperating gains, net	**9,642**	24,224
Excess of revenues over expenses	**$ 106**	$ 13,750

Continued on next page

Jewish Hospital & St. Mary's HealthCare, Inc.

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

	Years Ended December 31	
	2007	2006
	(In Thousands)	
Unrestricted net assets:		
Excess of revenues over expenses	$ 106	$ 13,750
Change in fair value of interest rate swap	1,511	3,757
Amortization of fair value of interest rate swap	288	–
Reclassification to temporarily restricted net assets	(3,141)	–
Pension liability adjustment	–	5,734
Cumulative effect of adoption of FASB Statement No. 158	–	(31,162)
Change in pension net loss and prior service cost	1,027	–
Gifts and other receipts for specific purposes	2,503	4,865
Increase (decrease) in unrestricted net assets	2,294	(3,056)
Balance, beginning of year	349,891	352,947
Balance, end of year	$ 352,185	$ 349,891
Temporarily restricted net assets:		
Gifts and other receipts for specific purposes	$ 5,379	$ 6,827
Change in unrealized gains and losses on investments	–	(4)
Contribution from CARITAS Foundation	–	450
Reclassification from unrestricted net assets	3,134	–
Net assets released from restrictions	(6,519)	(6,219)
Increase in temporarily restricted net assets	1,994	1,054
Balance, beginning of year	8,558	7,504
Balance, end of year	$ 10,552	$ 8,558
Permanently restricted net assets:		
Gifts and other receipts for specific purposes	$ 254	$ 56
Contribution from CARITAS Foundation	–	550
Change in unrealized gains and losses on investments	7	181
Reclassification from temporarily restricted net assets	7	–
Increase in permanently restricted net assets	268	787
Balance, beginning of year	5,290	4,503
Balance, end of year	$ 5,558	$ 5,290

See accompanying notes.

Jewish Hospital & St. Mary's HealthCare, Inc.

Consolidated Statements of Cash Flows

	Years Ended December 31	
	2007	2006
	(In Thousands)	
Operating activities		
Excess of revenues over expenses	$ 106	$ 13,750
Other changes in net assets	4,450	(14,965)
Increase (decrease) in net assets	4,556	(1,215)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Contributions received for endowment and specific purposes	(5,633)	(7,883)
Minority interests in net income of subsidiaries	164	427
Depreciation	42,616	38,861
Amortization	794	783
Change in minimum pension liability	–	(5,734)
Cumulative effect of adoption of FASB Statement No. 158	–	31,162
Net gain on disposal of property and equipment	(338)	(2,177)
Net realized gains and equity earnings on hedge funds and limited partnerships	(4,866)	(4,818)
Provision for doubtful accounts	87,411	68,418
Change in fair value of interest rate swap contracts	2,587	(1,236)
Equity in earnings of unconsolidated entities in excess of cash distributions received	721	2,153
Changes in operating assets and liabilities:		
Patient accounts and other receivables	(87,322)	(91,464)
Trading securities	1,682	2,238
Inventories	1,084	(1,210)
Prepaid expenses	1,387	(1,374)
Accounts payable	(2,600)	(6,086)
Accrued expenses	4,740	6,828
Estimated receivable for third-party settlements	95	(2,283)
Other	(1,659)	10,448
Net cash provided by operating activities	45,419	35,838
Investing activities		
Purchase of property and equipment	(43,899)	(53,058)
Proceeds from sale of property and equipment	2,394	8,514
Proceeds from sale of investment in hedge funds and limited partnerships	5,413	3,519
Purchases of investments in hedge funds and limited partnerships	(2,222)	(1,130)
Investments in unconsolidated entities, net of repayments	–	(1,636)
(Purchase of) proceeds from sale of interest in Jewish Hospital & St. Mary's Healthcare Network Regional Service Center, LLC	(66)	202
Net cash used in investing activities	$ (38,380)	$ (43,589)

Continued on next page

Jewish Hospital & St. Mary's HealthCare, Inc.

Consolidated Statements of Cash Flows (continued)

	Years Ended December 31	
	2007	**2006**
	(In Thousands)	
Financing activities		
Payments of long-term debt	**$ (9,987)**	$ (9,288)
Distributions to minority interests	**–**	(553)
Contributions for endowment and specific purposes	**5,633**	7,883
Net cash used in financing activities	**(4,354)**	(1,958)
Increase (decrease) in cash and cash equivalents	**2,685**	(9,709)
Cash and cash equivalents, beginning of year	**35,096**	44,805
Cash and cash equivalents, end of year	**$ 37,781**	$ 35,096
Additional cash flow information		
Cash paid during the year for interest	**$ 17,818**	$ 16,015
Noncash investing and financing activities		
Additions to property and equipment not paid at year-end	**$ 1,617**	$ 961

See accompanying notes.

1. Accounting Policies

Organization

Jewish Hospital & St. Mary's HealthCare, Inc. (JHSMH) is a not-for-profit corporation located in Louisville, Kentucky. JHSMH and its subsidiaries are an integrated regional health care system serving principally Kentucky and Southern Indiana. JHSMH controls not-for-profit corporations, JH Properties, Inc. (JH Properties) and The Physicians Group (TPG). JHSMH owns a controlling interest (82% at December 31, 2007) in Jewish Hospital & St. Mary's HealthCare Network Regional Service Center, LLC, formerly Jewish Hospital HealthCare Network Regional Service Center, LLC, a partnership, which operates as a regional warehouse and distribution center. JHSMH also owns a controlling interest (81% at December 31, 2007) in HealthStaff Solutions, LLC, a partnership, which operates a nurse staffing agency. In addition, JHSMH wholly owns MedGroup Management, LLC (MedGroup Management), a taxable corporation.

On October 3, 2005, Jewish Hospital HealthCare Services, Inc. and CHI Kentucky, Inc. entered into an affiliation agreement (the Affiliation) to provide for the creation of JHSMH which operates of all of the health care related assets of Jewish Hospital HealthCare Services, Inc. and CARITAS Health Services, Inc. (CHS). CHS is a direct affiliate of CHI Kentucky, Inc., that provides health care services in Louisville and the surrounding counties of Kentucky. CHI Kentucky, Inc. is a direct affiliate of Catholic Health Initiatives (CHI), a Denver Colorado-based health system. The Affiliation was effective on November 1, 2005 and was accounted for as a purchase.

Prior to the Affiliation, Jewish Hospital HealthCare Services, Inc., a new not-for-profit corporation, which assumed the name of the former Jewish Hospital HealthCare Services, Inc. (hereinafter referred as JHHS), was formed as the holding company for the ownership interest in JHSMH. JHHS and CHI Kentucky, Inc. became the corporate members of JHSMH (the Corporate Members). The bylaws of JHSMH provide the Corporate Members with specific reserve powers in which certain actions must be jointly approved by the Corporate Members.

Prior to the Affiliation, CHS transferred certain excluded assets to CHI Kentucky, Inc. These excluded assets included all real property owned by CHS. In addition, the Articles of Incorporation of the CARITAS Foundation were amended to make CHI Kentucky, Inc. the sole corporate member of the CARITAS Foundation. In addition, prior to the Affiliation, the former Jewish Hospital HealthCare Service, Inc. transferred $5,000 to JHHS.

1. Accounting Policies (continued)

Organization (continued)

JHSMH engaged an independent valuation consultant to value the property and equipment of CHS for purposes of recording the purchase. The value determined by the consultant indicated a fair value of $110,000 compared to a book value of $42,244. As a result, the Affiliation created an excess of assigned value over cost, or negative goodwill. The negative goodwill was reallocated to the property and equipment acquired. As the real property of CHS is leased to JHSMH from CHI Kentucky, Inc. under a capital lease arrangement, the assets are reported as property and equipment in the financial statements of JHSMH.

In addition, effective July 1, 2006, CARITAS Foundation, was dissolved and consolidated into the Jewish Hospital and St. Mary's HealthCare Foundation (JHSMH Foundation). The Affiliation agreement stipulated that the Foundations would be consolidated within five years of the original affiliation date. The consolidation of the CARITAS Foundation was determined to be part of the original affiliation agreement, and, as such, resulted in a reallocation of the purchase price in 2006. The unrestricted net assets of $2,265 contributed by the CARITAS Foundation created an additional excess of assigned value over cost (negative goodwill) and was reallocated to property and equipment accordingly.

In connection with the Affiliation, CHI issued a note receivable for $20,000 to JHSMH due in quarterly installments over three years. This note receivable has been discounted at 4.25% with a present value of $19,000 at the date of the Affiliation. The note receivable had a balance of $5,000 and $11,667 at December 31, 2007 and 20006, respectively.

In accordance with the Affiliation agreement, CHI provides certain administrative support services to JHSMH. Expenses related to these CHI services for the twelve months ended December 31, 2007 and 2006, totaled $6,770 and $6,460, respectively.

Basis of Presentation

The accompanying consolidated financial statements include the accounts of JHSMH and the subsidiaries, which it controls. All significant interaffiliate transactions and balances have been eliminated.

1. Accounting Policies (continued)

Following are JHSMH's significant accounting policies:

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from those estimates.

Cash Equivalents

Cash equivalents consist of overnight investments and repurchase agreements and are carried at cost plus accrued interest, which approximates fair value. Cash equivalents are maintained with a financial depository institution and are collateralized by U.S. government obligations. These investments have an original maturity of three months or less.

Investments and Assets Limited as to Use

Investments in the accompanying consolidated balance sheets include U.S. government, corporate obligations and marketable equity securities all of which are carried at fair value.

Assets limited as to use include: assets set aside by the Board of Trustees for property replacement and expansion over which the Board retains control and may at its discretion subsequently use for other purposes; assets held by trustees under bond indenture agreements and malpractice self-insurance trust arrangements; temporarily and permanently donor-restricted funds; and other limited-use funds. Investments related to assets limited as to use primarily consist of cash equivalents, U.S. government and corporate obligations, and marketable equity securities and are carried at fair value.

Hedge funds and limited partnerships are also included in investments and assets limited as to use and are not necessarily readily marketable and may include short sales on securities and trading in future contracts, options, foreign currency contracts, other derivative instruments and private equity investments. These investments are accounted for under the equity method. The components of the individual investments within these funds are not readily determinable. The estimated fair value is based on valuations provided by the external investment managers. JHSMH believes the carrying amount of these financial instruments is a reasonable estimate of fair value. Because these investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed. Such differences could be material.

1. Accounting Policies (continued)

Investments and Assets Limited as to Use (continued)

Investment income consists of realized gains and losses on the sale of investments, the market valuation changes in investments, as well as dividend and interest income. Realized gains and losses are calculated based on the specific identification method. Investment income is included in the excess of revenues over expenses unless the income or loss is restricted by donor or by law. Operating revenues include investment income, which relate to earnings on funds that have been Board designated for the funding of current medical research expenses. Investment income (loss) is summarized for the years ended December 31 in the following tables:

	2007	2006
Equity earnings in hedge funds and the limited partnership	$ 2,745	$ 4,468
Market valuation change in all other securities	(9,990)	5,314
Market valuation change in interest rate swap for the period April 1, 2007 through December 31, 2007	(3,521)	–
Amortization of interest rate swap loss at March 31, 2007	(288)	–
Interest, dividends and realized gains, net of fees	23,756	14,961
Total investment income	$ 12,702	$ 24,743

	2007	2006
Investment income included in operating revenue	$ 2,531	$ 2,216
Investment income included in nonoperating revenue	10,171	22,527
Total investment income	$ 12,702	$ 24,743

Inventories

Inventories are stated at the lower of cost or market. Cost is determined either by the first-in, first-out or average method.

1. Accounting Policies (continued)

Investments in Unconsolidated Entities

The investments in unconsolidated entities are accounted for on the equity method, except for the investments in University Health Care, Inc. (UHC – a provider-sponsored health network serving Medicaid beneficiaries) of $1,322, and Bluegrass Regional Cancer Center of $444, which are accounted for on the cost method. The equity in earnings of the unconsolidated entities accounted for on the equity method is included in income from operations because these entities' activities are considered to be ongoing or central to the provision of health care services. Investments in unconsolidated entities consist of a 33.33% interest in Southern Indiana Rehabilitation Hospital (SIRH–an acute rehabilitation hospital) owned jointly with Clark Memorial Hospital and Floyd Memorial Hospital; a 40% interest in Southern Home Care (a home health care organization) owned jointly with Clark Memorial Hospital; a 50% interest in Clark County Cath Lab (a heart catheterization laboratory operation) owned jointly with Clark Memorial Hospital; a 30% interest in CARITAS Rehab, LLC (a rehabilitation facility) owned jointly with Kentucky Orthopedic Rehabilitation, LLC (see Note 9 for further information regarding unconsolidated entities).

Charity Care

JHSMH accepts patients regardless of their ability to pay. A patient is classified as a charity patient by reference to certain established policies of the operating entities. Essentially, these policies define charity services as those services for which no payment is anticipated. In assessing a patient's inability to pay, JHSMH utilizes the generally recognized poverty income levels of the communities in which the entities operate, but also considers situations where incurred charges are significant when compared to income. JHSMH's charity care for the years ended December 31, 2007 and 2006, based on charges at established rates, are $39,673 and $33,587, respectively.

Property and Equipment

Property and equipment are recorded at cost. Depreciation and amortization are provided on the straight-line method over the estimated useful lives of the respective assets. Assets recorded under capital leases are depreciated over the estimated useful life of the related asset or the lease term, whichever is shorter. 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.

1. Accounting Policies (continued)

Property and Equipment (continued)

Gifts involving land, buildings or equipment are reported as unrestricted support, unless there are explicit donor stipulations specifying how the donated assets must be used. Gifts of long-term 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-term assets are reported as restricted support. Absent explicit donor stipulations about how long those long-term assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-term assets are placed in service.

Impairment of Assets

Properties and other long-lived assets are reviewed for impairment whenever events or business conditions indicate the carrying amount of such assets may not be fully recoverable. Initial assessments of recoverability are based on estimates of undiscounted future net cash flows associated with an asset or a group of assets. Where impairment is indicated the assets carrying amount is reduced to fair value based on discounted net cash flows or other estimates of fair value.

Goodwill

Goodwill represents the excess of the purchase cost over the fair value of net assets acquired and is being amortized using the straight-line method over 30 years. Goodwill is net of accumulated amortization of $3,812 and $3,505 in 2007 and 2006, respectively.

Deferred Financing Costs

Deferred financing costs are being amortized using the bonds outstanding method over the terms of the bonds. Deferred financing costs are net of accumulated amortization of $3,017 and $2,530 in 2007 and 2006, respectively.

1. Accounting Policies (continued)

Patient Receivables and Net Patient Service Revenue

Patient receivables and net patient service revenues are derived primarily from patients who reside in Kentucky and Southern Indiana. Patient receivables consist of amounts due from third-party payors, including federal and state programs, commercial insurance companies, and individual patients for health care services rendered. Management maintains an allowance for doubtful accounts to reserve for estimated losses based on the length of time the account has been past due and historical collection experience.

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive revenue adjustments due to future audits by third-party payors. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits by third-party payors. The changes to prior year estimates were a decrease in net patient service revenue of $2,067 and an increase in net patient service revenue of $605 in 2007 and 2006, respectively.

Contributions

Contributions are recorded at fair value in the period received or pledged. Donor-restricted contributions 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 the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statement of operations and changes in net assets along with unrestricted contributions as other operating revenue. Donor-restricted contributions whose restrictions are met within the same year as received are accounted for as unrestricted contributions. Permanently restricted net assets have been restricted by donors and are to be maintained by JHSMH in perpetuity.

1. Accounting Policies (continued)

Excess of Revenues Over Expenses

The consolidated statements of operations and changes in net assets include excess of revenues over expenses. Changes in unrestricted net assets that are excluded from excess of revenues over expenses, consistent with industry practice, include permanent transfers of assets to and from controlled affiliates for other than goods and services, contributions of long-term assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets), and changes in unrecognized actuarial gains and losses and unrecognized net prior service costs related to pension obligations.

Operating Activities and Nonoperating Gains (Losses)

Only those activities directly associated with the furtherance of JHSMH's primary mission are considered to be operating activities. Other activities that result in gains or losses are considered to be nonoperating gains (losses). Nonoperating gains (losses) include most investment income and gains and losses on the sale and disposal of property and equipment.

Functional Expenses

JHSMH's general and administrative costs represented approximately 12% of total operating expenses for both 2007 and 2006.

Estimated Malpractice Costs

The provision for estimated self-insured medical malpractice claims includes estimates of the ultimate costs for incurred claims that have been identified and for claims that have been incurred but not reported.

Income Taxes

JHSMH and the entities that it owns (except MedGroup Management–see Note 11) are exempt from Federal and State income taxes as not-for-profit corporations as defined in section 501(c)(3) of the Internal Revenue Code and applicable state statutes.

1. Accounting Policies (continued)

Reclassification

In previous years, JHSMH's investments were classified as other-than-trading. As such, unrealized gains and losses that were considered temporary were excluded from the excess of revenues over expenses. During 2007, management determined that its investment portfolio was more accurately classified as trading, with unrealized gains and losses included in excess of revenues over expenses. Therefore, unrealized gains and losses in the accompanying 2006 consolidated financial statements have been reclassified to reflect this change in classification. This reclassification increased the 2006 excess of revenues over expenses by $5,314. This reclassification did not impact the change in net assets previously reported.

Certain other reclassifications have been made to the 2006 amounts to conform to the 2007 presentation.

Recently Issued Accounting Pronouncements

In September, the Financial Accounting Standards Board (FASB) issued SFAS No. 157, *Fair Value Measurements* (SFAS No. 157), which provides enhanced guidance for using fair value to measure assets and liabilities. SFAS No. 157 establishes a common definition of fair value, provides a framework for measuring fair value under U.S. Generally Accepted Accounting Principles (GAAP) and expands disclosure requirements about fair value measurements. JHSMH is currently evaluating the potential impact that the adoption of SFAS No. 157 will have on its financial position and results of operations. Accordingly, the impact of adopting this new standard is unknown at the present time.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities, Including and Amendment of FASB Statement No. 115* (SFAS No. 159), which, among other things, permits items at fair value. Adoption of SFAS No. 159 is optional and if adopted is effective for fiscal years beginning after November 15, 2007. JHSMH is currently evaluating the potential impact that the adoption of SFAS No. 159 might have on its financial position and results of operations. Accordingly, the impact of adopting this new standard is unknown at the present time.

2. Net Patient Service Revenue

Net patient service revenue for the years ended December 31 is comprised of:

	2007	2006
Charges at established rates	**$ 2,420,811**	$ 2,208,968
Deductions:		
Charity allowances:		
Charity	**39,673**	33,587
Teaching	**226**	441
Other	**69**	160
	39,968	34,188
Medicare allowance	**704,361**	626,580
Medicaid allowance	**173,029**	160,805
Other contractual allowances	**632,745**	575,208
Total deductions	**1,550,103**	1,396,781
Net patient service revenue	**$ 870,708**	$ 812,187

Reimbursement from the Medicare program is determined from annual cost reports, which are subject to audit by the programs. JHSMH's management believes that amounts recorded in the consolidated financial statements for estimated settlements will approximate the final settlements for open cost reports. JHSMH's cost reports for substantially all of its controlled subsidiaries have been audited by the government or its agents and settled through December 31, 2004.

In the health care industry, laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. JHSMH believes that it is in substantial compliance with all applicable laws and regulations, but has had inquiries and subpoenas related to certain issues, which are ongoing. In the opinion of management, it is not probable that the ultimate outcome of these matters will have a material adverse effect on the financial position of the JHSMH. Compliance with health care industry laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

2. Net Patient Service Revenue (continued)

JHSMH has agreements with Medicare, Medicaid and other third-party payors that provide for payments at amounts different from their established rates. A summary of the payment arrangements with major third-party payors is described in the following paragraphs:

Medicare

Inpatient medical and surgical acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Outpatient services are reimbursed on a prospective payment system with services classified into clinically similar ambulatory payment classes (APC) regardless of cost.

Inpatient rehabilitation services are paid on a prospective payment system based on principal diagnosis. Home health services are reimbursed utilizing a prospective payment system based on episodes of care. Medicare net revenue was approximately 40% of total net patient service revenue in both 2007 and 2006.

Medicaid

The Kentucky Medicaid program reimburses JHSMH on a prospectively determined rate per discharge for inpatient services and on the basis of fee schedules and cost to charge ratios, as defined, for outpatient services. Medicaid net revenue was approximately 10% and 9% of total net patient service revenue for 2007 and 2006, respectively.

Other

JHSMH has also entered into payment agreements with certain commercial insurance carriers and health maintenance and preferred provider organizations. The basis for payment under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

The Commonwealth of Kentucky (Commonwealth) imposes a tax on health care providers primarily based on rates ranging from 2% to 2.5% of patient cash collections, as defined. This tax was $13,485 and $15,175 in 2007 and 2006, respectively, and is included in operating expenses. The Commonwealth provides for a system of reimbursement for services provided to certain Medicaid patients and other patients meeting specified income guidelines (Kentucky Hospital Care Program – KHCP). KHCP reimbursement was $5,216 and $5,036 in 2007 and 2006, respectively, and is included in net patient service revenue as a reduction of charity care allowance.

(Dollars in Thousands)

3. Property and Equipment, Net

Property and equipment, net at December 31 consist of the following:

	2007	2006
Land and land improvements	**$ 27,785**	$ 23,994
Buildings and improvements	**372,125**	356,512
Equipment	**379,578**	354,775
Leasehold improvements	**12,085**	9,978
Equipment under capital leases	**2,197**	2,087
Real property under capital leases	**11,183**	11,183
Construction in progress	**45,348**	48,255
	850,301	806,784
Accumulated depreciation and amortization	**(419,071)**	(376,398)
	$ 431,230	$ 430,386

Construction in progress related to renovating and expanding a rehabilitation facility on JHSMH's downtown campus is $39,654 and $38,646 at December 31, 2007 and 2006, respectively.

JHSMH incurred interest costs of $17,681 and $16,009 for 2007 and 2006, respectively. Net interest costs capitalized were $65 and $12 in 2007 and 2006, respectively.

Financial Accounting Standards Board Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligation* (FIN 47) clarified when an entity is required to recognize a liability for a conditional asset retirement obligation. Management has considered FIN 47, specifically as it relates to its legal obligation to perform asset retirement activities, such as asbestos removal, on its existing properties. Management believes that there is an indeterminate settlement date for the asset retirement obligations because the range of time over which JHSMH may settle the obligations is unknown and cannot be estimated. As a result, as of December 31, 2007, JHSMH cannot reasonably estimate a liability related to these potential asset retirement activities.

4. Debt

Long-term debt at December 31 consists of the following:

	2007	2006
County of Jefferson, Kentucky Health Facilities Revenue Bonds, dated October 17, 1996	**$ 51,495**	$ 52,820
County of Jefferson, Kentucky Health Facilities Revenue Bonds, dated July 18, 2002	**217,275**	220,650
County of Jefferson, Kentucky Health Facilities Revenue Bonds, dated June 23, 2004	**61,600**	63,000
CHI note payable, dated November 1, 2005	**41,020**	45,302
Leasehold improvement obligation	**356**	-
Capital lease obligation	**39**	-
	371,785	381,772
Less amount due within one year	**11,623**	10,320
Long-term debt due after one year	**$ 360,162**	$ 371,452

On February 15, 1987, JHSMH and certain of its subsidiaries, together hereinafter referred to as the Obligated Group, entered into a Master Trust Indenture for the purpose of providing for the issuance of bonds from time to time by any of the Obligated Group members to refinance outstanding indebtedness or to finance the acquisition of capital improvements. Pursuant to this Master Trust Indenture, the Obligated Group members agree to be jointly and severally liable under any notes issued under the Master Trust Indenture. On October 17, 1996, July 18, 2002 and June 23, 2004 the County of Jefferson, Kentucky issued Health Facilities Revenue Bonds of $60,000 (the 1996 Bonds), $230,000 (the 2002 Bonds) and $63,000 (the 2004 Bonds), under the Master Trust Indenture, respectively.

The 1996 Bonds have various annual maturity and sinking funds requirements ranging from $1,395 in 2008 to $3,865 in 2026. The 1996 Bonds bear interest at rates varying from 5.45% to 5.75%. Annual remaining debt service requirements, including interest, range from $4,059 to $5,103.

The 1996 Bonds maturing on or after January 1, 2007 may be called on any interest payment date on or after January 1, 2007 at a premium of 2% and at decreasing call premium amounts through December 31, 2008 with no call premium thereafter.

4. Debt (continued)

The 2002 Bonds have various annual maturity and sinking fund requirements ranging from $4,200 in 2008 to $17,675 in 2032. The 2002 Bonds bear interest at adjustable rates (4.1% at December 31, 2007) that are set on a 7-day or 35-day basis and are based upon current market conditions. While the Bonds are at variable rates, redemption can occur prior to maturity at the option of JHSMH, at a redemption price of 100% of the principal amount, plus accrued interest. The 2002 Bonds can be converted to a fixed rate at the option of JHSMH with certain restrictions.

In connection with the issuance of the 2002 Bonds, JHSMH entered into an interest rate swap agreement for interest rate management purposes. Under the terms of the interest rate swap agreement, JHSMH pays a fixed rate of 5.821% and receives a floating rate based on the London Interbank Offered Rate (LIBOR BBA). The interest rate swap in effect sets JHSMH's interest rate at 4.5% on the outstanding par value of the 2002 Bonds $217,275 at December 31, 2007). The interest rate swap agreement has a 30-year term and a notional amount equal to 67% of the outstanding par value of the 2002 Bonds, or $145,574. The interest rate swap had been designated by JHSMH as a cash flow hedge of variable-rate debt with no hedge ineffectiveness; therefore, changes in the fair value of the swap were recorded as a change in unrestricted net assets. Under the cash flow hedge accounting methodology, the gains or losses recorded as a change in unrestricted net assets were to be reclassified into the excess of revenues over expenses upon the sale of the swap. However, on January 8, 2007, the Financial Accounting Standard's Board (FASB) issued Derivatives Implementation Guidance (G26) for Statement 133, which affects the future accounting methodology for cash flow hedges that are not based on a benchmark interest rate. The guidance stipulates that interest rates, which are reset through an auction process, do not qualify as a benchmark rate and therefore cannot be treated as a highly effective hedge. The implementation of this new derivative guidance was applied prospectively effective with the quarter beginning April 1, 2007. At that time, JHSMH began amortizing into income the fair value of the swap at March 31, 2007. In addition, any changes in the fair value of the swap that occur after March 31, 2007, will be recorded as gains or losses in the Statement of Operations. The interest differential to be paid or received under the swap agreement is accrued and recognized as an adjustment to interest expense. JHSMH recognized a liability of $15,987 and $11,075 at December 31, 2007 and 2006, respectively, which represents the fair value of the interest rate swap agreement. This liability is included as a long-term liability in the consolidated balance sheets. The unamortized accumulated derivative loss included in unrestricted net assets at December 31, 2007 and 2006 is $9,266 and $11,075, respectively.

4. Debt (continued)

On July 12, 2006, in connection with the issuance of the 2002 bonds, JHSMH entered into a second interest rate swap agreement for interest rate management purposes. Under the terms of this interest rate swap agreement, JHSMH pays a floating rate based on the one-month LIBOR BBA, reset monthly on the first day of the month, and receives a floating 5-year ISDA swap rate, also reset monthly. The agreement has a 25.5 year term and a notional amount of $145,574.

This swap was not designated as an effective cash flow hedge, and as such changes in the fair value of the swap are recorded as gains or losses in the Statement of Operations. JHSMH recorded gains of $2,911 and losses of $2,521, related to this swap agreement for the year ended December 31, 2007 and 2006, respectively and is included in investment income. The interest differential to be paid or received under this swap agreement is accrued and recognized as an adjustment to interest expense. JHSMH recognized a liability of $196 and $2,521 at December 31, 2007 and 2006, respectively, which represents the fair value of the interest rate swap agreement. On December 11, 2007, the parties to the swap agreement agreed to temporarily suspend the terms of the interest rate swap until September 1, 2011.

The 2004 Bonds have various annual maturity and sinking funds requirements ranging from $1,450 in 2008 to $3,300 in 2033. The 2004 Bonds bear interest at adjustable rates (3.5% at December 31, 2007) that are set on a 7-day basis and are based upon current market conditions. While the Bonds are at variable rates, redemption can occur prior to maturity at the option of JHSMH, at a redemption price of 100% of the principal amount, plus accrued interest. The 2004 Bonds can be converted to a fixed rate at the option of JHSMH with certain restrictions.

The 2005 CHI note payable has various annual maturities ranging from $4,509 in 2008 to $1,777 in 2017. The note payable bears a variable quarterly average interest rate, which was 5.0% at December 31, 2007. JHSMH participates in a unified Catholic Health Initiatives, Inc. (CHI) credit governed under a Capital Obligation Document (COD). Under the COD, CHI is the sole obligor on all debt. Bondholder security resides both in the unsecured promise by CHI to pay its obligations and in its control of direct affiliates. Covenants include a minimum CHI debt coverage ratio and certain limitations on secured debt. JHSMH, as an affiliate of CHI, is defined as a participant under the COD and has agreed to certain covenants related to corporate existence, maintenance of insurance and exempt use of bond-financed facilities. Debt under the COD is evidenced by a promissory note between JHSMH and CHI that is due in monthly installments at a variable rate of interest and may be repaid in advance without penalty.

4. Debt (continued)

The 1996, 2002 and 2004 Bonds and the 2005 CHI note payable are generally secured by the accounts receivable, contract rights, cash, checks, drafts and general intangibles and, to the extent not included in the foregoing, the revenues of the Obligated Group. The Master Trust Indenture also places certain limitations on the Obligated Group regarding creation of liens; incurrence of additional indebtedness; dispositions of operating assets and cash and investments; and merger or consolidation, or sale or conveyance of substantially all of the Obligated Group's property.

JHSMH has an open line of credit of $11,677, which is required by regulatory agencies to be held related to worker's compensation. There is no outstanding debt balance on this line of credit at December 31, 2007.

At December 31, 2007, aggregate maturities and sinking fund requirements on long-term debt are as follows:

2008	$ 11,623
2009	12,078
2010	12,221
2011	12,811
2012	13,352
Thereafter	309,700
	$ 371,785

4. Debt (continued)

As mentioned above, JHHS and JHSMH and certain of its affiliates, are members of an Obligated Group. JHHS is not included in these consolidated financial statements. The balance sheet information of JHHS as of December 31 is summarized as follows:

	2007	2006
Cash and cash equivalents	**$ 4,956**	$ 4,404
Receivables from JHSMH	**1,094**	1,057
Total current assets	**6,050**	5,461
Investment in JHSMH	**276,221**	272,804
Total assets	**$ 282,271**	$ 278,265
Amounts owed to Jewish Community Federation	**$ –**	$ 14
Payables to JHSMH	**561**	–
Unrestricted net assets	**281,710**	278,251
Total liabilities and net assets	**$ 282,271**	$ 278,265

4. Debt (continued)

The Statement of Operations and Changes in Net Assets is summarized as follows for JHHS for the twelve months ended December 31:

	2007	2006
Revenues:		
Management contracts revenue	$ 2,901	$ 2,790
Annual contribution from JHSMH	1,000	1,000
Sterilization services net margin	38	18
Total revenues	3,939	3,808
Operating expenses:		
Purchased management services from JHSMH	2,901	2,790
Contribution to Jewish Community Federation	551	861
Other	676	19
Total operating expenses	4,128	3,670
(Loss) income from operations	(189)	138
Equity in earnings of JHSMH	3,417	18,564
Operating income	3,228	18,702
Nonoperating investment income	231	243
Excess of revenues over expenses	3,459	18,945
Unrestricted net assets, beginning of year	278,251	278,781
Cumulative effect of adoption of FASB Statement No. 158	–	(19,475)
Unrestricted net assets, end of year	$ 281,710	$ 278,251

5. Retirement Plans

JHSMH has non-contributory defined benefit retirement plans covering substantially all of its employees (the Plans). The Plans' measurement dates and fiscal year end dates are December 31 for both years presented. Components of net periodic pension benefit cost for the years ended December 31, 2007 and 2006 are as follows:

5. Retirement Plans (continued)

	2007	2006
Service cost	$ **14,268**	$ 13,632
Interest cost	**9,318**	8,124
Expected return on plan assets	**(8,895)**	(8,357)
Amortization of prior service costs	**1,226**	1,320
Recognized actuarial loss and settlement	**3,316**	3,400
Net periodic pension benefit cost	$ **19,233**	$ 18,119

Effective December 31, 2006, JHSMH adopted the recognition provisions of FASB Statement No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an Amendment of FASB Statements No. 87, 88, 106, and 132(R)* (SFAS No. 158). SFAS No. 158 requires employers to recognize in their balance sheets the overfunded or underfunded status of defined benefit plans, measured as the difference between the fair value of plan assets and the projected benefit obligation. Employers must recognize the change in the funded status of the plan in the year in which the change occurs through unrestricted net assets. Prior to the adoption of the recognition provisions of SFAS No. 158, JHSMH accounted for its defined benefit pension plan under FASB Statement No. 87, *Employers Accounting for Pensions* (SFAS No. 87). SFAS No. 87 required that a liability (minimum pension liability) be recorded when the accumulated benefit obligation (ABO) liability exceeded the fair value of plan assets. An adjustment was recorded as a non-cash charge to unrestricted net assets. As a result, JHSMH recognized the following adjustments in individual line items of its consolidated balance sheet as of December 31, 2006:

	Prior to Application of Statement No. 158	Effect of Adopting Statement No. 158	As Reported at December 31, 2006
Accrued liability for defined benefit pension plans	$ (30,432)	$ (26,012)	$ (56,444)
Total liabilities	(556,312)	(26,012)	(582,324)
Intangible pension asset	5,150	(5,150)	–
Unrestricted net assets	(381,053)	31,162	(349,891)

5. Retirement Plans (continued)

The adoption of SFAS No. 158 had no effect on JHSMH's consolidated statements of operations for the year ended December 31, 2006, or for any prior period presented, does not effect any financial covenants, and is not expected to effect JHSMH's operating results in future periods.

The change in projected benefit obligation and the fair value of plan assets for the years ended December 31, 2007 and 2006, and the funded status of the plans as of December 31, 2007 and 2006, are as follows:

	2007	2006
Projected benefit obligation, beginning of year	**$ 161,095**	$ 146,864
Service cost	**14,268**	13,632
Interest cost	**9,318**	8,124
Actuarial loss and plan amendments	**930**	4,177
Benefits paid	**(10,113)**	(11,702)
Projected benefit obligation, end of year	**175,498**	161,095
Fair value of plan assets, beginning of year	**104,651**	89,147
Actual gain on plan assets	**6,779**	10,922
Employer contributions	**20,853**	16,284
Benefits paid	**(10,113)**	(11,702)
Fair value of plan assets, end of year	**122,170**	104,651
Funded status/net recorded liability	**$ (53,328)**	$ (56,444)

The change in the minimum pension liability included in changes in unrestricted net assets was an increase of $5,734 for the year ended December 31, 2006. The net loss and prior service cost recognized in unrestricted net assets for the year ended December 31, 2007 were $3,366 and $0, respectively. Included in unrestricted net assets at December 31, 2007 and 2006, respectively, are the following amounts that have not yet been recognized in net periodic benefit cost: unrecognized actuarial loss of $31,999 and $31,949 and unrecognized net prior service cost of $4,859 and $6,085. The actuarial loss and prior service cost expected to be recognized during the year ended December 31, 2008, are $3,158 and $1,090, respectively.

The accumulated benefit obligation for all defined benefit pension plans was $145,604 and $134,763 at December 31, 2007 and 2006, respectively.

5. Retirement Plans (continued)

The weighted-average assumptions used to determine net periodic pension costs for the years ended December 31, are as follows:

	2007	2006
Discount rate	**6.00%**	5.75%
Expected return on plan assets	**8.00**	9.00
Rate of compensation increase	**3.50**	2.50

The weighted-average assumptions used to determine benefit obligations at December 31, are as follows:

	2007	2006
Discount rate	**6.23%**	6.00%
Expected return on plan assets	**8.00**	8.00
Rate of compensation increase	**3.50**	3.50

The investment objective with regard to the plan assets is one of long-term growth and current income. This balanced approach is expected to earn long-term total returns comprised of capital appreciation and current income that are commensurate with the expected rates of return used by the Plans.

The weighted average asset allocations at December 31, 2007 and 2006 by asset category are as follows:

	2007	2006
Equity securities	**65%**	66%
Debt securities	**20**	17
Hedge funds and limited partnership	**15**	17
	100%	100%

5. Retirement Plans (continued)

Pension plan assets are currently managed in an attempt to achieve a rate of return that provides a premium of 5.5% over inflation. Performance of the plan assets is compared to a dollar-weighted average return goal of 8% and a peer group comprised of other corporate pension plans.

Genesis Limited Partnership and Grosvenor Hedge Fund are each over 5% of the total fair value of plan assets at December 31, 2007 and 2006.

JHSMH expects to contribute approximately $21,413 to the defined benefit pension plans in 2008.

Benefits expected to be paid to the Plans' beneficiaries are as follows:

2008	$ 13,523
2009	12,682
2010	14,407
2011	18,369
2012	21,390
2013 through 2017	114,273

6. Commitments and Contingencies

Future minimum annual rental payments under noncancelable operating lease and service agreements as of December 31, 2007 are as follows:

2008	$ 28,268
2009	26,247
2010	26,120
2011	25,467
2012	23,954
Thereafter	121,818
	$ 251,874

Total rental expense, which includes amounts applicable to short-term leases, was $12,553 and $11,137 for 2007 and 2006, respectively.

6. Commitments and Contingencies (continued)

JHSMH, in conjunction with other medical center institutions, is contractually responsible for the operating costs and the debt service requirements of two organizations owned and operated by the Medical Center Commission (a public agency) which provide laundry service and steam and chilled water service to certain JHSMH operations and other institutions. The principal amount of the long-term debt outstanding as of December 31, 2007 related to the laundry service organization is approximately $4,665, while that related to the steam and chilled water service organization is approximately $11,920. Payments made by JHSMH to the two organizations are included in operating expenses and, for the years ended December 31, 2007 and 2006, amounted to:

	2007	2006
Laundry service	**$ 2,399**	$ 2,705
Steam and chilled water service	**2,577**	2,559
	$ 4,976	$ 5,264

JH Properties leases office space to various lessees in medical office buildings and parking lots under operating leases. The rental income from these leases was $6,936 and $7,049 in 2007 and 2006, respectively.

The net book value of the leased property, including property that is currently being renovated for future leasing activities, at December 31, 2007 is $33,006. The following is a schedule by years of minimum future rentals receivable under existing noncancelable operating leases as of December 31, 2007:

2008	$ 4,897
2009	3,691
2010	2,121
2011	1,547
2012	640
Thereafter	1,793
Total minimum future rentals	$ 14,689

7. Medical Malpractice Self-Insurance

Because of the nature of its operations, JHSMH is at all times subject to pending and threatened legal actions, which arise in the normal course of its activities. JHSMH has a risk management program that regularly monitors JHSMH's operations. Various claimants have asserted professional and patient general liability claims for incidents that may give rise to litigation against JHSMH. The claims are in various stages of processing and some may ultimately be brought to trial. There are also known incidents that have occurred through December 31, 2007 that may result in the assertion of additional claims. In addition, there may be other claims related to unreported incidents arising from services provided to patients as of December 31, 2007.The undiscounted estimated liability for self-insurance of $19,903 and $21,637 included in other current and long-term liabilities at December 31, 2007 and 2006, respectively, includes the estimate of the ultimate costs for claims reported to JHSMH as well as incidents that may have occurred but not been reported. JHSMH has engaged independent actuaries to estimate the ultimate cost of the settlement of such claims.

Several cases involve potential significant amounts for which legal counsel is unable to render an opinion on the outcome or potential damages at the present time. In the opinion of management, resolution of those matters is not expected to have a material adverse effect on the financial position of JHSMH. However, depending on the amount and timing of such resolution, an unfavorable resolution of some or all of these matters could materially affect JHSMH's future results of operations or cash flows in a particular period.

JHSMH is self-insured for medical malpractice claims and has excess commercial insurance coverage for claims over the self-insured limit on a claims-made basis. Because the claims-made policy only covers claims that have been asserted and incidents reported to the insurance carrier, any unknown incidents are not yet covered by insurance. Management intends to maintain the current claims-made excess insurance coverage to cover any unknown incidents that may be asserted.

JHSMH has established an irrevocable trust fund for the payment of medical malpractice claim settlements, and related expenses, and funds the trust based on an annual actuarial valuation.

8. Concentrations of Credit Risk

JHSMH grants credit without collateral to its patients, most of whom are local residents and are insured under third-party agreements. The mix of receivables from patients and third-party payors at December 31 was as follows:

	2007	2006
Medicare	**28%**	23%
Medicaid	**14**	19
Anthem Blue Cross	**7**	7
Other third party-payors	**13**	25
Private payors	**38**	26
	100%	100%

9. Unconsolidated Entities

Summarized unaudited financial information reported by unconsolidated entities accounted for on the equity method for the years ended December 31, 2007 and 2006 follows:

	SIRH	Southern Home Care	Clark Co. Cath Lab	CARITAS Rehab
2007				
Total assets	**$ 15,108**	**$ 317**	**$ 4,359**	**$ 535**
Total liabilities	**7,118**	**(14)**	**825**	**(14)**
Net revenues	**15,725**	**(24)**	**8,438**	**1,572**
Net earnings (loss):				
Total	**49**	**(238)**	**594**	**471**
JHSMH share	**51**	**(95)**	**324**	**165**
2006				
Total assets	$ 15,419	$ 920	$ 5,966	$ 540
Total liabilities	7,124	508	1,257	(21)
Net revenues	14,674	2,222	9,115	1,677
Net earnings (loss):				
Total	(472)	(647)	1,112	517
JHSMH share	(157)	(259)	556	155

9. Unconsolidated Entities (continued)

Effective with the Affiliation, JHSMH owns a 30% interest in CARITAS Rehab, LLC (a rehabilitation facility) owned jointly with Kentucky Orthopedic Rehabilitation, LLC. CHS entered into this joint venture with Kentucky Orthopedic Rehabilitation, LLC in 2004.

Effective October 1, 2006, JHSMH, d/b/a VNA Nazareth Home Care entered into an agreement with Clark Memorial Hospital to acquire only the computer equipment assets of Southern Home Care (SHC). Pursuant to the agreement, SHC was to continue operations through December 31, 2006 (post closing transition period) related to any existing SHC patients whose episode of care was not completed at October 1, 2006. A final settlement of the remaining cash account and amounts due to or from the partners will occur by June 30, 2008.

10. Fair Values of Financial Instruments

The carrying amounts and fair values of JHSMH's financial instruments at December 31 are as follows:

	2007		2006	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	$ 37,781	$ 37,781	$ 35,096	$ 35,096
Investments and assets limited as to use:				
Cash and cash equivalents	24,057	24,057	27,538	27,538
Common stocks	137,780	137,780	142,704	142,704
Hedge funds	20,581	20,581	18,356	18,356
Limited partnerships	13,693	13,693	14,243	14,243
Corporate obligations	9,032	9,032	7,979	7,979
Real estate mutual funds	4,138	4,138	–	–
U.S. Government obligations	39,724	39,724	38,145	38,145
Other assets	8,669	8,669	8,717	8,717
	257,674	257,674	257,682	257,682
Debt:				
1996 Bonds	51,495	52,126	52,820	54,962
2002 Bonds	217,275	217,275	220,650	220,650
2004 Bonds	61,600	61,600	63,000	63,000
CHI note payable	41,020	41,020	45,302	45,302
Leasehold improvement obligation	356	356	–	–
Capital lease obligation	39	39	–	–
Interest rate swap liability	16,183	16,183	13,596	13,596

10. Fair Values of Financial Instruments (continued)

The following methods and assumptions were used by JHSMH in estimating its fair value disclosures for financial instruments:

- Cash and cash equivalents: The carrying amounts approximate fair values.
- Investments: The fair values of the investments are generally based on quoted market prices. (See Note 1 related to fair value determination for hedge funds and limited partnerships)
- Other assets: The carrying amounts (consisting principally of pledges receivable) approximate fair values.
- 2004, 2002 and 1996 Bonds and the CHI note payable: The fair values of the bonds are based on quoted market prices. The carrying amount of the CHI note payable approximates fair value based on the variable interest rate.
- Interest rate swap liability: The fair value for the interest rate swap liability is based on quoted market prices.

11. Income Taxes

Most of the income received by JHSMH and certain affiliates is exempt from taxation under Section 501(a) of the Internal Revenue Code. Some of its subsidiaries are taxable entities and some of the income received by otherwise exempt entities is subject to taxation as unrelated business income. JHSMH files federal income tax returns as well as income tax return in Kentucky and Indiana.

In June 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, an interpretation of FASB Statement No 109, (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken, or expected to be taken in a tax return. FIN 48 also provides guidance on description, classification, interest and penalties, accounting in interim periods, disclosure and transition.

JHSMH adopted FIN 48 on January 1, 2007. The adoption of FIN 48 was not material to the financial statements.

JHSMH's practice is to recognize interest and/or penalties related to income tax matters in income tax expense.

(Dollars in Thousands)

11. Income Taxes (continued)

At December 31, 2007 and 2006, JHSMH has net operating loss carryforwards of $19,399 and $19,860, respectively, for federal income tax purposes, which begin to expire in 2009. The related deferred tax assets are fully reserved and have not been recorded in the financial statements.

12. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets include donor-restricted funds, which can only be expended for the designated purpose. Also included is the cash surrender value of life insurance and pledges receivable, which cannot be expended until received. At December 31, temporarily restricted net assets include the following:

	2007	2006
Funds restricted for:		
Health care programs	**$ 1,003**	$ 1,840
Capital expenditures	**3,611**	6,265
Research and education	**4,296**	183
Other	**1,642**	270
	$ 10,552	$ 8,558

Permanently restricted net assets consists of investments, the cash surrender value of life insurance and pledges receivable. These assets are to be held in perpetuity, the income from which is expendable to support various JHSMH programs as designated by the donor. At December 31, permanently restricted net assets include the following:

	2007	2006
Investments	**$ 4,682**	$ 4,418
Pledges receivable	**167**	181
Cash surrender value of life insurance	**709**	691
	$ 5,558	$ 5,290

(Dollars in Thousands)

13. Subsequent Events

The 2002 Bonds and 2004 Bonds were issued as Auction Rate Certificates (ARCs). In recent months, several financial institutions that supported the auction bidding for these ARCs have discontinued their support and interest rates have increased as auctions have failed to produce adequate bids. These events have not had a material impact to JHSMH's operating results for the year ended December 31, 2007, as the first failed auction process occurred on February 13, 2008. Continued auction failures will increase the rates paid on these ARCs (currently at approximately 5.2%), which could reach a maximum rate of 12% as prescribed in the Bond Indenture. Management is currently evaluating options for refinancing of the 2002 Bonds and 2004 Bonds.

On February 29, 2008, JHSMH sold Four Courts Senior Center (a nursing and assisted-living facility). The gain on the sale of the facility was $3,326. Certain assets of Four Courts Senior Center were financed with proceeds from bond issues that have subsequently been refinanced as part of the 1996 and 2002 Bonds. Approximately $905 of 1996 Bonds and $2,575 of the 2002 Bonds will require redemption within 90 days of the sale.

Other Financial Information

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Report of Independent Auditors
On Other Financial Information

The Board of Trustees
Jewish Hospital & St. Mary's HealthCare, Inc.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying other financial information and consolidating information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information, except for that portion marked "unaudited," (page 41) on which we express no opinion, has been subjected to the auditing procedures applied in our audits of the consolidated financial statements and, in our opinion, based on our audits and the report of other auditors, in so for as it relates to Jewish Hospital & St. Mary's HealthCare Network Regional Service Center, LLC, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Ernst + Young LLP

May 16, 2008

Jewish Hospital & St. Mary's HealthCare, Inc.

Consolidating Balance Sheet *(In Thousands)*

December 31, 2007

	Jewish Hospital & St. Mary's HealthCare, Inc. Obligated Group Combined	Combining Entries	JHHS, Inc.	Jewish Hospital & St. Mary's HealthCare, Inc. Combined	Combining Entries	MedGroup Management, LLC	HealthStaff Solutions, HealthStaff, LLC	JH Properties, Inc.	Jewish Hospital & St. Mary's Healthcare Network Regional Service Center, LLC	The Physician Group Inc.	Jewish Hospital & St. Mary's Healthcare, Inc.
Assets											
Current assets:											
Cash and cash equivalents	$ 42,690	$ (47) (D)	$ 4,956	$ 37,781	$ –	$ –	$ 47	$ –	$ 1,542	$ 2	$ 36,190
Short-term investments	89,457	–	–	89,457	–	–	–	–	–	–	89,457
Assets limited as to use-required for current liabilities:											
Self-insurance trust	8,870	–	–	8,870	–	–	–	–	–	–	8,870
Other	–	–	–	-	–	–	–	–	–	–	–
	8,870	–	–	8,870	–	–	–	–	–	–	8,870
Receivables:											
Patient accounts, net	144,037	–	–	144,037	–	–	–	–	–	4,507	139,530
Affiliates	–	(1,000) (A)	1,000	–	(4,929) (A)	(129)	(429)	3	6,957	(28,014)	26,541
Other	12,520	611 (D)	94	11,815	–	929	18	429	2,357	173	7,909
	156,557	(389)	1,094	155,852	(4,929)	800	(411)	432	9,314	(23,334)	173,980
Inventories	23,097	–	–	23,097	–	–	–	–	10,096	–	13,001
Estimated receivable for third-party settlements	992	–	–	992	–	–	–	–	–	–	992
Prepaid expenses	7,652	(13) (D)	–	7,665	–	3	10	7	50	358	7,237
Total current assets	329,315	(449)	6,050	323,714	(4,929)	803	(354)	439	21,002	(22,974)	329,727
Assets limited as to use (net of current portion):											
Funds held by bond trustee	–	–	–	-	–	–	–	–	–	–	–
Funded depreciation accounts	31,165	–	–	31,165	–	–	–	–	–	–	31,165
Self-insurance trust	10,784	–	–	10,784	–	–	–	–	–	–	10,784
Foundation funds:											
Board restricted	101,109	(36) (D)	–	101,145	–	36	–	–	–	–	101,109
Temporarily restricted	10,697	–	–	10,697	–	–	–	–	–	–	10,697
Permanently restricted	5,556	–	–	5,556	–	–	–	–	–	–	5,556
	159,311	(36)	–	159,347	–	36	–	–	–	–	159,311
Investments in and advances to uncombined entities	27,755	(255,396) (B,C,D)	276,221	6,930	(12,561) (B)	293	–	–	–	–	19,198
Property and equipment, net	431,280	–	–	431,280	(1,469) (E)	–	–	200,901	496	4,223	227,129
Goodwill, net	3,852	–	–	3,852	–	–	–	–	–	–	3,852
Deferred financing costs, net	7,125	–	–	7,125	–	–	–	–	–	–	7,125
Other assets	12,079	(501) (D)	–	12,580	–	501	–	–	–	–	12,079
Total assets	$ 970,717	$ (256,382)	$ 282,271	$ 944,828	$ (18,959)	$ 1,633	$ (354)	$ 201,340	$ 21,498	$ (18,751)	$ 758,421

(A) Elimination of interaffiliate receivables and payables.
(B) Elimination of investment in subsidiaries.
(C) Adjustment to reflect accounting for investments in uncombined entities on a cost basis.
(D) Elimination of non-obligated group members.
(E) Elimination of intercompany gain on transfer of property.

Jewish Hospital & St. Mary's HealthCare, Inc.

Consolidating Balance Sheet (continued) *(In Thousands)*

December 31, 2007

	Jewish Hospital & St. Mary's HealthCare, Inc. Obligated Group Combined	Combining Entries	JHHS, Inc.	Jewish Hospital & St. Mary's HealthCare, Inc. Combined	Combining Entries	MedGroup Management, LLC	HealthStaff Solutions, HealthStaff LLC	JH Properties, Inc.	Jewish Hospital & St. Mary's Healthcare Network Regional Service Center, LLC	The Physician Group Inc.	Jewish Hospital & St. Mary's Healthcare, Inc.
Liabilities, net assets and owners' equity											
Current liabilities:											
Accounts payable	$ 44,242	$ 5 (D)	$ –	$ 44,237	$ –	$ –	$ (5)	$ 1,015	$ 7,466	$ 303	$ 35,458
Affiliate payable	–	(561) (A)	561	–	(4,929) (A)	–	–	–	–	–	4,929
	44,242	(556)	561	44,237	(4,929)	–	(5)	1,015	7,466	303	40,387
Accrued expenses:											
Salaries, wages and benefits	34,609	(118) (D)	–	34,727	–	89	29	195	187	2,521	31,706
Interest	1,974	–	–	1,974	–	–	–	–	–	–	1,974
Other	31,247	547 (D)	–	30,700	–	14	–	717	2	15	29,952
	67,830	429	–	67,401	–	103	29	912	189	2,536	63,632
Long-term debt due within one year	11,623	–	–	11,623	–	–	–	–	–	13	11,610
Total current liabilities	123,695	(127)	561	123,261	(4,929)	103	24	1,927	7,655	2,852	115,629
Long-term debt due after one year	360,162	–	–	360,162	–	–	–	–	–	209	359,953
Interest rate swap liability	16,183	–	–	16,183	–	–	–	–	–	–	16,183
Liability for defined benefit retirement plans	53,328	–	–	53,328	–	–	–	–	–	–	53,328
Other long-term liabilities	21,165	–	–	21,165	–	–	–	–	–	1,557	19,608
Total liabilities	574,533	(127)	561	574,099	(4,929)	103	24	1,927	7,655	4,618	564,701
Minority interest in subsidiaries	2,434	–	–	2,434	2,434 (F)	–	–	–	–	–	–
Net assets:											
Unrestricted	377,640	(256,255) (B,C)	281,710	352,185	(1,469) (E)	–	–	199,413	–	(23,369)	177,610
Temporarily restricted	10,552	–	–	10,552	–	–	–	–	–	–	10,552
Permanently restricted	5,558	–	–	5,558	–	–	–	–	–	–	5,558
Total net assets	393,750	(256,255)	281,710	368,295	(1,469)	–	–	199,413	–	(23,369)	193,720
Owner's equity:											
Contributed capital	–	–	–	–	(30,216) (B)	23,865	120	–	6,231	–	–
Retained earnings (accumulated deficit)	–	–	–	–	15,221 (B)	(22,335)	(498)	–	7,612	–	–
Total owners' equity	–	–	–	–	(14,995)	1,530	(378)	–	13,843	–	–
Total liabilities, net assets and owners' equity	$ 970,717	$ (256,382)	$ 282,271	$ 944,828	$ (18,959)	$ 1,633	$ (354)	$ 201,340	$ 21,498	$ (18,751)	$ 758,421

(A) Elimination of interaffiliate receivables and payables.
(B) Elimination of investment in subsidiaries.
(C) Adjustment to reflect accounting for investments in uncombined entities on a cost basis.
(D) Elimination of non-obligated group members.
(E) Elimination of intercompany gain on transfer of property.
(F) Establishment of minority interest.

Jewish Hospital & St. Mary's HealthCare, Inc.

Consolidating Statement of Operations and Changes in Net Assets *(In Thousands)*

Year Ended December 31, 2007

	Jewish Hospital & St. Mary's HealthCare, Inc. Obligated Group Combined	Combining Entries	JHHS, Inc.	Jewish Hospital & St. Mary's HealthCare, Inc. Combined	Combining Entries	MedGroup Management, LLC	HealthStaff Solutions, HealthStaff LLC	JH Properties, Inc.	Jewish Hospital & St. Mary's Healthcare Network Regional Service Center, LLC	The Physician Group Inc.	Jewish Hospital & St. Mary's Healthcare, Inc.
Operating revenues:											
Net patient service revenue	$ 870,708	$ –	$ –	$ 870,708	$ –	$ –	$ –	$ –	$ –	$ 36,114	$ 834,594
Rental revenue	6,906	(30) (C)	–	6,936	(4,119) (A)	30	–	7,083	48	2	3,892
Management fee revenue	814	(4,156) (A,C)	2,901	2,069	(3,768) (A)	1,624	–	–	–	–	4,213
Investment income	2,531	–	–	2,531	–	–	–	–	–	–	2,531
Other operating revenue	22,324	(861) (A,C)	1,038	22,147	(4,368) (A)	1	822	1,928	6,033	3,733	13,998
Total operating revenues	903,283	(5,047)	3,939	904,391	(12,255)	1,655	822	9,011	6,081	39,849	859,228
Operating expenses:											
Personnel	412,076	(1,021) (C)	–	413,097	(594) (A)	171	850	1,220	2,118	37,319	372,013
Supplies	183,677	(1) (C)	–	183,678	–	–	1	219	83	2,328	181,047
Purchased services	71,790	(2,920) (A,C)	2,901	71,809	–	4	15	2,014	553	1,895	67,328
Professional fees	33,215	(88) (C)	–	33,303	(2,065) (A)	88	–	77	27	680	34,496
Provision for doubtful accounts	87,411	–	–	87,411	–	–	–	–	127	2,421	84,863
Depreciation	42,605	(11) (C)	–	42,616	–	–	11	3,798	242	551	38,014
Interest	17,666	(15) (C)	–	17,681	(15) (A)	–	15	539	–	47	17,095
Corporate services	–	–	–	–	(3,767) (A)	137	232	713	–	2,685	–
Other	49,977	(2,542) (A,C)	1,227	51,292	(5,649) (A)	15	41	3,547	1,783	4,728	46,827
Provider taxes	13,485	–	–	13,485	–	–	–	–	–	–	13,485
Total operating expenses	911,902	(6,598)	4,128	914,372	(12,090)	415	1,165	12,127	4,933	52,654	855,168
Income (loss) from operations before equity in earnings (losses) of uncombined entities	(8,619)	1,551	(189)	(9,981)	(165)	1,240	(343)	(3,116)	1,148	(12,805)	4,060
Equity in earnings (losses) of uncombined entities	1,020	(2,842) (B,F)	3,417	445	(1,917) (F)	–	–	–	–	–	2,362
Operating income (loss)	(7,599)	(1,291)	3,228	(9,536)	(2,082)	1,240	(343)	(3,116)	1,148	(12,805)	6,422
Nonoperating gain (loss), net	7,423	(2,450) (C)	231	9,642	(13) (A,E	39	–	(457)	–	–	10,073
Excess of (expenses over revenues) revenues over expenses	$ (176)	$ (3,741)	$ 3,459	$ 106	$ (2,095)	$ 1,279	$ (343)	$ (3,573)	$ 1,148	$ (12,805)	$ 16,495

Continued on next page

(A) Elimination of interaffiliate revenue and expenses.
(B) Adjustment to reflect accounting for investments in uncombined entities on a cost basis.
(C) Elimination of non-obligated group members.
(D) Adjustment to reflect minority interest in subsidiary's earnings.
(E) Adjustment to reflect reclassification of investment income to operating income.
(F) Elimination of investment in subsidiaries.

Jewish Hospital & St. Mary's HealthCare, Inc.

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

Year Ended December 31, 2007

	Jewish Hospital & St. Mary's HealthCare, Inc. Obligated Group Combined	Combining Entries	JHHS, Inc.	Jewish Hospital & St. Mary's HealthCare, Inc. Combined	Combining Entries	MedGroup Management, LLC	HealthStaff Solutions, HealthStaff LLC	JH Properties, Inc.	Jewish Hospital & St. Mary's Healthcare Network Regional Service Center, LLC	The Physician Group Inc.	Jewish Hospital & St. Mary's Healthcare, Inc.
Unrestricted net assets:											
Excess of (expenses over revenues) revenues over expenses	$ (176)	$ (3,741) (A,B)	$ 3,459	$ 106	$ (2,095) (A)	$ 1,279	$ (343)	$ (3,573)	$ 1,148	$ (12,805)	$ 16,495
Change in fair value of interest rate swap	1,799	–	–	1,799	–	–	–	–	–	–	1,799
Minimum pension liability adjustment	1,027	–	–	1,027	–	–	–	–	–	–	1,027
Gifts and other receipts for specific purposes	2,503	–	–	2,503	11 (A)	–	–	(1,815)	–	–	4,307
Reclassification from temporarily restricted net assets	(3,141)	–	–	(3,141)	2,266 (A)	(1,118)	–	8,849	(1,148)	–	(11,990)
Increase (decrease) in unrestricted net assets	2,012	(3,741)	3,459	2,294	182	161	(343)	3,461	–	(12,805)	11,638
Balance, beginning of year	375,628	(252,514)	278,251	349,891	(2,803)	1,369	(35)	195,952	–	(10,564)	165,972
Balance, end of year	$ 377,640	$ (256,255)	$ 281,710	$ 352,185	$ (2,621)	$ 1,530	$ (378)	$ 199,413	$ –	$ (23,369)	$ 177,610
Temporarily restricted net assets:											
Gifts and other receipts for specific purposes	$ 5,379	$ –	$ –	$ 5,379	$ –	$ –	$ –	$ –	$ –	$ –	$ 5,379
Reclassification to unrestricted/permanent restricted net assets	3,134	–	–	3,134	–	–	–	–	–	–	3,134
Net assets released from restrictions	(6,519)	–	–	(6,519)	–	–	–	–	–	–	(6,519)
Increase in temporarily restricted net assets	1,994	–	–	1,994	–	–	–	–	–	–	1,994
Balance, beginning of year	8,558	–	–	8,558	–	–	–	–	–	–	8,558
Balance, end of year	$ 10,552	$ –	$ –	$ 10,552	$ –	$ –	$ –	$ –	$ –	$ –	$ 10,552
Permanently restricted net assets:											
Gifts and other receipts for specific purposes	$ 261	$ –	$ –	$ 261	$ –	$ –	$ –	$ –	$ –	$ –	$ 261
Reclassification from temporarily restricted net assets	7	–	–	7	–	–	–	–	–	–	7
Increase in permanently restricted net assets	268	–	–	268	–	–	–	–	–	–	268
Balance, beginning of year	5,290	–	–	5,290	–	–	–	–	–	–	5,290
Balance, end of year	$ 5,558	$ –	$ –	$ 5,558	$ –	$ –	$ –	$ –	$ –	$ –	$ 5,558

(A) Elimination of investments in subsidiaries and establishment of minority interest.

(B) Adjustment to reflect accounting for investments in uncombined entities on a cost basis.

Jewish Hospital & St. Mary's HealthCare, Inc.

Charity Care and Community Service Programs (unaudited)

(Dollars in Thousands)

	Years Ended December 31	
	2007	**2006**
Charity care at cost	**$ 13,393**	$ 12,581
Unpaid cost of Medicare patients' post transplant	**16**	6
Unpaid cost of Medicaid cost	**15,742**	14,433
Community health improvement services	**2,659**	664
Health professions education	**285**	5
Subsidized health services	**4,906**	5,719
Research	**1,907**	1,200
Kentucky provider taxes, net (see Note 2)	**8,270**	10,139
Financial and in-kind contributions	**1,752**	1,934
Community building activities	**61**	28
Community benefit operations	**55**	12
Total	**$ 49,046**	$ 46,721

JEWISH HOSPITAL & ST. MARY'S HEALTHCARE
Consolidated Balance Sheets
(Dollars in thousands)

Assets	April 30, 2008 (unaudited)	December 31, 2007
Current assets:		
Cash and cash equivalents	$ 41,278	$ 37,781
Short-term investments	84,463	89,457
Assets limited as to use:		
Self-insurance trust	6,443	8,870
Receivables:		
Patient accounts, less estimated doubtful accounts (2008-$80,600; 2007-$70,400)	149,052	144,037
Estimated receivable for third-party settlements	-	992
Other	9,159	11,815
	158,211	156,844
Inventories	19,973	23,097
Prepaid expenses	9,015	7,665
Total current assets	319,383	323,714
Assets limited as to use (net of current portion):		
Funded depreciation accounts	29,792	31,165
Self-insurance trust	9,240	10,784
Foundation funds:		
Board designated	95,373	101,145
Temporarily restricted	10,081	10,697
Permanently restricted	5,532	5,556
	150,018	159,347
Investments in unconsolidated entities	7,015	6,930
Property and equipment, net	425,214	431,230
Goodwill, net	3,749	3,852
Deferred financing costs, net	6,965	7,125
Other assets	12,382	13,830
Total assets	$ 924,726	$ 946,028

See accompanying notes.

Liabilities and net assets	April 30, 2008 (unaudited)	December 31, 2007
Current liabilities:		
Accounts payable	$ 45,403	$ 45,437
Accrued expenses:		
Salaries, wages and benefits	32,790	34,727
Interest	1,836	1,974
Other	26,950	30,700
	61,576	67,401
Estimated liability for third-party settlements	485	-
Long-term debt due within one year	12,103	11,623
Total current liabilities	119,567	124,461
Long-term debt due after one year	351,093	360,162
Interest rate swap liability	19,968	16,183
Liability for defined benefit retirement plans	49,593	53,328
Other long-term liabilities	18,613	21,165
Total liabilities	558,834	575,299
Minority interest in subsidiaries	2,382	2,434
Net assets:		
Unrestricted	348,071	352,185
Temporarily restricted	9,907	10,552
Permanently restricted	5,532	5,558
Total net assets	363,510	368,295
Total liabilities and net assets	$ 924,726	$ 946,028

See accompanying notes.

JEWISH HOSPITAL & ST. MARY'S HEALTHCARE

Consolidated Statements of Operations and Changes in Net Assets

(Dollars in thousands)

	Four Months Ended April 30,	
	2008	2007
	(unaudited)	
Operating revenues:		
Net patient service revenue	$ 312,892	$ 290,728
Rental revenue	1,942	2,200
Management fee revenue	581	723
Investment income	918	1,012
Other operating revenue	7,626	6,488
Total operating revenues	323,959	301,151
Operating expenses:		
Salaries and wages	119,230	111,651
Benefits	24,365	23,424
Supplies	58,720	61,824
Purchased services	29,961	22,157
Professional fees	10,288	9,489
Provision for doubtful accounts	33,370	26,258
Depreciation	13,759	14,117
Interest	6,771	5,844
Other	19,224	18,144
Provider taxes	2,548	4,782
Total operating expenses	318,236	297,690
Income from operations before equity in earnings of unconsolidated entities	5,723	3,461
Equity in earnings of unconsolidated entities	42	337
Operating income	5,765	3,798
Nonoperating items:		
Investment (loss) income	(14,462)	10,284
Gain on sale of assets	3,236	-
Other, net	797	1
Nonoperating (loss) gain, net	(10,429)	10,285
Excess of (expenses over revenues) revenues over expenses	$ (4,664)	$ 14,083

See accompanying notes.

JEWISH HOSPITAL & ST. MARY'S HEALTHCARE

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

(Dollars in thousands)

	Four Months Ended April 30, 2008	2007
	(unaudited)	
Unrestricted net assets:		
Excess (expenses over revenues) revenues over expenses	$ (4,664)	$ 14,083
Change in fair value of interest rate swap	-	1,521
Amortization of interest rate swap	128	32
Transfers from (to) temporarily restricted net assets	-	(319)
Gifts and other receipts for specific purposes	422	8
(Decrease) increase in unrestricted net assets	(4,114)	15,325
Balance, beginning of period	352,185	349,891
Balance, end of period	$ 348,071	$ 365,216
Temporarily restricted net assets:		
Gifts and other receipts for specific purposes	$ 1,068	$ 2,115
Net assets released from restrictions	(1,713)	(1,423)
(Decrease) increase in temporarily restricted net assets	(645)	692
Balance, beginning of period	10,552	8,558
Balance, end of period	$ 9,907	$ 9,250
Permanently restricted net assets:		
Gifts and other receipts for specific purposes	$ 24	$ 87
Write-off of uncollectible pledge	(50)	-
(Decrease) increase in permanently restricted net assets	(26)	87
Balance, beginning of period	5,558	5,290
Balance, end of period	$ 5,532	$ 5,377

See accompanying notes.

JEWISH HOSPITAL & ST. MARY'S HEALTHCARE
Consolidated Statements of Cash Flows
(Dollars in thousands)

	Four Months Ended April 30,	
	2008	2007
	(unaudited)	
Operating activities:		
Excess of (expenses over revenues) revenues over expenses	$ (4,664)	$ 14,083
Other changes in net assets	(121)	2,021
(Decrease) increase in net assets	(4,785)	16,104
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:		
Contributions for endowment	(1,092)	(2,142)
Minority interest in net income of subsidiaries	(52)	219
Depreciation	13,759	14,117
Amortization	263	266
Net gain on sale of property and equipment	(3,236)	-
Net realized (losses) gains and equity earnings on hedge funds and limited partnerships	(1,336)	973
Provision for doubtful accounts	33,370	26,258
Change in fair value of interest rate swap	3,785	(1,807)
Equity in earnings of unconsolidated entities, net of cash distributions received	(6)	70
Changes in operating assets and liabilities:		
Patient accounts and other receivables	(37,395)	(36,273)
Trading securities	18,091	(1,708)
Inventories	3,124	1,031
Prepaid expenses	(1,350)	687
Accounts payable	(34)	(545)
Accrued expenses	(5,825)	(4,816)
Estimated liability for excess third-party payments	1,477	(265)
Other	(4,839)	(766)
Net cash provided by operating activities	13,919	11,403
Investing activities:		
Purchase of property and equipment	(11,575)	(18,311)
Proceeds from sale of investment in hedge funds and limited partnerships	1,556	5,413
Purchases of investments in hedge funds and limited partnerships	(1,561)	(2,216)
Investments in and advances to unconsolidated entities, net of repayments	(79)	-
Proceeds from sale of property and equipment	7,068	-
Net cash used in investing activities	(4,591)	(15,114)

See accompanying notes.

JEWISH HOSPITAL & ST. MARY'S HEALTHCARE
Consolidated Statements of Cash Flows (continued)
(Dollars in thousands)

	Four Months Ended April 30,	
	2008	**2007**
	(unaudited)	
Financing activities:		
Payments of long-term debt	**(8,589)**	(7,047)
Contributions from CHI Kentucky, Inc.	**1,666**	1,666
Contributions for endowment	**1,092**	2,142
Net cash used in financing activities	**(5,831)**	(3,239)
Increase (decrease) in cash and cash equivalents	**3,497**	(6,950)
Cash and cash equivalents at beginning of year	**37,781**	35,096
Cash and cash equivalents at end of period	**$41,278**	$28,146

See accompanying notes.

1. Accounting Policies

Organization

Jewish Hospital & St. Mary's HealthCare, Inc. (JHSMH) is a not-for-profit corporation located in Louisville, Kentucky. JHSMH and its subsidiaries are an integrated regional health care system serving principally Kentucky and Southern Indiana. JHSMH controls not-for-profit corporations, JH Properties, Inc. (JH Properties) and The Physician Group (TPG). JHSMH owns a controlling interest (82% at April 30, 2008) in Jewish Hospital & St. Mary's HealthCare Network Regional Service Center, LLC, a partnership, which operates as a regional warehouse and distribution center. JHSMH also owns a controlling interest (81% at April 30, 2008) in HealthStaff Solutions, LLC, a partnership, which operates a nurse staffing agency. In addition, JHSMH wholly owns MedGroup Management, LLC (MedGroup Management), a taxable corporation.

Basis of Presentation

The accompanying unaudited consolidated financial statements do not include all of the disclosures normally required by generally accepted accounting principles. Accordingly, these financial statements should be read in conjunction with the audited consolidated financial statements of JHSMH for the year ended December 31, 2007.

The accompanying unaudited consolidated financial statements have been prepared in accordance with JHSMH's customary accounting practices. Management believes that financial information included herein reflects all adjustments necessary for a fair presentation of interim results and, except as otherwise disclosed, all such adjustments are of a normal and recurring nature.

The accompanying unaudited consolidated financial statements include the accounts of JHSMH and the subsidiaries, which it controls. All significant interaffiliate transactions and balances have been eliminated.

Following are JHSMH's significant accounting policies:

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from those estimates.

1. Accounting Policies (continued)

Cash Equivalents

Cash equivalents consist of overnight investments and repurchase agreements and are carried at cost plus accrued interest, which approximates fair value. Cash equivalents are maintained with a financial depository institution and are collateralized by U.S. government obligations. These investments have an original maturity of three months or less.

Investments and Assets Limited as to Use

Investments in the accompanying consolidated balance sheets consist of U.S. government and corporate obligations, marketable equity securities, UBS/Grosvenor hedge funds and Genesis Limited Partnership all of which are carried at fair value. Investments have an original maturity in excess of three months, but not longer than one year, at the time of acquisition.

Assets limited as to use include: assets set aside by the Board of Trustees for property replacement and expansion over which the Board retains control and may at its discretion subsequently use for other purposes; assets held by trustees under bond indenture agreements and malpractice self-insurance trust arrangements; temporarily and permanently donor-restricted funds; and other limited-use funds. Investments related to assets limited as to use primarily consist of cash equivalents, U.S. government and corporate obligations, marketable equity securities, hedge funds and limited partnerships and are carried at fair value.

Hedge funds and limited partnerships are not necessarily readily marketable and may include short sales on securities and trading in future contracts, options, foreign currency contracts, other derivative instruments and private equity investments. These investments are accounted for under the equity method. The components of the individual investments within these funds are not readily determinable. The estimated fair value is based on valuations provided by the external investment managers. JHSMH believes the carrying amount of these financial instruments is a reasonable estimate of fair value. Because these investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed. Such differences could be material.

1. Accounting Policies (continued)

Fair Value Measurement

Effective January 1, 2008, JHSMH adopted the provisions of Financial Accounting Standards Board (FASB) Statement No. 157, *Fair Value Measurements*. This Statement establishes a framework for measuring fair value in generally accepted accounting principles, clarifies the definition of fair value within that framework and expands disclosures about the use of fair value measurements. The adoption of this Statement did not have a material impact on the consolidated financial statements.

Statement No. 157 establishes a three-level hierarchy for fair value measurements. The hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date.

- Level 1 – Valuation is based upon quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 – Valuation is based upon quoted prices for similar assets and liabilities in active markets, or other inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 – Valuation is based upon other unobservable inputs that are significant to the fair value measurement.

The classification of fair value measurements within the hierarchy is based upon the lowest level of input that is significant to the measurement. Valuation methodologies used for assets and liabilities measured at fair value are as follows.

Investments

Where quoted prices are available in an active market, investments are classified within Level 1 of the valuation hierarchy. Level 1 securities include highly liquid government bonds, certain mortgage products and exchange-traded equities. If quoted market prices are not available, fair values are estimated using quoted prices of securities with similar characteristics, or inputs other than quoted prices that are observable for the security and would be classified within Level 2 of the valuation hierarchy. In certain cases where there is limited activity or less transparency around inputs to the valuation, securities would be classified within Level 3 of the valuation hierarchy.

1. Accounting Policies (continued)

Derivative Financial Instruments

JHSMH has entered into floating-to-fixed interest rate swap agreements in connection with its debt management program. Under Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards (SFAS) No. 133, *Accounting for Derivative Instruments and Hedging Activities*, and Statement of Position (SOP) 02-2, *Accounting for Derivative Instruments and Hedging Activities by Not-for-Profit Health Care Organizations*, JHSMH records its derivative instruments as either assets or liabilities in the accompanying consolidated balance sheets at fair value, including consideration of non-performance risk.

Refer to Note 7 for the presentation of assets and liabilities recorded at fair value in the Consolidated Balance Sheets.

Charity Care and Community Service Programs

JHSMH accepts patients regardless of their ability to pay. A patient is classified as a charity patient by reference to certain established policies of the operating entities. Essentially, these policies define charity services as those services for which no payment is anticipated. In assessing a patient's inability to pay, JHSMH utilizes the generally recognized poverty income levels of the communities in which the entities operate, but also considers situations where incurred charges are significant when compared to income.

JHSMH also makes contributions for medical education and research and contributions to community service programs, which serve the general public.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined either by the first-in, first-out or average method.

Investments in Unconsolidated Entities

The investments in unconsolidated entities are accounted for on the equity method, except for the investments in University Health Care, Inc. (UHC – a provider-sponsored health network serving Medicaid beneficiaries) of $1,322, and Bluegrass Regional Cancer Center of $444, which are accounted for on the cost method. The equity in earnings of the unconsolidated entities accounted for on the equity method is included in income from operations because these entities' activities are considered to be ongoing or central to the provision of health care services. Investments in unconsolidated entities consist of a 33.33% interest in Southern Indiana Rehabilitation Hospital (SIRH–an acute rehabilitation hospital) owned jointly with Clark Memorial Hospital and Floyd Memorial

1. Accounting Policies (continued)

Hospital; a 40% interest in Southern Home Care (a home health care organization) owned jointly with Clark Memorial Hospital; a 50% interest in The Heart Center at Clark Memorial, LLP (a heart catheterization laboratory operation) owned jointly with Clark Memorial Hospital; a 30% interest in CARITAS Rehab, LLC (a rehabilitation facility) owned jointly with Kentucky Orthopedic Rehabilitation, LLC.

Property and Equipment

Property and equipment are recorded at cost. Depreciation and amortization are provided on the straight-line method over the estimated useful lives of the respective assets. Assets recorded under capital leases are depreciated over the estimated useful life of the related asset or the lease term, whichever is shorter. 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.

Gifts involving land, buildings or equipment are reported as unrestricted support, unless there are explicit donor stipulations specifying how the donated assets must be used. Gifts of long-term 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-term assets are reported as restricted support. Absent explicit donor stipulations about how long those long-term assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-term assets are placed in service.

Impairment of Assets

Properties and other long-lived assets are reviewed for impairment whenever events or business conditions indicate the carrying amount of such assets may not be fully recoverable. Initial assessments of recoverability are based on estimates of undiscounted future net cash flows associated with an asset or a group of assets. Where impairment is indicated the assets carrying amount is reduced to fair value based on discounted net cash flows or other estimates of fair value.

Goodwill

Goodwill represents the excess of the purchase cost over the fair value of net assets acquired and is being amortized using the straight-line method over 30 years. Goodwill is net of accumulated amortization of $3,828 and $3,812 at April 30, 2008 and December 31, 2007, respectively.

1. Accounting Policies (continued)

Deferred Financing Costs

Deferred financing costs are being amortized using the bonds outstanding method over the terms of the bonds. Deferred financing costs are net of accumulated amortization of $3,177 and $3,017 at April 30, 2008 and December 31, 2007, respectively.

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive revenue adjustments due to future audits by third-party payors. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits by third-party payors. The changes to prior year estimates were an increase in net patient service revenue of $285 and $400 for the four months ended April 30, 2008 and 2007, respectively.

Contributions

Contributions are recorded at fair value in the period received or pledged. Donor-restricted contributions 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 the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statement of operations and changes in net assets along with unrestricted contributions as other operating revenue. Donor-restricted contributions whose restrictions are met within the same year as received are accounted for as unrestricted contributions. Permanently restricted net assets have been restricted by donors and are to be maintained by JHSMH in perpetuity.

Excess of (Expenses Over Revenues) Revenues Over Expenses

The consolidated statements of operations and changes in net assets include excess of (expenses over revenues) revenues over expenses. Changes in unrestricted net assets that are excluded from excess of (expenses over revenues) revenues over expenses, consistent with industry practice, include permanent transfers of assets to and from controlled affiliates for other than goods and services, contributions of long-term assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets), and changes in unrecognized actuarial gains and losses and unrecognized net prior service costs related to pension obligations.

1. Accounting Policies (continued)

Operating Activities and Nonoperating Gains (Losses)

Only those activities directly associated with the furtherance of JHSMH's primary mission are considered to be operating activities. Other activities that result in gains or losses are considered to be nonoperating gains (losses). Nonoperating gains (losses) include investment income and gains and losses on the sale and disposal of property and equipment.

Estimated Malpractice Costs

The provision for estimated self-insured medical malpractice claims includes estimates of the ultimate costs for incurred claims that have been identified and for claims that have been incurred but not reported.

Income Taxes

JHSMH and the entities that it owns (except MedGroup Management) are exempt from Federal and State income taxes as not-for-profit corporations as defined in section 501(c)(3) of the Internal Revenue Code and applicable state statutes.

Reclassification

In previous years, JHSMH's investments were classified as other-than-trading. As such, unrealized gains and losses that were considered temporary were excluded from the excess of revenues over expenses. During 2007, management determined that its investment portfolio was more accurately classified as trading, with unrealized gains and losses included in excess of revenues over expenses. Therefore, unrealized gains and losses in the accompanying 2006 consolidated financial statements have been reclassified to reflect this change in classification. This reclassification increased the April 30, 2007 excess of revenues over expenses by $2,571. This reclassification did not impact the change in net assets previously reported.

2. Net Patient Service Revenue

Net patient service revenue for the four months ended April 30, 2008 and 2007 is comprised of:

	Four Months Ended April 30,	
	2008	2007
Charges at established rates	$ 856,936	$ 814,768
Deductions:		
Charity allowances:		
Charity	11,151	11,964
Teaching	(1)	55
Other	144	15
	11,294	12,034
Medicare allowance	248,327	235,556
Medicaid allowance	53,698	53,283
Other contractual allowances	230,725	223,167
Total deductions	544,044	524,040
Net patient service revenue	$ 312,892	$ 290,728

Reimbursement from the Medicare program is determined from annual cost reports, which are subject to audit by the programs. JHSMH's management believes that amounts recorded in the consolidated financial statements for estimated settlements will approximate the final settlements for open cost reports. JHSMH's cost reports for substantially all of its controlled subsidiaries have been audited by the government or its agents and settled through December 31, 2004.

In the health care industry, laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. JHSMH believes that it is in substantial compliance with all applicable laws and regulations, but has had inquiries and subpoenas related to certain issues, which are ongoing. In the opinion of management, it is not probable that the ultimate outcome of these matters will have a material adverse effect on the financial position of the JHSMH. Compliance with health care industry laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

2. Net Patient Service Revenue (continued)

JHSMH has agreements with Medicare, Medicaid and other third-party payors that provide for payments at amounts different from their established rates. A summary of the payment arrangements with major third-party payors is described in the following paragraphs.

Medicare

Inpatient medical and surgical acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Outpatient services are reimbursed on a prospective payment system with services classified into clinically similar ambulatory payment classes (APC) regardless of cost.

Inpatient rehabilitation services are paid on a prospective payment system based on principal diagnosis. Home health services are reimbursed utilizing a prospective payment system based on episodes of care. Medicare net revenue was approximately 44% for both the four months ended April 30, 2008 and 2007, respectively, of total net patient service revenue.

Medicaid

The Kentucky Medicaid program reimburses JHSMH on a prospectively determined rate per discharge for inpatient services and on the basis of fee schedules and cost to charge ratios, as defined, for outpatient services. Medicaid net revenue was approximately 9% and 8% for the four months ended April 30, 2008 and 2007, respectively, of total net patient service revenue.

Other

JHSMH has also entered into payment agreements with certain commercial insurance carriers and health maintenance and preferred provider organizations. The basis for payment under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

2. Net Patient Service Revenue (continued)

The Commonwealth of Kentucky (Commonwealth) imposes a tax on health care providers primarily based on rates ranging from 2% to 2.5% of patient cash collections, as defined. This tax was $2,548 and $4,782 for the four months ended April 30, 2008 and 2007, respectively, and is included in operating expenses. There is a non-recurring out of period favorable impact of $2.2 million related to refunds for amended provider tax returns that positively affects the April 2008 provider tax expense. The Commonwealth provides for a system of reimbursement for services provided to certain Medicaid patients and other patients meeting specified income guidelines (Kentucky Hospital Care Program – KHCP). KHCP reimbursement was $1,923 and $1,677 for the four months ended April 30, 2008 and 2007, respectively, and is included in net patient service revenue as a reduction of charity care allowance.

3. Debt

On February 15, 1987, JHSMH and certain of its subsidiaries, together hereinafter referred to as the Obligated Group, entered into a Master Trust Indenture for the purpose of providing for the issuance of bonds from time to time by any of the Obligated Group members to refinance outstanding indebtedness or to finance the acquisition of capital improvements. Pursuant to this Master Trust Indenture, the Obligated Group members agree to be jointly and severally liable under any notes issued under the Master Trust Indenture. On October 17, 1996, July 18, 2002 and June 23, 2004 the County of Jefferson, Kentucky issued Health Facilities Revenue Bonds of $60,000 (the 1996 Bonds), $230,000 (the 2002 Bonds) and $63,000 (the 2004 Bonds), under the Master Trust Indenture, respectively.

The 2002 Bonds have various annual maturity and sinking fund requirements ranging from $4,200 in 2008 to $17,675 in 2032. The 2002 Bonds bear interest at adjustable rates (approximately 4.8% and 4.1% at April 30, 2008 and December 31, 2007, respectively) that are set on a 7-day or 35-day basis and are based upon current market conditions. While the Bonds are at variable rates, redemption can occur prior to maturity at the option of JHSMH, at a redemption price of 100% of the principal amount, plus accrued interest. The 2002 Bonds can be converted to a fixed rate at the option of JHSMH with certain restrictions.

In connection with the issuance of the 2002 Bonds, JHSMH entered into an interest rate swap agreement for interest rate management purposes. Under the terms of the interest rate swap agreement, JHSMH pays a fixed rate of 5.821% and receives a floating rate based on the London Interbank Offered Rate (LIBOR BBA). The interest rate swap in effect sets JHSMH's interest rate at 4.5% on the outstanding par value of the 2002 Bonds, which was $213,075 and $217,275 at April 30, 2008 and December 31, 2007, respectively. The interest rate swap agreement has a 30-year term and a notional amount equal to 67% of the outstanding par value of the 2002 Bonds, or $142,760 and $145,574 at April 30, 2008 and December 31, 2007, respectively. The interest rate swap has been

3. Debt (continued)

designated by JHSMH as a cash flow hedge of variable-rate debt with no hedge ineffectiveness; therefore, changes in the fair value of the swap are recorded as a change in unrestricted net assets. Under the cash flow hedge accounting methodology, the gains or losses recorded as a change in unrestricted net assets were to be reclassified into the excess of revenues over expenses upon the sale of the swap. However, on January 8, 2007, the Financial Accounting Standard's Board (FASB) issued Derivatives Implementation Guidance (G26) for Statement 133, which affects the future accounting methodology for cash flow hedges that are not based on a benchmark interest rate. The guidance stipulates that interest rates, which are reset through an auction process, do not qualify as a benchmark rate and therefore cannot be treated as a highly effective hedge. The implementation of this new derivative guidance was applied prospectively effective with the quarter beginning April 1, 2007. Cumulative changes in the fair value of the swap from inception through March 31, 2007 are being amortized over the remaining term of the 2002 Bonds and are included as a component of nonoperating items. In addition, any changes in the fair value of the swap that occurred after March 31, 2007, have been recorded as gains or losses in the Statements of Operations. The interest differential to be paid or received under the swap agreement is accrued and recognized as an adjustment to interest expense. The unamortized accumulated derivative loss included in unrestricted net assets at April 30, 2008 and December 31, 2007 is $9,138 and $9,266, respectively.

JHSMH recognized a liability of $19,968 and $16,183 at April 30, 2008 and December 31, 2007, respectively, which represents the fair value of the interest rate swap agreement. This liability is included as a long-term liability in the consolidated balance sheets.

The 2005 CHI note payable has various annual maturities ranging from $4,778 in 2012 to $1,777 in 2017. The note payable bears a variable quarterly average interest rate, which was 5.25% and 5.0% at April 30, 2008 and December 31, 2007, respectively. JHSMH participates in a unified Catholic Health Initiatives, Inc. (CHI) credit governed under a Capital Obligation Document (COD). Under the COD, CHI is the sole obligor on all debt. Bondholder security resides both in the unsecured promise by CHI to pay its obligations and in its control of direct affiliates. Covenants include a minimum CHI debt coverage ratio and certain limitations on secured debt. JHSMH, as an affiliate of CHI, is defined as a participant under the COD and has agreed to certain covenants related to corporate existence, maintenance of insurance and exempt use of bond-financed facilities. Debt under the COD is evidenced by a promissory note between JHSMH and CHI that is due in monthly installments at a variable rate of interest and may be repaid in advance without penalty.

4. Retirement Plans

JHSMH has non-contributory defined benefit retirement plans covering substantially all of its employees. JHSMH has contributed $9,950 to the retirement plans through the four months ended April 30, 2008. Components of net periodic pension benefit cost for the four months ended April 30, 2008 and 2007 are as follows:

	2008	2007
Service cost	$ 4,840	$ 4,756
Interest cost	3,473	3,106
Expected return on plan assets	(3,423)	(2,965)
Amortization of prior service costs	364	409
Recognized actuarial loss and settlement	1,027	1,105
Net periodic pension benefit cost	$ 6,281	$ 6,411

5. Commitments and Contingencies

JHSMH, in conjunction with other medical center institutions, is contractually responsible for the operating costs and the debt service requirements of two organizations owned and operated by the Medical Center Commission (a public agency) which provide laundry service and steam and chilled water service to certain JHSMH operations and other institutions. The principal amount of the long-term debt outstanding as of both April 30, 2008 and December 31, 2007 related to the laundry service organization is approximately $4,665, while that related to the steam and chilled water service organization is approximately $11,920.

6. Medical Malpractice Self-Insurance

Because of the nature of its operations, JHSMH is at all times subject to pending and threatened legal actions, which arise in the normal course of its activities. JHSMH has a risk management program that regularly monitors JHSMH's operations. Various claimants have asserted professional and patient general liability claims for incidents that may give rise to litigation against JHSMH. The claims are in various stages of processing and some may ultimately be brought to trial. There are also known incidents that have occurred through April 30, 2008 that may result in the assertion of additional claims. In addition, there may be other claims related to unreported incidents arising from services provided to patients as of April 30, 2008. The undiscounted estimated liability for self-insurance of $18,049 and $19,903 included in other current and long-term liabilities at April 30, 2008 and December 31, 2007, respectively, includes the estimate of the ultimate costs for claims reported to JHSMH as well as incidents that may have occurred but not been reported. JHSMH has engaged independent actuaries to estimate the ultimate cost of the settlement of such claims on an annual basis.

6. Medical Malpractice Self-Insurance (continued)

Several cases involve potential significant amounts for which legal counsel is unable to render an opinion on the outcome or potential damages at the present time. In the opinion of management, resolution of those matters is not expected to have a material adverse effect on the financial position of JHSMH. However, depending on the amount and timing of such resolution, an unfavorable resolution of some or all of these matters could materially affect JHSMH's future results of operations or cash flows in a particular period.

7. Fair Values of Financial Instruments

The following table presents information about assets and liabilities recorded at fair value at April 30, 2008 on the Consolidated Balance Sheet:

	Carrying Amount	Level 1	Level 2	Level 3
Assets:				
Investments	$ 240,924	$ 240,924	$ -	$ -
Total Assets at Fair Value	$ 240,924	$ 240,924	$ -	$ -
Liabilities:				
Derivative Financial Instruments	$ 19,968	$ -	$ 19,968	$ -
Total Liabilities at Fair Value	$ 19,968	$ -	$ 19,968	$ -

8. Subsequent Events

The 2002 Bonds and 2004 Bonds were issued as Auction Rate Certificates (ARC's). In recent months, several financial institutions that supported the auction bidding for these ARC's have discontinued their support and interest rates have increased as auctions have failed to produce adequate bids. The first failure occurred on February 13, 2008. Continued auction failures will increase the rates paid on these ARC's (currently at approximately 3.1%), which could reach a maximum rate of 12% as prescribed in the Bond Indenture. Management is currently in the process of refinancing of the 2002 Bonds and 2004 Bonds.

APPENDIX C

Definitions of Certain Terms;
Summaries of Principal Documents

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DEFINITIONS OF CERTAIN TERMS;
SUMMARIES OF PRINCIPAL DOCUMENTS

Brief descriptions of the Master Indenture, the First Supplemental Master Indenture, the Bond Indenture, the Loan Agreement and the Security Agreement are included hereafter in this Official Statement. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Master Indenture, the First Supplemental Master Indenture, the Bond Indenture, the Loan Agreement and the Security Agreement are qualified in their entirety by reference to each such document, copies of which are available for review prior to the issuance and delivery of the Bonds at the offices of the Issuer, and thereafter at the offices of the Bond Trustee. All references to the Bonds are qualified in their entirety by reference to the definitive forms thereof and the information with respect thereto included in the Bond Indenture.

DEFINITIONS OF CERTAIN TERMS

The following are definitions of certain terms used in the Master Indenture, the First Supplemental Master Indenture, the Bond Indenture, the Loan Agreement and the Security Agreement

"*Act*" means the Industrial Buildings For Cities and Counties Act, KRS 103.200 and 103.285 as amended.

"*Additional Bonds*" means the Additional Bonds which are authorized to be issued in one or more series from time to time under the Master Indenture.

"Additional Indebtedness" means any Indebtedness (including all Notes and all Guaranties, other than any Indebtedness incurred by an Obligated Group Member to another Obligated Group Member) incurred subsequent to the issuance of the Series 2008 Note issued pursuant to the Master Indenture.

"*Additional Notes*" means the additional Notes authorized to be issued by the Obligated Group Members pursuant to the Master Indenture.

"Affiliate" means a corporation, partnership, joint venture, association, business trust or similar entity organized under the laws of the United States of America or any state thereof which is directly or indirectly controlled by the Corporation, by any other Affiliate or by any Person which controls the Corporation; provided, however, the term "Affiliate" shall not include the Corporation. For purposes of this definition, control means the power to direct the management and policies of a Person through the ownership of not less than a majority of its voting securities or the right to designate or elect not less than a majority of the members of its board of directors or other governing board or body or by contract or otherwise.

"*Arbitrage Rebate Fund*" means the fund established pursuant to the Bond Indenture and entitled "Louisville/Jefferson County Metro Government, Arbitrage Rebate Fund - Jewish Hospital & St. Mary's HealthCare, Inc. Project."

"Audited Financial Statements" means Financial Statements prepared in accordance with generally accepted accounting principles, which have been audited and reported upon by independent certified public accountants which report shall include, in an additional information section, combining or consolidating financial statements which shall contain information from which the accounts of any Affiliate which is not an Obligated Group Member can be eliminated from the Audited Financial Statements.

"Balloon Long-Term Indebtedness" means [i] Long-Term Indebtedness 25% or more of the principal payments of which comes due or matures in a single year or [ii] Long-Term Indebtedness 25% or more of the principal of which will at the option of the holder thereof be payable at one time or on the demand of the holder, which portion of the principal in such cases is not required by the documents pursuant to which such Indebtedness is incurred to be amortized prior to such date. Balloon Indebtedness does not include Indebtedness that otherwise would be classified hereunder as Put Indebtedness.

"*Board*" means the Board of Directors of the Corporation.

"*Bond Counsel*" means a firm of attorneys of national reputation, experienced in the field of municipal bonds, whose opinions are generally accepted by purchasers of municipal bonds, approved by the Issuer and acceptable to the Corporation and the Bond Trustee.

"*Bond Fund*" means the fund established pursuant to the Bond Indenture and entitled "Louisville/Jefferson County Metro Government Bond Fund - Jewish Hospital & St. Mary's HealthCare, Inc. Project."

"*Bond Indenture*" means the Bond Trust Indenture dated as of June 1, 2008, including the Exhibits thereto, between the Issuer and the Bond Trustee, as it may from time to time be amended or supplemented.

"*Bond Payment Date*" means any of the dates specified in the Bond Indenture for payment of principal of the Bonds, until the Bonds are paid (or provision made therefor) in accordance with the Bond Indenture.

"*Bond Register*" means the registration books of the Issuer kept by the Bond Trustee or the Bond Trustee's Agent to evidence the registration and transfer of Bonds.

"*Bond Registrar*" means the Bond Trustee or the Bond Trustee's Agent, as keeper of the Bond Register.

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

"*Bond Trustee's Agent*" means any agent designated by the Bond Trustee pursuant to the Bond Indenture and at the time serving in that capacity.

"Bond Year" means any twelve-month period selected by the Obligated Group Representative as a "Bond Year" pursuant to the Tax Exemption Agreement. For the purposes of calculating debt service on the Series 2008 Bonds payable during any Bond Year, principal and interest payable on the Series 2008 Bonds on the first day of any Bond Year shall be deemed to be payable during the preceding Bond Year.

"*Bondholder*", "*Series 2008 Bondholder*", "*holder*" and "*owner of the Bonds*" means any registered owner of any Series 2008 Bond.

"*Bonds*" means the Series 2008 Bonds.

"Book Value," when used in connection with Property, Plant and Equipment or other Property of an Obligated Group Member, means the value of such property, net of accumulated depreciation and

amortization, as it is carried on the books of an Obligated Group Member in conformity with generally accepted accounting principles, and when used in connection with Property, Plant and Equipment or other Property of the Obligated Group, means the aggregate of the values so determined with respect to such Property of each Obligated Group Member determined in such a manner that no portion of such value of Property of any Obligated Group Member is included more than once.

"*Broker-Dealer*" means the broker-dealer at the time serving as such under a Broker-Dealer Agreement and designated as the "Broker-Dealer" for purposes of a Related Bond Indenture.

"*Business Day*" means any day other than [i] a Saturday, Sunday or legal holiday or a day on which banking institutions in the city in which the designated corporate trust office of the Master Trustee or the Bond Trustee is located are required or authorized by law (including executive order) to close or [ii] a day on which the New York Stock Exchange is closed.

"*Closing Date*" means the date of the initial issuance and delivery of the Bonds.

"*Code*" means the Internal Revenue Code of 1986, as amended. Each reference to a section of the Code shall be deemed to include the United States Treasury Regulations, including temporary and proposed regulations, relating to such section which are applicable to the Bonds or the use of the proceeds thereof.

"Commitment Indebtedness" shall mean the obligation of any Person to repay amounts disbursed pursuant to a commitment from a financial institution to pay or refinance when due other Indebtedness of such Person, which other Indebtedness would be classified as Short-Term, Balloon or Put Indebtedness hereunder and was incurred in accordance with the provisions of the Indenture.

"Completion Indebtedness" means any Indebtedness incurred by an Obligated Group Member for the purpose of financing the completion of facilities for the acquisition, construction or equipping of which Long-Term Indebtedness has theretofore been incurred in accordance with the provisions of the Master Indenture, to the extent necessary to provide a completed facility of the type and scope contemplated at the time that such Long-Term Indebtedness theretofore incurred was originally incurred, and, to the extent the same shall be applicable, in accordance with the general plans and specifications for such facility as originally prepared with only such changes as have been made in conformance with the documents pursuant to which such Long-Term Indebtedness theretofore incurred was originally incurred.

"Consultant" means a firm no member, stockholder, director, officer or employee of which is a director, officer or employee of any Obligated Group Member or any Affiliate, and which has the skill and experience necessary to render the particular report required by the provision of the Master Indenture in which such requirement appears and which is acceptable to the Master Trustee.

"Corporate Charter" means, with respect to any corporation, the articles of incorporation, certificate of incorporation, corporate charter or other organic document pursuant to which such corporation is organized and existing under the laws of the United States of America or any state thereof.

"Corporate Trust Office" means an office of the Master Trustee at which it conducts corporate trust business, currently located at 525 Vine Street, Suite 900, Cincinnati, Ohio 45202.

"*Corporation*" means Jewish Hospital & St. Mary's HealthCare, Inc., a Kentucky nonprofit corporation, with its principal place of business in Louisville, Kentucky, and its successors and assigns.

"Days Cash on Hand" is defined as: [i] unrestricted cash (excluding any proceeds of bonds held by a trustee) of the Obligated Group divided by [ii] the number that results from the division of (a) the total operating expenses of the Obligated Group as reflected in the statements of operations of the Obligated Group in accordance with GAAP less depreciation and amortization, by (b) 365 days. Stated another way:

Days Cash on Hand =

Unrestricted cash (excluding any proceeds of bonds held by a trustee) divided by

Total operating expenses – depreciation and amortization

365 days

"*Debt Service Reserve Fund*" means the fund established pursuant to the Bond Indenture entitled "Louisville/Jefferson County Metro Government, Debt Service Reserve Fund - Jewish Hospital & St. Mary's HealthCare, Inc. Project."

"*Debt Service Reserve Fund Requirement*" means at any given time of determination, the least of [i] the maximum annual debt service on all Bonds Outstanding, [ii] an amount equal to 10% of the net proceeds of the Bonds within the meaning of Section 148(d) of the Code (i.e., the initial principal amount of the Bonds less any original issue discount) and [iii] an amount equal to 125% of the average annual debt service on all Bonds Outstanding.

"*Debt Service Reserve Fund Value*" means the valuation at fair market value of the moneys and investments (and the face amount of any surety bond policy or letter of credit) credited to the Debt Service Reserve Fund.

"*Defaulted Interest*" means with respect to the Master Indenture, interest on any Related Bond of particular series which is payable but not duly paid on the date due and, with respect to the Bond Indenture, means interest on any Bond of a particular series which is payable but not duly paid on the date due.

"*Defeasance Obligations*" means [i] cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in [ii]), or [ii] direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America.

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

"*DTC Participant*" means those broker dealers, banks and other financial institutions reflected on the books of DTC.

"*Escrow Agreements*" means, collectively, [i] the Escrow Agreement among the Issuer, the Corporation and the Prior Trustee dated as of June 1, 2008 relating to the refunding of the outstanding Series 2002 Bonds (the "2002 Escrow Agreement") and [ii] the Escrow Agreement among the Issuer, the Corporation and the Prior Trustee dated as of June 1, 2008 relating to the refunding of the Series 2004 Bonds (the "2004 Escrow Agreement").

"*Escrow Funds*" means, collectively, [i] the Escrow Fund created under the Escrow Agreement among the Issuer, the Corporation and the Prior Trustee dated as of June 1, 2008 relating to the refunding of the outstanding County of Jefferson, Kentucky, Health Facilities Revenue Bonds, Series 2002 (Jewish Hospital HealthCare Services, Inc. Project) (the "2002 Escrow Fund") and [ii] the Escrow Fund created under the Escrow Agreement among the Issuer, the Corporation and the Prior Trustee dated as of June 1, 2008 relating to the outstanding Louisville/Jefferson County Metro Government Health Facilities Revenue Bonds, Series 2004 (Jewish Hospital HealthCare Services, Inc. Project) (the "2004 Escrow Fund").

"Event of Default" means any one or more of the events of default under the Master Indenture, as further described in this summary.

"Existing Liens" means any Lien or encumbrance, defect in title or restriction affecting the Property of an Obligated Group Member existing on the date of the closing of the issuance of the first Note issued pursuant to the Master Indenture, in existence as of the date of the Original Master Indenture.

"*Expenses*" means all operating and non-operating expenses of an Obligated Group Member, other than depreciation, amortization and interest and any loss resulting from the early extinguishment of Indebtedness or the sale, exchange or other disposition of Property not in the ordinary course of business, all as determined in accordance with generally accepted accounting principles; provided that if such calculation is being made with respect to the Obligated Group, such calculation shall be made in such a manner so as to exclude transactions between or among Obligated Group Members which would be eliminated in the Financial Statements of the Obligated Group in accordance with generally accepted accounting principles. Unrealized losses in regard to Hedge Agreements shall be excluded in determining "Expenses" for purposes of any covenants contained in the Master Indenture.

"Financial Statements" means the consolidated or combined financial statements of the Corporation and its Affiliates. From these statements any revenue, expense, asset, liability or results of operations of any Affiliate which is not an Obligated Group Member shall be eliminated for purposes of computing compliance with the covenants of the Obligated Group set forth herein.

"*First Supplemental Master Indenture*" means the First Supplemental Indenture dated as of June 1, 2008 between the Obligated Group and the Master Trustee.

"Fiscal Year" means the calendar-year, unless the Master Trustee is notified in writing by the Corporation of a change in such period, in which case the Fiscal Year shall be the period set forth in such notice.

"*Governing Body*" means when used with respect to an Obligated Group Member, its board of directors, board of trustees, or other board or Person or group of Persons in which the power to manage and direct the business and affairs of the Obligated Group Member are vested.

"Governmental Restrictions" means federal, state or other applicable governmental laws or regulations affecting an Obligated Group Member placing restrictions and limitations on [i] the fees and charges to be fixed, charged and collected by an Obligated Group Member or the timing of the receipt of such revenues and/or [ii] the Operating Assets of any Obligated Group Member.

"Guaranty" means any obligation of an Obligated Group Member guaranteeing or agreeing to pay in whole or in part, in any manner, directly or indirectly, any obligation of any other Person (other than an Obligated Group Member) which obligation of such other Person would, if such obligation were the obligation of an Obligated Group Member, constitute Indebtedness hereunder.

"Hedge Agreement" shall mean an interest rate swap, cap, collar, floor, forward, option, put, call or other agreement, arrangement or security, however denominated, entered into in order to hedge interest rate fluctuations on all or a portion of any Indebtedness or to change the payments to be made by the issuer with respect to any Indebtedness from fixed to variable or from variable to fixed with the goal of achieving lower interest costs.

"Hedge Agreement Note" shall mean a Note issued under the Master Indenture, evidencing the Issuer's obligation to pay a counterparty any amounts owed to such counterparty under an interest rate swap, cap, collar, floor, forward, option, put, call or other agreement, arrangement or security, however denominated, entered into in order to hedge interest rate fluctuations on all or a portion of any Indebtedness or to change the payments to be made by the issuer with respect to any Indebtedness from fixed to variable or from variable to fixed with the goal of achieving lower interest costs.

"Holder" means a Person in whose name a Note is registered on the registration books provided for in the Master Indenture.

"Income Available for Debt Service" means with respect to the Obligated Group or an Obligated Group Member, as to any period of 12 consecutive calendar months, the excess of Revenues over Expenses.

"*Indebtedness*" means all obligations for borrowed money incurred or assumed by any Obligated Group Member, for any of the following:

(1) money borrowed;
(2) leases which are required to be capitalized in accordance with generally accepted accounting principles;
(3) installment purchase or conditional purchase contracts;
(4) obligations with respect to Hedge Agreements; and
(5) guaranties;

provided, however that Indebtedness shall not include obligations of an Obligated Group Member to another Obligated Group Member.

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

"*Indirect Participant*" means a person on behalf of whom a DTC Participant directly or indirectly holds an interest in the Series 2008 Bonds.

"Insurance Consultant" means a firm no member, director, officer or employee of which is a director, officer or employee of an Obligated Group Member or any Affiliate, which is qualified to survey risks and to recommend insurance coverage for organizations engaged in like operations to those of the Obligated Group Members and who is acceptable to the Master Trustee; such Insurance Consultant may be a broker or agent with whom any Obligated Group Member or any Affiliate transacts business.

"*Interest Payment Date*" means February 1 and August 1 of each year commencing February 1, 2009.

"*Issuance Costs*" means all costs and expenses of issuance of the Bonds, including, but not limited to: [i] underwriters' discount and fees; [ii] counsel fees, including, without limitation, bond counsel, and special tax counsel fees, if any, as well as counsel fees for the underwriters, the Issuer and the Obligated Group; [iii] financial advisor fees, if any; [iv] rating agency fees; [v] Trustee fees and Trustee counsel fees; [vi] paying agent and certifying and authenticating agent fees related to issuance of the Bonds; [vii] accounting fees and expenses; [viii] printing costs of the Bonds and of the preliminary and final official statement; and [ix] publication costs associated with the financing proceedings.

"*Issuer*" means the Louisville/Jefferson County Metro Government, a political subdivision of the Commonwealth of Kentucky.

"Lien" means any mortgage, deed of trust or pledge of, security interest in or encumbrance on any Property of an Obligated Group Member which secures any Indebtedness or any other obligation of an Obligated Group Member or which secures any obligation of any Person, other than an obligation to another Obligated Group Member.

"Liquid Assets" means the current assets of the Obligated Group, as determined in accordance with generally accepted accounting principles increased by board designated funds of the Obligated Group.

"*Loan Agreement*" means the Loan Agreement dated as of June 1, 2008, between the Corporation and the Issuer, as it may from time to time be amended, providing for the loan to the Corporation of a portion of the proceeds of the Series 2008 Bonds.

"*Loan Repayments*" means the payments required under the Loan Agreement and the Series 2008 Note in amounts sufficient to enable the Issuer to make payment of the principal of, premium, if any, and interest on the Bonds as and when the same become due (whether by maturity, acceleration or redemption).

"Long-Term Debt Service Coverage Ratio" means for any period of time the ratio determined by dividing the Income Available for Debt Service of the Obligated Group by the Maximum Annual Debt Service.

"Long-Term Debt Service Requirement" means, for any period of 12 consecutive, calendar months for which such determination is made, the aggregate of the payments to be made in respect of principal and interest on outstanding Long-Term Indebtedness of the Obligated Group during such period, taking into account:

> (1) With respect to Balloon Long-Term Indebtedness existing on the date hereof or incurred under the provisions of under the provisions of the Master Indenture governing Balloon Long-Term Indebtedness, the term, and amounts of principal and interest assumed and the interest rate certified pursuant to under the provisions of the Master Indenture governing Balloon Long-Term Indebtedness at the time such Indebtedness is incurred or with respect to such Indebtedness existing on the date hereof, the interest rate certified pursuant to under the provisions of the Master Indenture governing Balloon Long-Term Indebtedness when the Long-Term Debt Service Requirement is first required to be computed to be computed in connection with the delivery of Audited Financial Statements or pursuant to the actual terms of a commitment to refinance such Indebtedness.

(2) With respect to Indebtedness represented by a Guaranty, 100% of the principal and interest payments required to be made on the Indebtedness so guaranteed during such 12-month period excluding, however, from such calculation the applicable percentage set forth in the following table of any Guaranty to the extent the Income Available for Debt Service of the Person whose indebtedness is guaranteed is not less than the percentage of Maximum Annual Debt Service set forth in such table:

Income Available for Debt Service of the Person whose Indebtedness is guaranteed by an Obligated Group Member as a percentage of the Maximum Annual Debt Service of such Person	Percentage of guaranteed indebtedness of Person to be excluded as Indebtedness of the Obligated Group
225% and above	80%
200%	60%
175%	40%
150%	20%
125% and below	0%

(3) With respect to Variable Rate Long-Term Indebtedness,

(a) if no Hedge Agreement has been entered into in connection with such Variable Rate Long-Term Indebtedness, and the actual interest rate of the Variable Rate Long-Term Indebtedness for a 12-month period can be determined because such period occurred prior to the date of calculation, then interest shall be calculated based upon the actual interest that was due and payable during such period;

(b) if no Hedge Agreement has been entered into in connection with such Variable Rate Long-Term Indebtedness, and the actual interest rate for a 12-month period in which such Variable Rate Long-Term Indebtedness is to be outstanding cannot be determined because such period will occur subsequent to the date of calculation, the amount of interest to be taken into account for each such 12-month period shall be calculated as follows: [1] at an assumed annual interest rate equal to the average annual interest rate payable during the 12 months prior to the date of calculation (or such lesser period if such Indebtedness is outstanding for less than 12 months) immediately preceding the date of calculation, [2] at the Projected Rate for such 12-month period, or [3] assumed annual interest rates with respect to the Variable Rate Indebtedness for such 12-month period, as provided to the Obligated Group Member by a Person acting as a Broker Dealer or Remarketing Agent;

(c) if a Hedge Agreement has been entered into in connection with such Variable Rate Long-Term Indebtedness, and the actual interest rate of the Variable Rate Long-Term Indebtedness for a 12-month period can be determined because such period occurred prior to the date of calculation, then the interest for such Variable Rate Long-Term Indebtedness for such period shall be calculated as follows: [1] the actual variable rate of interest payable by an Obligated Group Member on the Variable Rate Indebtedness during such period, less [2] the actual

variable rate of interest receivable by the Obligated Group Member from the counterparty to the Hedge Agreement during such period, plus [3] the actual fixed rate of interest payable by the Obligated Group Member to the Hedge Agreement counterparty during such period, giving full effect to the netting of [1], [2] and [3];

(d) if a Hedge Agreement has been entered into in connection with such Variable Rate Long-Term Indebtedness, and the actual interest rate for a 12-month period in which such Variable Rate Long-Term Indebtedness is to be outstanding cannot be determined because such period will occur subsequent to the date of calculation, then the interest for such Variable Rate Long-Term Indebtedness for such period shall be calculated as follows: [1] the assumed variable rate interest payable by an Obligated Group Member on the Variable Rate Long-Term Indebtedness during such period, less [2] the assumed variable rate interest receivable by the Obligated Group Member from the counterparty to the Hedge Agreement during such period, plus [3] the actual fixed rate of interest payable by the Obligated Group Member to the Hedge Agreement counterparty during such period (in determining the assumed variable rates under this subsection (d), the Obligated Group Member shall use either [A] assumed annual interest rates equal to the average annual variable interest rates payable by the Obligated Group Member and the Hedge Agreement counterparty, respectively, during the 12 months prior to the date of calculation (or such lesser period if such Indebtedness is outstanding for less than 12 months) immediately preceding the date of calculation or [B] assumed annual interest rates with respect to the Variable Rate Indebtedness for such 12-month period, as provided to the Obligated Group Member by a Person acting as a Broker Dealer, Remarketing Agent or counterparty to the Hedge Agreement), giving full netting effect to [1], [2] and [3];

(e) if Indebtedness is issued in one or more series, all or any part of which individually or by series or subseries bears a fixed rate of interest, but which, when taken together with a Hedge Agreement or similar arrangement deemed related by the Obligated Group, bears for a period of time, a variable rate, then such Indebtedness shall be treated for such period of time as Variable Rate Long-Term Indebtedness in accordance with the methods of calculation set forth in (c) or (d) above, as applicable, *mutatis mutandis*; and

(f) interest rate caps or similar arrangements may be treated as establishing the maximum rate on Variable Rate Indebtedness.

(4) With respect to non-scheduled termination or similar payments on Hedge Agreements and similar arrangements, payments due on optional redemptions, payments due on tenders of Indebtedness for purchase or retirement (other than scheduled mandatory sinking fund payments), payments due as a result of acceleration following default and similar, non-scheduled payments which come due or may become due on any Indebtedness shall not be treated as debt service for purpose of the calculation of principal and interest under this definition."

"Long-Term Indebtedness" means Indebtedness incurred or assumed by any Obligated Group Member as follows:

(1) for an original term, or renewable at the option of the borrower, purchaser or lessee, for a period from the date originally incurred, longer than one year; and

(2) for a term which would otherwise qualify it as Short-Term Indebtedness, if a commitment by a financial institution exists to provide financing to retire such Indebtedness and such commitment provides for the repayment of principal on terms which would, if such commitment were implemented, constitute Long-Term Indebtedness.

"Master Indenture" means the Amended and Restated Master Indenture dated as of June 1, 2008, as supplemented and amended by the First Supplemental Master Indenture, and as it may from time to time be further supplemented and amended in accordance with its terms.

"*Master Trustee*" means The Bank of New York Trust Company, N.A., successor trustee to Bank of Louisville f/k/a Mid-America Bank of Louisville and Trust Company, or any other successor trustee under the Master Indenture.

"Maximum Annual Debt Service" means the greatest Long-Term Debt Service Requirement for any succeeding 12-month period.

"*Member*," "*Member of the Obligated Group*" or "*Obligated Group Member*" means any Person who is designated as a Member of the Obligated Group pursuant to the terms of the Master Indenture.

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

"Non-Recourse Indebtedness" means any Indebtedness secured by a Lien, the liability for which is effectively limited to the Property, the purchase, acquisition, or improvement of which was financed with the proceeds of such Indebtedness and which is subject to such Lien with no recourse, directly or indirectly, to any other Property of any Obligated Group Member.

"*Note*" means any Note (including any Hedge Agreement Note) issued, authenticated and delivered under the Master Indenture. Reference to a series of Notes or to Notes of a series means the Notes or series of Notes issued pursuant to a single Supplemental Indenture.

"*Obligated Group*" means, collectively, all Obligated Group Members, currently, [i] the Corporation, [ii] JH Properties, Inc., [iii] Jewish Hospital & St. Mary's HealthCare Network, Regional Service Center, LLC, [iv] Jewish Hospital HealthCare Services, Inc. and [v] The Physician Group at Jewish Hospital & St. Mary's HealthCare, Inc.

"*Obligated Group Bond*" means any Bond which is registered in the name of a Member of the Obligated Group and is not a Bank Bond.

"Obligated Group Member" means as of this date any of [i] the Corporation, [ii] JH Properties, Inc., [iii] Jewish Hospital & St. Mary's Healthcare Network, Regional Service Center, LLC, [iv] Jewish Hospital HealthCare Services, Inc. and [v] The Physician Group at Jewish Hospital & St. Mary's HealthCare, Inc., and any other entity which becomes an Obligated Group Member in accordance with the provisions of the Master Indenture.

"Obligated Group Representative" means the Corporation or such other Obligated Group Member as may be designated pursuant to written notice to the Master Trustee executed by all Obligated Group Members.

"Officer's Certificate" means a certificate signed by the chairman of the Governing Body, or the president or chief executive officer, or the chief financial officer, or the chairman of the finance committee of the Governing Body, of the Corporation and/or of each other Obligated Group Member whose financial statements are not combined or consolidated with those of the Corporation in accordance with generally accepted accounting principles. Each Officer's Certificate presented under the Master Indenture shall state that it is being delivered pursuant to (and shall identify the pertinent section or subsection of) the Master Indenture and shall incorporate by reference and use in all appropriate instances all terms defined in the Master Trust Indenture. Each Officer's Certificate shall state [i] whether the Obligated Group is in compliance with the requirements of the section or subsection pursuant to which such Officer's Certificate is delivered, or shall state in reasonable detail the nature of any non-compliance and the steps being taken to remedy such non-compliance, and [ii] that it is being delivered together with any opinions, schedules, statements or other documents required in connection therewith.

"*Official Statement*" means the Official Statement prepared in connection with the issuance and sale of the Bonds, including the Appendices thereto.

"Operating Assets" means any or all land, leasehold interests, buildings, fixtures, furniture, machinery, equipment, hardware, and inventory used in the trade or business of the Obligated Group, whether separately or together with other such assets.

"*Opinion of Bond Counsel*" means a written opinion of Bond Counsel in form and substance acceptable to the Issuer and the Bond Trustee, which opinion may be based on a ruling or rulings of the Internal Revenue Service.

"Opinion of Counsel" means an opinion in writing signed by an attorney or firm of attorneys who may be counsel for any Obligated Group Member or other counsel acceptable to the Master Trustee.

"*Original Master Indenture*" means the Master Trust Indenture dated as of February 15, 1987 among the Corporation and the Master Trustee, and as it may from time to time be supplemented or amended in accordance with its terms.

"Outstanding" when used with reference to Notes, shall mean, as of any date of determination, all Notes theretofore issued and not paid and discharged other than [i] Notes theretofore cancelled by the Master Trustee or delivered to the Master Trustee for cancellation, [ii] Notes deemed paid and no longer Outstanding as provided in the Master Indenture, [iii] Notes in lieu of which other Notes have been authenticated and delivered or have been paid pursuant to the Master Indenture unless proof satisfactory to the Master Trustee has been received that any such Note is held by a bona fide purchaser and [iv] Notes for the sole security of which an Obligated Group Member shall have deposited or caused to be deposited with the Master Trustee (or with a bank or trust company acceptable to the Master Trustee pursuant to an agreement between such Obligated Group Member and such bank or trust company in form acceptable to the Master Trustee) as trust funds the entire amount of moneys and/or Defeasance Obligations, the principal of and interest on which, along with any moneys deposited, which will be sufficient to pay at maturity or upon redemption said Notes, including principal, redemption premium, if any, and interest due or to become due to such date of maturity or redemption date, as the case may be.

"*Outstanding*" when used with reference to Bonds, means Bonds which have been issued under the Bond Indenture except:

(1) Bonds canceled by the Bond Trustee or delivered to the Bond Trustee for cancellation;

(2) Bonds for the payment or redemption of which Defeasance Obligations shall have been deposited with the Bond Trustee (whether on or prior to the maturity or redemption date of any such Bonds); provided, however, that if such Bonds are to be redeemed prior to maturity thereof, notice of such redemption shall have been given or arrangements satisfactory to the Bond Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Bond Trustee shall have been filed with the Bond Trustee; and

(3) Bonds for which other bonds have been authenticated and delivered in exchange therefor as provided for in the form of Bonds;

provided, however, that for the purpose of determining whether there has been notice to or action by the holders of the requisite principal amount of Bonds, Bonds owned by or pledged to the Corporation shall be disregarded and not deemed to be outstanding.

"Permitted Liens" means:

(1) any Existing Lien provided that no such Lien may be extended, renewed or modified to apply to any Property of any Obligated Group Member not subject to such Lien on such date, unless such Lien as so extended, renewed or modified otherwise qualifies as a Permitted Lien hereunder;

(2) Liens arising by reason of good faith deposits with any Obligated Group Member in connection with leases of real estate, bids or contracts (other than contracts for the payment of money), deposits by any Obligated Group Member to secure public or statutory obligations, or to secure, or in lieu of, surety, stay or appeal bonds, and deposits as security for the payment of taxes or assessments or other similar charges;

(3) any Lien arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable any Obligated Group Member to maintain self-insurance or to participate in any fund established to cover any insurance risks or in connection with workers' compensation or unemployment insurance, pension or profit-sharing plans or other employee benefit plans, or to share in the privileges or benefits required for companies participating in such arrangements;

(4) any judgment lien against any Obligated Group Member so long as such judgment is being contested in good faith and execution thereon is stayed;

(5) [a] 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; [b] any Liens on any Property for taxes, assessments, levies, fees, water and. sewer rents, and other governmental and similar charges and any Liens of mechanics, materialmen, laborers, suppliers or vendors for work or services performed or materials furnished in connection with such Property, which are not due and payable or which are not delinquent or which, or the amount or validity of which, are being contested in good faith and execution thereon is stayed or, with respect to Liens of mechanics, materialmen, laborers, suppliers or vendors, have been due for less than 90 days; [c] easements, rights-of-way, servitudes, restrictions, oil, gas or other mineral reservations and other minor defects, encumbrances, and irregularities in the title to any Property which do not materially impair the use of such Property or materially and adversely

affect the value thereof; [d] to the extent that it affects title to any Property, the Master Indenture; and landlord's liens;

(6) any Lien on Property acquired by any obligated Group Member if an Officer's Certificate is delivered to the Master Trustee certifying that [a] the Lien and the indebtedness secured thereby were created and incurred by a Person, other than the Obligated Group Member acquiring such Property, prior to acquisition of such Property by such Obligated Group Member, and [b] the Lien was created prior to the decision of such Obligated Group Member to acquire the Property and was not created for the purpose of enabling such Obligated Group Member 'to avoid the limitations hereof on creation of Liens on Property of the Obligated Group; provided, however, that the aggregate amount of Indebtedness secured by such Liens cannot exceed 15% of the book value of Property, Plant and Equipment based on the latest Audited Financial Statements of the Obligated Group reduced by the amount of any Indebtedness secured by liens described in Paragraph (7) below;

(7) any Lien on Property if the Indebtedness secured thereby is incurred in compliance with the Additional Indebtedness provisions of the Master Indenture and the aggregate amount of such Indebtedness does not exceed 10% of the book value of Property, Plant and Equipment based on the latest Audited Financial Statements of the Obligated Group;

(8) liens on Property received by any Obligated Croup Member through gifts, grants or bequests, such Liens being due to restrictions on such gifts, grants or bequests of Property or the income thereon or an Indebtedness secured thereby;

(9) liens on Property due to rights of third party payors for recoupment of amounts paid to any Obligated Croup Member;

(10) liens on moneys deposited by patients, residents of life-care facilities, and others as security for or as prepayment for the cost of patient care and any rights of patients, residents of life-care facilities and others to endowment or similar funds deposited by or on behalf of such Persons;

(11) leases whereunder any Obligated Group Member is lessor which relate to Property which is of a type that is customarily the subject of such leases, including without limitation office space for physicians and educational institutions, food service facilities, parking facilities, barber shops, beauty shops, flower shops, gift shops, radiology, pathology or other hospital-based specialty services and pharmacy and similar departments;

(12) any security interest in any depreciation reserve, debt service reserve, escrow, debt Service or similar fund established pursuant to the terms of any Supplemental Indenture or any Related Bond Indenture in favor of the Master Trustee, the Related Bond Trustee, the Related Bond Issuer or the holder of the Indebtedness issued pursuant to such Supplemental Indenture or Related Bond Indenture;

(13) rights of the United States of America under Title 42 United States Code Section 291 et seq. and similar governmental rights under other federal statutes or statutes of the state in which the Property involved is located;

(14) Any Lien securing Non-Recourse Indebtedness, provided that the book value of the Property, Plant and Equipment with respect to which Liens securing Non-Recourse

Indebtedness have been granted shall not exceed 15% of the aggregate book value of all Property, Plant and Equipment;

(15) Any Lien representing rights of setoff and banker's liens with respect to funds on deposit in a financial institution in the ordinary course of business;

(16) Any Lien on Property granted in favor of a counterparty to a Hedge Agreement to secure an Obligated Group Member's obligations to such Hedge Agreement counterparty; and

(17) any other liens which do not and will not materially adversely affect the value of the Property affected thereby or materially impair or materially interfere with the operation or usefulness thereof for the purpose for which such Property was acquired by or is held by an Obligated Group Member.

"*Person*" means any natural person, firm, joint venture, association, partnership, business trust, corporation, limited liability company, public body, agency or political subdivision thereof or any other similar entity.

"*Plans and Specifications*" means the plans and specifications for the Project which have been prepared by an Independent Architect and approved by the Corporation together with such modifications and additions thereto as are made by the Corporation in accordance with the provisions of its Loan Agreement.

"*Pledged Collateral*" means generally, the accounts receivable, contract rights, cash, checks, drafts, and general intangibles and, to the extent not included in the foregoing, the Revenues of the Obligated Group, excluding therefrom the proceeds of fixtures, equipment, machinery and supplies which are subject to perfected security interests held by third parties at the time such Property is acquired on the date hereof, and, more specifically, any and all "*Pledged Collateral*" as defined the Security Agreement.

"*Prior Bonds*" means [i] the Series 2002 Bonds and [ii] the Series 2004 Bonds.

"*Prior Trustee*" means The Bank of New York Trust Company, N.A., as trustee for the holders of the Prior Bonds.

"*Pro Rata Share*" means, as of any date, that fraction, the numerator of which is the outstanding principal amount of the individual series of Series 2008 Note and the denominator of which is the aggregate outstanding principal amount of the Series 2008 Note securing the Series 2008 Bonds.

"*Project*" means the acquisition, construction, renovation, remodeling and equipping of certain health care facilities of the Corporation, as further described in the Official Statement.

"*Project Certificate*" means the Certificate Regarding the Project and the Expenditure of Funds dated the Closing Date and executed and delivered by the Corporation in connection with the issuance of the Series 2008 Bonds.

"*Project Costs*" means [i] obligations of the Obligated Group incurred or to be incurred for the acquisition and installation or otherwise in connection with the Project; [ii] the cost of contract bonds and of insurance of all kinds that may be required or necessary during the course of installation of the Project which is not paid by the contractor or contractors or otherwise provided for; [iii] all costs of architectural and engineering services, surveys, estimates, plans and specifications and preliminary investigations, and

supervision of installation, as well as for the performance of all other duties required by or consequent upon the proper installation of the Project; [iv] Issuance Costs; [v] all other costs which the Obligated Group shall be required to pay under the terms of any contract or contracts for the acquisition or installation of the Project; [vi] other costs of a nature comparable to those described in clauses [i] through [v] above which the Obligated Group shall be required to pay as a result of the damage, destruction, condemnation, or taking of the Project or any portion thereof; [vii] interest expense incurred on the Bonds or on other temporary financing of the Project from the date of the Loan Agreement through the completion date of the Project; and [viii] any sums required to reimburse the Issuer or the Obligated Group for advances made by either of them for any of the above items, or for any other costs incurred by either of them which are properly chargeable to the Project and which may be financed by the Bonds under the Act.

"*Project Fund*" means the fund established pursuant to the Bond Indenture and entitled "Louisville/Jefferson County Metro Government Project Fund - Jewish Hospital & St. Mary's HealthCare, Inc. Project."

"Projected Rate" shall mean the projected yield at par of an obligation, including without limitation Variable Rate Indebtedness, as set forth in the report of a Consultant (which Consultant and report, including, without limitation, the scope, form, substance and other aspects thereof, are acceptable to the Master Trustee) which report shall state that in determining the Projected Rate such Consultant reviewed the yield evaluations at par of not less than five obligations selected by such Consultant, the interest on which is exempt from Federal income tax (or, if it is not expected that it will be possible to issue such tax-exempt obligations to refinance the Indebtedness with respect to which debt service is being estimated, obligations the interest on which is subject to Federal income tax), which obligations such Consultant states are reasonable comparables to be utilized in developing such Projected Rate and which obligations: [i] were outstanding on a date selected by the Consultant which date must be within a 45-day period preceding the date of the calculation utilizing the Projected Rate in question, [ii] to the extent practicable, are obligations of persons engaged in operations similar to those of the Obligated Group and having a credit rating similar to that of the Obligated Group, [iii] are, obligations, the interest on which is treated similarly under the Code, and [iv] to the extent practicable, have a remaining term and amortization schedule substantially the same as the obligation with respect to which such Projected Rate is being determined.

"Property" means any and all rights, titles and interests in and to anything constituting property, whether real or personal, tangible or intangible and wherever situated.

"Property, Plant and Equipment" means all Property of the Obligated Group Members which is property, plant and equipment under generally accepted accounting principles.

"*Purchase Contract*" means the contract for the purchase of the Bonds among the Issuer, the Corporation and the investment banking firm named therein.

"Put Date" means any date on which a holder of Put Indebtedness may elect to have such Put Indebtedness paid, purchased or redeemed prior to its stated maturity date.

"Put Indebtedness" shall mean Indebtedness the principal amount of which is payable or required to be purchased or redeemed, at the option of the holder thereof, prior to its stated maturity date.

"Qualified Investments" means investments in any of the following:

(1) Government Obligations;

(2) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:

(a) Export-Import Bank,
(b) Rural Economic Community Development Administration,
(c) U.S. Maritime Administration,
(d) Small Business Administration,
(e) U.S. Department of Housing & Urban Development (PHAs),
(f) Federal Housing Administration and
(g) Federal Financing Bank;

(3) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:

(a) Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or the Federal Home Loan Mortgage Corporation (FHLMC),
(b) Obligations of the Resolution Funding Corporation (REFCORP) and
(c) Senior debt obligations of the Federal Home Loan Bank System;

(4) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks (including, without limitation, the Bond Trustee and its domestic commercial bank affiliates to the extent they meet the rating criteria set forth herein for domestic commercial banks) which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's or "A-1" or "A-I+" by S&P and maturing not more than 360 calendar days after the date of purchase (it being noted that ratings on holding companies are not considered as the rating of the bank);

(5) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's or "A-l+" by S&P and which matures not more than 270 calendar days after the date of purchase;

(6) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P, including those for which the Bond Trustee or an affiliate serves as investment manager, administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (a) the Bond Trustee or an affiliate of the Bond Trustee receives fees from such funds for services rendered, (b) the Bond Trustee charges and collects fees for services rendered pursuant to the Bond Indenture, which fees are separate from the fees received from such funds, and (c) services performed for such funds and pursuant to the Bond Indenture may at times duplicate those provided to such funds by the Bond Trustee or its affiliates;

(7) Pre-Refunded Municipal Obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and (a) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's or S&P or any successors thereto, or (b)[i] which are fully secured as to principal and interest

and redemption premium, if any, by an escrow consisting only of Government Obligations, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and [ii] which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate; and

(8) Municipal obligations at the time of purchase rated "Aaa/AAA" or general obligations of states at the time of purchase rated "A2/A" or higher by both Moody's and S&P.

To the extent that the Bond Indenture requires valuation of any Qualified Investment, such Qualified Investment shall be valued at fair market value. The Bond Trustee shall determine the fair market value based on accepted industry standards and from accepted industry providers. Accepted industry providers shall include but are not limited to pricing services provided by Financial Times Interactive Data Corporation, Merrill Lynch, UBS Securities LLC, Bear Stearns, or Lehman Brothers. Certificates of deposit and bankers' acceptances shall be valued at the face amount thereof, plus accrued interest thereon.

"*Rating Agency*" means Moody's or S&P and their respective successors and assigns.

"*Rebate Amount*" means the amount required to be paid to the United States of America pursuant to Section 148(f) of the Code and regulations in effect thereunder, as determined by the Rebate Consultant.

"*Rebate Consultant*" means bond counsel, any nationally recognized firm of certified public accountants, or any other Person designated in writing by the Corporation to the Bond Trustee, which is expert in making the determinations required by Section 148(f) of the Code.

"*Rebate Year*" means [i] for the first Rebate Year, the period ending one year after the date interest begins to accrue on the Bonds, [ii] for the last Rebate Year, the period beginning on the date after the expiration of the preceding Rebate Year and ending on the Retirement Date, and [iii] for all other Rebate Years, the one year period beginning on the date after the expiration of the preceding Rebate Year.

"*Redemption Date*" means the date on which any Bond is to be redeemed in accordance with the Bond Indenture.

"Refunding Indebtedness" shall mean any Additional Indebtedness incurred for the purpose of refunding any outstanding Long-Term Indebtedness, Balloon Indebtedness or Put Indebtedness.

"Refunding Notes" shall mean any additional Notes that constitute Refunding Indebtedness.

"Related Bond Indenture" means any indenture, bond resolution, bond ordinance or other comparable instrument pursuant to which a series of Related Bonds is issued.

"Related Bond Issuer" means the issuer of any issue of Related Bonds.

"Related Bond Trustee" means the trustee and its successors in the trusts created under any Related Bond Indenture.

"Related Bonds" means the revenue bonds or other obligations issued by any state, territory or possession of the United States or any municipal corporation or political subdivision thereof or any constituted authority or agency or instrumentality of any of the foregoing ("governmental issuer"), pursuant to a single Related Bond Indenture, the proceeds of which are loaned or otherwise made available to an Obligated Croup Member in consideration of the execution, authentication and delivery of a Note or Notes to or for the order of such governmental issuer or a Related Bond Trustee.

"*Representation Letter*" means the Blanket Letter of Representations executed by the Issuer and accepted by DTC.

"*Retirement Date*" means any date that the Bonds or any Additional Bonds are deemed, for purposes of the Arbitrage Rebate Fund, to be no longer outstanding.

"*Revenues*" means for any period, [i] in the case of any Member of the Obligated Group providing health care services, the sum of [a] gross patient service revenues less contractual allowances and provisions for uncollectable accounts, free care and discounted care, plus [b] other operating revenues, plus [c] nonoperating revenues, all as determined in accordance with generally accepted accounting principles; and [ii] in the case of any other Member of the Obligated Group, gross revenues less sale discounts and sale returns and allowances, as determined in accordance with generally accepted accounting principles; provided, however, that no determination under [i] or [ii] above shall take into account [A] any gain resulting from the early extinguishment of Indebtedness or the sale, exchange or other disposition not in the ordinary course of business, [B] earnings resulting from any reappraisal, revaluation or write up of assets, [C] gifts, grants, bequests or donations restricted as to use for a purpose inconsistent with the payment of debt service on Indebtedness and [D] insurance (other than business interruption) and condemnation proceeds and provided further that if such calculation is being made with respect to the Obligated Group, such calculation shall be made in such a manner so as to exclude any revenues attributable to transactions between any Member of the Obligated Group and any other Member of the Obligated Group. Unrealized gains in regard to Hedge Agreements shall be excluded in determining "Revenues" for purposes of any covenants contained in the Master Indenture.

"*Schedule*" means the listing set forth in Exhibit A to the Project Certificate of equipment purchased as a portion of the Project and any other construction, renovation or remodeling costs not included in the statement of the architect attached as Exhibit C to the Project Certificate to be paid with a portion of the proceeds of the Series 2008 Bonds.

"*Security Agreement*" means the Amended and Restated Security Agreement dated as of June 1, 2008 among the Obligated Group Members and the Master Trustee granting a security interest in the Pledged Collateral to the Master Trustee and containing certain covenants by the Obligated Group Members to provide additional security to the holders of the Notes, as further amended from time to time.

"*Series 2002 Bonds*" means the outstanding County of Jefferson, Kentucky, Health Facilities Revenue Bonds, Series 2002 (Jewish Hospital HealthCare Services, Inc. Project), dated as of July 1, 2002.

"*Series 2004 Bonds*" means the outstanding Louisville/Jefferson County Metro Government Health Facilities Revenue Bonds, Series 2004 (Jewish Hospital HealthCare Services, Inc. Project), dated as of June 1, 2004.

"*Series 2008 Bonds*" means the $330,000,000 aggregate principal amount of Louisville/Jefferson County Metro Government Health Facilities Revenue Bonds, Series 2008 (Jewish Hospital & St. Mary's HealthCare, Inc. Project) being issued by the Issuer pursuant to the terms and conditions of the Bond Indenture.

"*Series 2008 Note*" means the $330,000,000 aggregate principal amount Jewish Hospital & St. Mary's HealthCare, Inc. Project Note, Series 2008 (Louisville/Jefferson County Metro Government), being issued to the Issuer to secure the Corporation's obligations under the Loan Agreement.

"Short-Term Indebtedness" means Indebtedness (without regard to whether such Indebtedness is payable or required to be purchased or redeemed, at the option of the holder thereof, prior to its stated maturity date) incurred or assumed by any Obligated Group Member for an original term, or renewable at the option of the borrower, purchaser or lessee, for a period from the date originally incurred, of one year or less.

"*Supplemental Indenture*" or "*Supplement*" means an indenture supplemental to, and authorized and executed pursuant to the terms of, the Master Indenture for the purpose of creating a particular series of Notes issued hereunder.

"*Special Record Date*" means the date fixed by the Bond Trustee pursuant to the Bond Indenture for the payment of Defaulted Interest.

"*Standard & Poor's*" or "*S&P*" means Standard & Poor's Ratings Service, 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.

"*State*" means the Commonwealth of Kentucky.

"*Supplemental Master Indenture*" means an indenture amending or supplementing the Master Indenture.

"*Tax Exemption Agreement*" means the Tax Exemption Agreement dated the Closing Date among the Corporation, the Issuer and the Bond Trustee, as it may from time to time be amended or supplemented.

"Tax-Exempt Organization" means a Person organized under the laws of the United States of America or any state thereof which is an organization described in Section 501(c)(3) of the Code and exempt from federal income taxes under Section 501(a) of the Code, or corresponding provisions of federal income tax laws from time to time in effect.

"Transfer" means any act or occurrence the result of which is to dispossess any Person of any asset or interest therein, including specifically, but without limitation, the forgiveness of any debt.

"*Trust Funds*" means all of the funds and accounts held by the Bond Trustee pursuant to the Bond Indenture.

"*Unassigned Rights*" means the right of the Issuer to [i] receive payment of its fees and expenses, [ii] indemnification in certain circumstances, (iii) execute and deliver supplements and amendments to the Loan Agreement, [iv] grant consents under the Loan Agreement and [v] exercise the same rights of discretion as are granted to the Master Trustee under the Master Indenture.

"*United States Government Obligations*" means noncallable direct obligations of, or obligations the timely payment of the principal of and interest on which are fully guaranteed by, the United States of American, including obligations issued or held in book entry form on the books of the Department of Treasury of the United States of America.

"*Unmatured Default*" means each "default" or "event of default," if any, under the Initial Liquidity Facility Agreement or a Substitute Liquidity Agreement the consequence of which is that the obligation of the Bank to provide funds for the purchase of Tendered Bonds is suspended without prior notice to Bondholders.

"*Unrestricted Contributions*" means Contributions which are not restricted in any way that would prevent their application to the payment of debt service on Indebtedness of the Person receiving such Contributions.

"*Variable Rate Indebtedness*" means any Indebtedness the interest rate on which is not established at the time of incurrence at a single fixed rate.

All accounting terms not otherwise defined in the Master Indenture or in the Bond Indenture have the meanings assigned to them in accordance with generally accepted accounting principles then in effect. Words of the feminine gender shall be deemed and construed to include correlative words of the masculine and neuter genders. Unless the context shall otherwise indicate, words importing the singular number shall include the plural and vice versa.

SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE

The Master Indenture contains various covenants, security provisions, terms and conditions certain of which are summarized below. The First Supplemental Master Indenture contains certain non-material modifications to the Master Indenture and is being entered into solely for the purpose of issuance of the Series 2008 Note. Reference is made to the Master Indenture and to the First Supplemental Master Indenture for a full and complete statement of their respective terms.

Authorization and Issuance of Notes under the Master Indenture

There is no limit on the aggregate principal amount or number or series of Notes that may be issued under the Master Indenture, but no Notes may be issued unless the provisions of the Master Indenture and the pertinent Supplemental Indenture are followed. Except as may be otherwise specifically provided in any Supplemental Indenture, all Notes or series of Notes issued under and secured by the Master Indenture shall be on a parity each with the other without distinction, except as to variances in payment dates, dates of purchase or redemption and interest rates. Any Note issued under and secured by the Master Indenture shall be the joint and several liability and obligation of the Obligated Group regardless of which Obligated Group Member is the maker of the Note.

Any Obligated Group Member and the Master Trustee may from time to time enter into a Supplemental Indenture in order to create a series of Notes to be issued under the Master Indenture. The Supplemental Indenture shall, with respect to a series of Notes created thereby, set forth the date thereof, and date or dates on which principal of and premium, if any, and interest on the Notes shall be payable, and the interest rates which the Notes shall bear.

Additionally, Hedge Agreement Notes may be issued under a Supplemental Indenture to evidence an Obligated Group Member's obligation to repay amounts to a counterparty to a Hedge Agreement.

Conditions to Issuance of Notes

With respect to each series of Notes, simultaneously with or prior to the execution, authentication and delivery of such Notes pursuant to the Master Indenture:

A. All requirements and conditions to the issuance of such Notes, if any, set forth in the Supplemental Indenture creating such Notes, or in the Master Indenture shall have been complied with and satisfied;

B. The Corporation, as the issuer of such Notes, shall have delivered to the Master Trustee an Opinion of Counsel to the effect that (1) registration of such Notes under the Securities Act of 1933, as amended, and qualification of the Master Indenture and the Supplemental Indenture under the Trust Indenture Act of 1939, as amended, is not required, or, if such registration or qualification is required, that all applicable registration and qualification provisions of said Acts have been complied with, and (2) the Notes are valid, binding and enforceable obligations of the Corporation and the Obligated Group in accordance with their terms, except as enforcement may be limited by bankruptcy, reorganization, insolvency, moratorium, or other laws or equitable principles affecting the enforcement of creditors' rights generally; and

C. An officer's Certificate of the Obligated Group Representative shall have been delivered to the Master Trustee stating that (1) each of the Obligated Group Members consents to the issuance of the Notes and (2) to the best of the knowledge of such officer, each of the Persons who is to be a holder of such a Note upon the original issuance thereof is not acquiring the interest represented by such a Note directly or indirectly with the assets of, or in connection with any arrangement or understanding by it in any way involving, any employee benefit plan with respect to which [i] any employee of any Obligated Group Member or the Master Trustee, in its individual capacity, is a participant or [ii] any Obligated Group Member or the Master Trustee, in its individual capacity, or any of their Affiliates is otherwise a party in interest, all within the meaning of the Employee Retirement Income Security Act of 1974, as amended, and (3) no Event of Default under the Master Indenture has occurred and is continuing.

The Notes of any series shall be in the form provided in the Supplemental Indenture pursuant to which such Notes are issued.

Particular Covenants of the Obligated Group

Security; Restrictions on Encumbering Property; Payment of Principal and Interest.

A. Any Note issued pursuant to the Master Indenture [i] shall be a joint and several obligation of all Obligated Group Members, [ii] shall be absolute and unconditional and (iii) shall not be subject to any defense (other than payment) or any right of set-off, counterclaim or recoupment.

B. So long as any Notes issued pursuant to the Master Indenture are outstanding, and except for Permitted Liens, no Obligated Group Member will create or allow to exist a Lien or will pledge, mortgage, grant a security interest in, or otherwise encumber any of its Property unless all outstanding Notes issued under the Master Indenture are secured equally and ratably with any other Indebtedness to be secured by such Lien or Liens.

C. Each Obligated Group Member covenants to promptly pay or cause to be paid the principal of, premium, if any, and interest on each Note at the place, on the dates and in the manner

provided in the Master Indenture, in the Supplemental Indenture and in said Notes according to the terms thereof whether at maturity, upon proceedings for redemption, by acceleration or otherwise.

D. To secure the punctual payment of any Notes and the performance by the Obligated Group of its other obligations under the Master Indenture and under the Supplemental Indentures, each Obligated Group Member agrees to execute and grant to the Master Trustee a security interest in the Pledged Collateral as provided in the Security Agreement.

Accredited Status. Each Obligated Group Member covenants to maintain accreditation of its Operating Assets (other than those not on the date of original issuance of the Bonds currently accredited) by the Joint Commission on Accreditation of Healthcare Organizations, or any successor thereto; provided however that it need not maintain such accreditation if and to the extent that its Governing Body shall have determined in good faith, evidenced by a resolution of the Governing Body, that such compliance is not in its best interest and that lack of such compliance would not materially impair its ability to pay its Indebtedness when due.

Nonprofit Status and Obligated Group Membership. The Corporation will maintain its status as a nonprofit corporation and will cause each Obligated Group Member, which was, on the date it became an Obligated Group Member, a nonprofit corporation, to remain an Obligated Group Member throughout the term of the Master Indenture, except as otherwise provided in the Master Indenture.

Tax-Exempt Status. So long as the Master Indenture remains in effect, each Obligated Group Member which is a Tax-Exempt Organization at the time it becomes an Obligated Group Member, so long as all amounts due or to become due on any Related Bond have not been fully paid to the holder thereof, agrees to take no action or suffer any action to be taken by others which would result in the alteration or loss of its status as a Tax-Exempt Organization or which, in the Opinion of Bond Counsel, would result in the interest on any Related Bond becoming subject to federal income taxes.

Insurance. Each Obligated Group Member agrees that it will maintain insurance (including one or more self-insurance programs considered to be adequate as hereinafter described) covering such risks and in such amounts as are customarily insured against by corporations owning and operating facilities similar in size and scope to those owned or operated by it. The insurance shall be subject to the review at least once every two Fiscal Years of an Insurance Consultant and any self-insurance shall be subject to the review at least once each Fiscal Year by an Insurance Consultant. All reports thereon shall be filed with the Master Trustee, and each Obligated Group Member agrees that it will follow any recommendations of such Insurance Consultant, to the extent determined feasible in the reasonable judgment of the Governing Body of each Obligated Group Member. If any Obligated Member shall be self-insured for any coverage, the report of the Insurance Consultant mentioned above shall state whether the anticipated funding of any self-insurance fund is in compliance with any applicable legal or regulatory requirements relating to self-insurance, and if not, the required actions to produce such result.

Reduction or Elimination of Insurance Coverage. If any Obligated Group Member has obtained or hereafter obtains any type of insurance, including a formal self-insurance program, such insured shall secure the concurrence of the Insurance Consultant before it may reduce or eliminate the amount of its insurance coverage, or self-insurance.

A self-insurance program for liability, workers' compensation and unemployment insurance shall not be considered adequate unless it is in writing, has been adopted by the Governing Body of the Obligated Group Member, and is in compliance with all applicable legal or regulatory requirements.

Insurance and Condemnation Proceeds. Amounts received by any Obligated Group Member as insurance proceeds with respect to any casualty loss or as condemnation awards may be used in such manner as the recipient may determine and to the extent permitted by law, including without limitation, applying such moneys to the payment or prepayment of any Note or Notes provided that if the amount of such proceeds or awards received with respect to any casualty loss or condemnation exceeds 10% of the Book Value of combined Property, Plant and Equipment, the Obligated Group will immediately notify the Master Trustee and the Obligated Group will, within 12 months after the casualty loss or taking, deliver to the Master Trustee [i] an Officer's Certificate certifying the expected Long-Term Debt Service Coverage Ratio for each of the two successive periods of 12 full consecutive calendar months following the date on which such proceeds or awards are expected to have been fully applied, which Long-Term Debt Service Coverage Ratio for each such period is not less than 1.50, as shown by pro forma financial statements for each such period, accompanied by a statement of the assumptions, including assumptions as to the use of such proceeds or awards upon which such pro forma statements are based; and [ii] a written report of a Consultant confirming such certification. In the alternative, the Obligated Group may deliver to the Master Trustee a written report of a Consultant stating the Consultant's recommendations, including recommendations as to the use of such proceeds or awards, to cause the Long-Term Debt Service Coverage Ratio for each of the periods described in [i] above to be not less than 1.20, or, if in the opinion of the Consultant the attainment of such level is impracticable, to the highest practicable level. Each Obligated Group Member, respectively, agrees that it will use such proceeds or awards, to the extent permitted by law, only in accordance with the assumptions described above or the recommendations of the Consultant.

Limitations on Creation of Liens. Each Obligated Group Member agrees that it will not create or suffer to be created or permit the existence of any Lien upon Property now owned or hereafter acquired by it, other than Permitted Liens.

Limitations on Incurrence of Additional Indebtedness. Each Obligated Group Member agrees that it will not incur any Additional Indebtedness unless, after giving effect to all other Indebtedness of the Obligated Group, such Additional Indebtedness may be incurred pursuant to any of the following provisions.

For purposes of computing the limitation on Long-Term Indebtedness under the Master Indenture, Long-Term Indebtedness includes any Indebtedness incurred, assumed or issued in anticipation of the issuance of Long-Term Indebtedness and in computing the Long-Term Debt Service Coverage Ratio, such Indebtedness shall be included in the calculations as if either [i] such Indebtedness were then being issued as Long-Term Indebtedness maturing over a term of twenty (20) years with level annual payments of principal and interest and bearing interest at the Projected Rate, or [ii] if there is a commitment from a financial institution generally regarded as responsible and otherwise acceptable to the Master Trustee to acquire or provide such Long-Term Indebtedness, then [i] above shall not apply and such Indebtedness shall be included in the calculations as Long-Term Indebtedness with the terms, maturity and interest rate(s) set forth in the commitment.

A. Long-Term Indebtedness. Long-Term Indebtedness may be incurred if prior to incurrence of the Long-Term Indebtedness one of the following conditions is met:

> [1] there shall be filed with the Master Trustee an Officer's Certificate to the effect that the Long-Term Debt Service Coverage Ratio of the Obligated Group for the most recent Fiscal Year or for any of 12 consecutive months during the 18 months immediately preceding the issuance of the proposed Long-Term Indebtedness is not less than 1.50, including therein for purpose of such computation the proposed Long-Term Indebtedness to be incurred; or

[2] there shall be filed with the Master Trustee the report or opinion of a Consultant, accompanied by a statement of the assumptions upon which such report or opinion is based, to the effect that [a] for the most recent Fiscal Year or in any consecutive 12 month period during the 18 months immediately preceding the issuance of the proposed Long-Term Indebtedness, the Long-Term Debt Service Coverage Ratio of the Obligated Group was not less than 1.10, and [b] for each of the two complete Fiscal Years next following the later of [i] completion of the capital improvements, if any, being financed by the proposed Long-Term Indebtedness or [ii] the final payment, if any, of debt service from the proceeds of such proposed Long-Term Indebtedness, the forecasted or pro forma Long-Term Debt Service Coverage Ratio will not be less than 1.25, including therein for purposes of such computation the proposed Long-Term Indebtedness.

For purposes of determining compliance with this covenant, if any Obligated Group Member shall have outstanding or shall propose to incur Long-Term Indebtedness which is Variable Rate Long-Term Indebtedness, the Long-Term Debt Service Coverage Ratio with respect to such Variable Rate Long-Term Indebtedness shall be determined in accordance with the provisions of the definition of the "Long-Term Debt Service Requirement" applicable to the type of Variable Rate Long-Term Indebtedness being incurred.

B. Completion Indebtedness. Completion Indebtedness may be incurred in a principal amount not exceeding twenty percent (20%) of the original proceeds of the Indebtedness created to finance the project with respect to which the Completion Indebtedness is being issued.

C. Long-Term Indebtedness for Refunding. Long-Term Indebtedness may be incurred for the purpose of refunding or refinancing any outstanding Long-Term Indebtedness so as to render it no longer outstanding if prior to issuance thereof one of the following conditions is met;

1. an Officer's Certificate is delivered to the Master Trustee stating that, after taking into account the Long-Term Indebtedness proposed to be incurred, the existing Long-Term Indebtedness to remain outstanding after the refunding and the existing Long-Term Indebtedness to be refunded, Maximum Annual Debt Service will not be increased by more than 10%; or

2. one of the conditions described in Item A above is met with respect to such proposed Long-Term Indebtedness, after taking into account by including in such computations, the Long-Term Indebtedness to be outstanding after the refunding and by excluding from such computations the existing Long-Term Indebtedness to be refunded.

D. Unsecured Short-Term Indebtedness. Unsecured Short-Term Indebtedness for working capital purposes may be incurred in the ordinary course of business if, immediately after the issuance of such Indebtedness, the aggregate outstanding principal amount of all such Indebtedness does not exceed 10% of the Revenues for the most recent Fiscal Year or any period of 12 consecutive months in the 18 months immediately preceding the issuance of the proposed Short-Term Indebtedness; provided, however, that there shall be no such Short-Term Indebtedness outstanding for a period of 30 consecutive calendar days in each such 12 consecutive calendar month period.

E. Balloon Long-Term Indebtedness. Balloon Long-Term Indebtedness may be incurred if at the time such Indebtedness is to be incurred either of the conditions [1] or [2] described in the covenant for Long-Term Indebtedness (Item A above) is met with respect to such Indebtedness on the assumption that such Indebtedness is being repaid in substantially equal annual installments of principal and interest

over a term of 20 years and at an interest rate equal to the Projected Rate (except with respect to Balloon Long-Term Indebtedness which is Variable Rate Indebtedness, in which case at an interest rate determined as provided in the definition of "Long-Term Debt Service Requirement" with regard to Variable Rate Indebtedness); provided, however, that if the maturity date of such Indebtedness is in excess of 20 years from its date of issuance then the Officer's Certificate shall demonstrate that one of the conditions described in the covenant for Long-Term Indebtedness is met with respect to such Indebtedness as if it is being repaid in substantially equal annual installments of principal and interest over its actual term or thirty (30) years whichever is less.

F. Refunding Indebtedness. Refunding Indebtedness may be incurred, provided that (1) one of the requirements of Item A above is satisfied or (2) the Obligated Group Representative has delivered an Officer's Certificate to the Master Trustee certifying that the Maximum Annual Debt Service on all Outstanding Long-Term Indebtedness will not be increased by more than 10% as a result of such refunding.

G. Put Indebtedness. Put Indebtedness may be incurred if [i] in the event the aggregate principal amount of the Put Indebtedness to be issued plus the outstanding principal amount of Put Indebtedness already incurred pursuant to this provision of the Master Indenture does not exceed 10% of the Revenues of the Obligated Group for the most recent Fiscal Year, one of the conditions set forth in Item A above is met when it is assumed that such Put Indebtedness bears interest at the Projected Rate and is amortized in a level debt service basis over a twenty-year period; or [ii] in the event the aggregate principal amount of the Put Indebtedness to be issued pursuant to this provision plus the outstanding principal amount of Put Indebtedness already incurred pursuant to this provision exceeds 10% of the Revenues of the Obligated Group for the most recent Fiscal Year (a) there is in effect at the time such Put Indebtedness is incurred a binding commitment by a financial institution generally regarded as responsible, which commitment provides for the amortization of Indebtedness incurred under such commitment commencing with the next succeeding Put Date and which commitment and institution are acceptable to the Master Trustee, to provide financing sufficient to pay such Put Indebtedness on any Put Date occurring during the term of such commitment, and (b) one of the conditions set forth in Item A above is met with respect to such Put Indebtedness when it is assumed that such Put Indebtedness bears interest at the Projected Rate and is payable on a level debt service basis over a twenty-year period commencing with the next succeeding Put Date.

H. Commitment Indebtedness. Commitment Indebtedness may be incurred without limit.

I. Other Indebtedness. Other Indebtedness may be incurred if at the time such Indebtedness is incurred, such Indebtedness together with all other Outstanding Indebtedness incurred pursuant to the provisions of Item D or this Item I does not exceed 20% of Revenues for the most recent Fiscal Year or for any period of 12 consecutive months in the 18 months immediately preceding the incurrence of the proposed Indebtedness.

J. Guaranties. Guaranties may be given by Obligated Group Members to staff physicians or other professionals with respect to the maintenance of income levels of such physicians or other professionals as considered necessary by such Obligated Group Members to secure the services of such Persons.

K. Subordinate Indebtedness. Indebtedness subordinate in all respect to any Notes issued hereunder may be issued without limitation or restriction.

L. Non-Recourse Indebtedness. Non-Recourse Indebtedness may be incurred which is either [i] secured by a Lien on Property which is part of the Property, Plant and Equipment which Lien is created in compliance with the provisions of the Master Indenture regarding Permitted Liens; or [ii] secured by a Lien on Property which is a pledge, gift, or grant to be received in the future without limit, provided that such pledge, gift or grant shall be excluded from the calculation of Income Available for Debt Service so long as such Non-Recourse Indebtedness is Outstanding.

M. Hedge Agreements. An Obligated Group Member may enter into Hedge Agreements in respect of other Indebtedness of such Obligated Group Member, provided that the counterparty to the Hedge Agreement shall be rated not less than "A+" by Standard & Poor's Ratings Service a division of the McGraw-Hill Companies, its successors and assigns, and "A1" by Moody's Investor's Service, its successors and assigns.

Long-Term Debt Service Coverage Ratio. Each Obligated Group Member covenants to set rates and charges for its facilities such that the Long-Term Debt Service Coverage Ratio of the Obligated Group, calculated at the end of each Fiscal Year, will not be less than 1.10; provided however, that in any case where Long-Term Indebtedness has been incurred to acquire or construct capital improvements, the Long-Term Debt Service Requirement with respect thereto shall not be taken into account in making the foregoing calculation until the first Fiscal Year commencing after the occupation or utilization of such capital improvements unless the Long-Term Debt Service Requirement with respect thereto is required to be paid from sources other than the proceeds of such Long-Term Indebtedness prior to such Fiscal Year. For purposes of determining compliance with this covenant, if any Obligated Group Member shall have outstanding Variable Rate Long-Term Indebtedness, there shall be taken into account in determining the Long-Term Debt Service Coverage Ratio the amount of principal and interest due on such Indebtedness in the applicable periods, assuming that the interest rate for such Fiscal Year on such Variable Rate Long-Term Indebtedness is the rate which was in effect on the last day of the preceding Fiscal Year.

If at any time the Long-Term Debt Service Coverage of 1.10 is not met, the Obligated Group covenants to retain a Consultant to make recommendations to increase the Long-Term Debt Service Coverage Ratio in the following Fiscal Year to the level required, or, if in the opinion of the Consultant such level cannot be attained because of Governmental Restrictions, to the highest level attainable. Each of the Obligated Group Members, respectively, agrees that it will, to the extent determined feasible in the reasonable judgment of the Governing Body of such Obligated Group Members, follow the recommendations of the Consultant. So long as a Consultant shall be retained and the Obligated Group shall follow such Consultant's recommendations to the extent determined feasible in the reasonable judgment of the Governing Body of each Obligated Group Member, this covenant shall be deemed to have been complied with even if the Long-Term Debt Service Coverage Ratio for the following Fiscal Year is below the required level; provided, however, that the Long-Term Debt Service Coverage Ratio is at least 1.00 and that Revenues exceed Expenses.

If a report of a Consultant is delivered to the Master Trustee stating that Governmental Restrictions have been imposed which make it impossible for the Long-Term Debt Service Coverage Ratio requirement to be met, then such coverage requirement shall be reduced to the maximum coverage permitted by such Governmental Restrictions but in no event less than l.00.

Sale, Lease or Other Disposition of Operating Assets. Each Obligated Group Member agrees it will not transfer Operating Assets except for transfers meeting one of the following requirements:

A. To any Person, if prior to the sale, lease or other disposition there is delivered to the Master Trustee an Officer's Certificate stating that such Operating Assets have become, or are reasonably expected to become within the next 24 calendar months, inadequate, obsolete, worn out, unsuitable,

unprofitable, undesirable or unnecessary, and the sale, lease, removal or other disposition thereof will not impair the structural soundness, efficiency or economic value of the remaining Operating Assets.

B. To another Obligated Group Member without limit.

C. Immediately after such transaction [i] one of the conditions described in Item A under the caption "Particular Covenants of the Obligated Group - Limitations on Incurrence of Additional Indebtedness" for the issuance of an additional dollar of Long-Term Indebtedness is met, [ii] the Long-Term Debt Service Coverage Ratio is at least 1.10 and (iii) the Long-Term Debt Service Coverage Ratio will not be reduced by more than thirty-five percent (35%) as a result of the transaction. Compliance with the coverage requirement specified in the preceding sentence shall be established by the delivery of a report or opinion of a Consultant to such effect based on the most recent Fiscal Year or any period of 12 consecutive months in the 18 months next preceding such transfer.

D. The Obligated Group Member, at its own expense and without the issuance of any Additional Indebtedness, shall construct or install substitute Operating Assets of equal useful and revenue producing capability prior to, or simultaneous with removal of the Operating Assets sold, leased or otherwise disposed of.

E. To an Affiliate which is not an Obligated Group Member or successor corporation pursuant to a merger or consolidation permitted by the Master Indenture without limit if such Affiliate or successor corporation shall become an Obligated Group Member pursuant to the Master Indenture contemporaneously with such transfer.

F. To any Person provided the Obligated Group Member proposing to make such transfer delivers to the Master Trustee an Officer's Certificate to the effect that the Obligated Group Member shall receive as consideration for such transfer cash or Property equal to the fair market value of the asset so transferred.

G. The Obligated Group may also dispose of Operating Assets, the Book Value of which for the last Fiscal Year, when added to the Book Value of other Operating Assets disposed of in reliance on this provision of the Master Indenture during such Fiscal Year, does not exceed, on a cumulative basis, five percent (5%) of the aggregate Book Value of the Operating Assets of the Obligated Group based on the Audited Financial Statements for the last Fiscal Year.

The restrictions with respect to disposition of operating Assets shall not apply to the leasing to others of [i] hospital specialty or ancillary services related to the operating of a health care facility, [ii] patient or employee convenience activities or (iii) leasing of residential units and commercial space in buildings used primarily for residential or commercial purposes.

Disposition of Cash and Investments. Each Obligated Group Member may transfer cash and investments:

A. To another Obligated Group Member without limit.

B. To an Affiliate which is not an Obligated Group Member: [i] during any Fiscal Year in an amount not in excess of ten percent (10%) of Liquid Assets on a cumulative basis for all such transfers made during such Fiscal Year based upon the Liquid Assets of the Obligated Group as shown by the Audited Financial Statements for the last Fiscal Year; or [ii] during any Fiscal Year in an amount in excess of ten percent (10%) of Liquid Assets on a cumulative basis for all such transfers made during such Fiscal Year if there shall be filed with the Master Trustee an Officer's Certificate, based upon

Audited Financial Statements for the preceding Fiscal Year, to the effect that the Long-Term Debt Service Coverage Ratio for the Fiscal Year in which such transfer is made would not be reduced below 1.50 if the amount of the proposed transfer were deducted from Income Available for Debt Service for such period.

C. To any Person provided the Obligated Group shall receive in exchange Property, the fair market value of which is at least equal to the amount of the cash and investments so transferred.

D. To any Person if such transfer is in the ordinary course of or a necessary incident to the business of the Obligated Group Member.

Consolidation, Merger, Sale or Conveyance. Each Obligated Group Member covenants that it will not merge or consolidate with any other corporation which is not an Obligated Group Member, or sell or convey all or substantially all of its Property to any Person which is not an Obligated Group Member, unless:

A. Either the Obligated Group Member is the successor corporation, or if the successor corporation is not the Obligated Group Member such successor corporation shall execute and deliver to the Master Trustee an appropriate instrument, satisfactory to the Master Trustee, containing the agreement of such successor corporation to assume liability for the due and punctual payment of the principal of, premium, if any, and interest on all Notes issued under the Master Indenture according to their tenor and the due and punctual performance and observance of all the covenants and conditions of the Master Indenture and any Supplemental Indenture; and

B. No Obligated Group Member of such successor entity immediately after such merger or consolidation, or such sale or conveyance, will be default in the performance or observance of any covenant or condition of the Master Indenture or any Supplemental Indenture and one of the conditions for the incurrence of an additional dollar of Long-Term Indebtedness will be met; and

C. If all amounts due or to become due on any Related Bond have not been fully paid to the holder thereof, there shall have been delivered to the Master Trustee an Opinion of Bond Counsel, in form and substance satisfactory to the Master Trustee, to the effect that under then existing law the consummation of such merger, consolidation, sale or conveyance would not adversely affect the exemption from federal income taxation of interest payable on such Related Bond.

In case of any consolidation, merger, sale or conveyance and upon any such assumption of liability by the successor corporation, such successor corporation shall succeed to and be substituted for its predecessor, with the same effect as if it had been named in the Master Indenture as an Obligated Group Member or had become an Obligated Group Member pursuant to the Master Indenture, as the case may be. Any successor corporation to an Obligated Group Member may cause to be signed and may issue in its own name Notes under the Master Indenture and upon the order of such successor corporation and subject to all the terms, conditions and limitations in the Master Indenture, the Master Trustee shall authenticate and shall deliver Notes of such successor corporation. All Notes so issued by such successor corporation under the Master Indenture shall in all respects have the same security position and benefit under the Master Indenture as outstanding Notes theretofore or thereafter issued in accordance with the terms of the Master Indenture as though all of such Notes had been issued under the Master Indenture without any such consolidation, merger, sale or conveyance having occurred.

In case of any such consolidation, merger, sale or conveyance, such changes in phraseology and form (but not in substance) may be made in Notes thereafter to be issued as may be appropriate.

The Master Trustee may accept an Opinion of Counsel as conclusive evidence that any such consolidation, merger, sale or conveyance, and any such assumption, complied with the provisions of the Master Indenture and that it is proper for the Master Trustee to join in the execution of any instrument required to be executed and delivered by the Master Indenture.

Filing of Financial Statements; Certificate of No Default; Other Information. The Obligated Group covenants that it will:

A. Have prepared within 120 days of the end of each Fiscal Year Audited Financial Statements which shall include such statements as are necessary for a fair presentation of its financial position as of the end of such period and its results of operations and changes in fund balances and financial position for the period then ended.

B. Within 30 days after receipt of any Audited Financial Statements, but in no event later than 120 days after the end of each Fiscal Year, file a copy of its Audited Financial Statements as of the end of such period with the Master Trustee and with each Holder of a Note or Notes or a Related Bond or Related Bonds aggregating more than $250,000 in original principal amount who may have so requested in writing or on whose behalf the Master Trustee may have so requested.

C. Within 30 days after receipt of the Audited Financial Statements, but in no event later than 120 days after the end of each Fiscal Year, file with the Master Trustee, and with each Holder who may have so requested or on whose behalf the Master Trustee may have so requested, an Officer's Certificate and a report of the Corporation's independent certified public accountants setting forth the Long-Term Debt Service Coverage Ratio for such report period and stating whether, to the best knowledge of the signer of such Officer's Certificate, any Obligated Group Member is in default in the performance of any covenant contained in the Master Indenture or any Supplemental Indenture, and if so, specifying each such default of which the signer may have knowledge.

D. If an Event of Default shall have occurred and be continuing [i] file with the Master Trustee such other financial statements and information concerning its operations and financial affairs (or of any consolidated or combined group of companies, including the Corporation and its consolidated or combined Affiliates, including any other Obligated Group Members) as the Master Trustee may from time to time reasonably request, excluding specifically donor records, patient records and personnel records, and [ii] provide access to its facilities for the purpose of inspection by the Master Trustee during regular business hours or at such other times as the Master Trustee may reasonably request.

E. Within 30 days after its receipt thereof, file with the Master Trustee a copy of each report which any provision of the Master Indenture requires to be prepared by a Consultant or any Insurance Consultant.

Additional Obligated Group Members

Affiliates which are not Obligated Group Members and corporations which are successor corporations to Obligated Group Members through a merger or consolidation permitted by the Master Indenture may become Obligated Group Members only upon satisfaction of the following requirements:

A. The affiliate or successor corporation which is to become an Obligated Group Member shall execute and deliver to the Master Trustee an appropriate instrument, satisfactory to the Master Trustee [i] containing the agreement of such Affiliate or successor corporation to become an Obligated Group Member under the Master Indenture and thereby become subject to compliance with all provisions of the Master Indenture pertaining to an Obligated Group Member, including the security provisions and restrictions on encumbering Property provided in the Master Indenture and the performance and observance of all covenants and obligations of an Obligated Group Member under the Master Indenture, and [ii] consenting and acknowledging to the Master Trustee its joint and several liability on all Notes Outstanding and pledging that all such Notes will be paid in accordance with the terms thereof and of the Master Indenture, when due. The Affiliate or successor corporation shall also execute and deliver any instruments, including without limitation, the Security Agreement, necessary or appropriate in the judgment of the Master Trustee to grant the same liens and security in favor of the Master Trustee as have the other Obligated Group Members to secure the punctual payment of any Notes and the performance by the Obligated Group of its other obligations under the Master Indenture and under the Supplemental Indenture.

B. Each instrument executed and delivered to the Master Trustee in accordance with B. above shall be accompanied by an Opinion of Counsel, addressed to and satisfactory to the Master Trustee, to the effect that such instrument has been duly authorized, executed and delivered by the successor corporation or such Affiliate, and constitutes a valid and binding obligation enforceable in accordance with its terms, except as enforcement may be limited by bankruptcy laws, reorganization, moratorium, or Long-Term Indebtedness based on insolvency or other laws affecting the enforcement of creditors' rights generally.

C. [i] If additional Long-Term Indebtedness of $1.00 could be incurred under the first additional Long-Term Indebtedness test set forth in the Long-Term Indebtedness section of the Master Indenture (Long-Term Debt Service Coverage Ratio for any 12 of the 18 months immediately preceding of not less than 1.50 to 1.00) after entry of the proposed new Obligated Group Member into the Obligated Group, taking into consideration the historical revenues and expenses of the proposed new Obligated Group Member and the existing Obligated Group for the period measured under the additional Long-Term Indebtedness test, then there shall be filed with the Master Trustee an Officer's Certificate demonstrating that the tests set forth in the Master Indenture for incurrence of additional Long-Term Indebtedness of $1.00 could be met after entry of the proposed new Obligated Group Member into the Obligated Group; or [ii] alternatively, if additional Long-Term Indebtedness of $1.00 could be incurred under the second test set forth in set forth in the Long-Term Indebtedness section of Master Indenture (Long-Term Debt Service Coverage Ratio for any 12 of the 18 months immediately preceding of not less than 1.50 to 1.00 and for the next two fiscal years of not less than 1.25 to 1.00) after entry of the proposed new Obligated Group Member into the Obligated Group, taking into consideration the historical revenues and expenses of the proposed new Obligated Group Member and the existing Obligated Group for the historical period and the projected revenues and expenses of the proposed new Obligated Group Member and the existing Obligated Group for the forecasted period, then there shall be filed with the Master Trustee a report or opinion of a Consultant demonstrating that the second additional Long-Term Indebtedness test for incurrence of additional Long-Term

Indebtedness of $1.00 could be met after entry of the proposed new Obligated Group Member into the Obligated Group. In addition to the foregoing, there shall be filed with the Master Trustee an Officer's Certificate and an opinion of Counsel, in form and substance satisfactory to the Master Trustee, that such Affiliate's or successor corporation's becoming an Obligated Group Member will not be or constitute an event which upon the giving of notice or passage of time or both will constitute an Event of Default.

D. If all amounts due or to become due on any Related Bond have not been paid to the Holders thereof, there shall be filed with the Master Trustee an Opinion of Bond Counsel, in form and substance satisfactory to the Master Trustee, to the effect that the consummation of such transaction would not adversely affect the exemption from federal income taxation of the interest on any such Related Bond.

Withdrawal from Obligated Group

The Corporation may not withdraw from the Obligated Group unless a successor corporation with all of the powers specified under the caption "Control of Obligated Group" below is substituted for the Corporation in accordance with the provisions of the Master Indenture and such successor corporation will satisfy the conditions and covenants contained in the Master Indenture. Any Obligated Group Member other than the Corporation may withdraw from the Obligated Group and be released from further liability or obligation under the Master Indenture and all Notes Outstanding with the consent of all other Obligated Group Members and provide that there shall be filed with the Master Trustee [i] a Consultant's report or opinion to the effect that after such Obligated Group Member has withdrawn from the Obligated Group, the Obligated Group will continue to meet one of the conditions for the incurrence of one dollar of additional Long-Term Indebtedness based on the forecasted Long-Term Debt Service Coverage Ratio for each of the two succeeding Fiscal Years; [ii] an Officer's Certificate to the effect that all Notes, the proceeds of which were used principally for the benefit of the withdrawing Obligated Group Member are no longer Outstanding; and [iii] An Officer's Certificate and an Opinion of Counsel, in form and substance satisfactory to the Master Trustee, that such Obligated Group Member's withdraw-al from the Obligated Group will not be or constitute an event which upon the giving of notice or passage of time or both will constitute an Event of Default under the Master Indenture.

Control of Obligated Group

The Corporation and any successor to the Corporation will during the term of the Master Indenture maintain control over the other Obligated Group Members, and each Obligated Group Member agrees and consents to such control. Neither the Corporation nor any other Obligated Group Member will make any change in the procedures by which the Governing Body of such Obligated Group Member is selected or appointed if such change will result in the Corporation's not maintaining control over the other Obligated Group Members. To assure compliance with this covenant, neither the Corporation nor any other Obligated Group Member will change in any respect its method or procedures for selecting or appointing members of the Governing Body of any Obligated Group Member unless there is delivered to the Master Trustee an Opinion of Counsel, in form and substance satisfactory to the Master Trustee, that such change will not result in the Corporation's not maintaining control over all the other Obligated Group Members. For purpose of this paragraph, "control" means the right and power to select, appoint or elect a majority of the members of the Governing Body of an Obligated Group Member.

Default and Remedies

Event of Default. An Event of Default under the Master Indenture shall mean any of the following events: [i] the Obligated Group shall fail to make any payment required on any Note issued and

outstanding when and as the same shall become due and payable, whether at maturity, by proceedings for redemption, by acceleration or otherwise in accordance with the terms of the Master Indenture and the pertinent Supplemental Indenture; [ii] any Obligated Group Member shall fail duly to perform, observe or comply with any covenant, condition or agreement on its part contained in the Master Indenture for a period of 30 days after the date on which written notice of such failure, requiring the same to be remedied shall have been given to the Obligated Group by the Master Trustee, or to the Obligated Group and the Master Trustee by the Holders of at least 25% in aggregate principal amount of Notes then Outstanding, provided that if said Event of Default is such that it cannot be corrected within 30 days after the receipt of such notice, it shall not constitute an Event of Default if corrective action is instituted by the Obligated Group Member within the 30-day period and diligently pursued until the Event of Default is corrected; [iii] an Event of Default shall occur under a Related Bond Indenture or upon a Related Bond; [iv] any Obligated Group Member shall fail to make any required payment with respect to any Indebtedness for borrowed money, whether such Indebtedness now exists or shall hereafter be created and any period of grace with respect thereto shall have expired, or an event of default as defined in any mortgage, indenture or instrument, under which there may be issued, or by which there may be secured or evidenced, any Indebtedness, whether such Indebtedness now exists or shall hereafter be created, shall occur; provided, however, that such default shall not constitute an Event of Default if (a) the Obligated Group Member, in good faith commences proceedings to contest the existence or payment of the Indebtedness, and (b) the payment of such Indebtedness, or the enforcement of any lien securing such Indebtedness, is stayed during such contest; [v] the entry of a decree or order by a court having jurisdiction in the premises adjudging an Obligated Group Member a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of an Obligated Group Member under the United States Bankruptcy Code or any other applicable federal or state law, or appointing a receiver, liquidator, custodian, assignee, trustee, or administrator (or other similar official) of any Obligated Group Member or of any substantial part of its Property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of 90 consecutive days; and [vi] the institution by any Obligated Group Member of proceedings to be adjudicated a bankrupt or insolvent, or the consent by it to the institution of bankruptcy or insolvency proceedings against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under the United States Bankruptcy Code or any other similar applicable federal or state law, or the consent by it to the filing of any such petition or to the appointment of a receiver, liquidator, custodian, assignee, trustee or sequestrator (or other similar official) of any Obligated Group Member or of any substantial part of its Property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due.

Acceleration; Annulment of Acceleration. Upon the occurrence and during the continuation of an Event of Default under the Master Indenture, the Master Trustee may, and, upon the written request of the Holders of not less than 25% in aggregate principal amount of Notes Outstanding, shall declare all Notes Outstanding immediately due and payable, whereupon such Notes shall become and be immediately due and payable except as otherwise specifically provided in a particular Note or in the Supplemental Indenture relating thereto. In such event, there shall be due and payable on the Notes accelerated an amount equal to the total unpaid principal amount of all such Notes, plus all interest accrued thereon to the date of payment, to the extent permitted by applicable law.

At any time after the principal of the Notes shall have been so declared to be due and payable and before the entry of a final judgment or decree in any suit, action or proceeding instituted on account of such default, if [i] the Obligated Group has paid or caused to be paid or deposited with the Master Trustee moneys sufficient to pay all matured installments of principal and interest on installments of principal or redemption price then due (other than the principal then due only because of such declaration) of all Notes Outstanding; [ii] the Obligated Group has paid or caused to be paid or deposited with the Master Trustee moneys sufficient to pay the charges, compensation, expenses, disbursements, advances and

liabilities of the Master Trustee; [iii] all other amounts then payable by the Obligated Group under the Master Indenture shall have been paid or a sum sufficient to pay the same shall have been deposited with the Master Trustee; and [iv] every Event of Default (other than a default in the payment of the principal of such Notes then due only because of such declaration) shall have been remedied, then the Master Trustee may annul such declaration and its consequences with respect to any Notes or portions thereof not then due by their terms. No annulment shall extend to or affect any subsequent Event of Default or impair any right consequent thereon.

A Supplemental Indenture or any Note issued pursuant thereto may specifically provide that only the Holders thereof may have the right and power to accelerate such Note or to annul such acceleration. A Supplemental Indenture or Note issued pursuant thereto may further provide for rights, security or remedies for an Event of Default different from and in addition to the remedies provided in the Master Indenture. In such an event, the Master Trustee shall have no responsibility, duty or obligation with respect to enforcement or collection of such Note, and the Holder thereof shall be entitled to enforce such Note, pursue any remedy available to it if there is an Event of Default under the Master Indenture, the Note, or the Supplemental Indenture relating thereto, or waive an Event of Default.

Additional Remedies and Enforcement of Remedies. Upon the occurrence and continuance of Any Event of Default, the Master Trustee may, and upon the written request of the Holder of not less than 25% in aggregate principal amount of the Notes Outstanding, together with indemnification of the Master Trustee to its satisfaction therefor, shall, proceed forthwith to protect and enforce its rights and the rights of the Holders thereunder by such suits, actions or proceedings as the Master Trustee, being advised by counsel shall deem expedient, including, but not limited to:

(1) Enforcement of the right of the Holders to collect and enforce the payment of amounts due or becoming due under the Notes;

(2) Suit upon all or any part of the Notes;

(3) Civil action to require any Person holding moneys, documents or other property pledged to secure payment of amounts due or to become due on the Notes to account as if it were the trustee of an express trust for the Holders;

(4) Civil action to enjoin any acts or things which may be unlawful or in violation of the rights of the Holders;

(5) Enforcement of rights under the Security Agreement;

(6) Enforcement of any other right of the Holders conferred by law or the Master Indenture.

Regardless of the happening of an Event of Default, the Master Trustee, if requested in writing by the Holders of not less than 25% in aggregate principal amount of the Notes then Outstanding, shall, upon being indemnified to its satisfaction therefor, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient [i] to prevent any impairment of security under the Master Indenture by any acts which may be unlawful or in violation of the Master Indenture, or [ii] to preserve or protect the interests of the Holders, provided that such request and the action to be taken by the Master Trustee are not in conflict with any applicable law or the provisions of the Master Indenture and, in the sole judgment of the Master Trustee such action is not unduly prejudicial to the interest of the Holders not making such request.

Application of Revenues and Other Moneys After Default. During the continuance of an Event of Default all moneys received by the Master Trustee pursuant to any right given or action taken under the Master Indenture after payment of [i] the cost and expenses of the proceedings resulting in the collection of such moneys and of the expenses and advances incurred or made by the Master Trustee under the Master Indenture and [ii] in the sole discretion of the Master Trustee expenses of operating any Obligated Group Member, shall be applied as follows:

1. Unless the principal of all outstanding Notes shall have become or have been declared due and payable:

First: To the payment to the Holders of all installments of interest then due on the Notes in the order of the maturity of the installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon to the Holders without any discrimination or preference; and

Second: To the payment to the Holders of the unpaid principal installments of any Notes which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full according to the amounts of principal installments due on such date, to the Persons entitled thereto, without any discrimination or preference.

2. If the principal of all Outstanding Notes shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Notes 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 Note over any other Note, ratably, according to the amounts due respectively for principal and interest to the Persons entitled thereto, without any discrimination or preference.

3. If the principal of all Outstanding Notes shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled, then subject to the provision of Paragraph 2 above in the event that the principal of all Outstanding Notes shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of Paragraph 1 above.

4. Whenever moneys are to be applied by the Master Trustee as provided above, such moneys shall be applied by it at such times, and from time to time, as the Master Trustee shall determine, having due regard for the amount available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Master Trustee shall apply moneys, it shall fix the date upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Master Trustee shall give such notice as it may deem appropriate of the deposit with it of moneys and of the fixing of any such date, and shall not be required to make payment to the Holder of any unpaid Note until the Note shall be presented to the Master Trustee for appropriate endorsement of any partial payment or for cancellation if fully paid.

Whenever all Notes and interest thereon have been paid under the provisions of the Master Indenture summarized above and all expenses and charges of the Master Trustee have been paid, any balance remaining shall be paid to the Persons entitled to receive the same; if no other Person shall be entitled thereto, then the balance shall be paid to the Obligated Group Members, their respective successors, or as a court of competent jurisdiction may direct.

Holders' Control of Proceedings. If an Event of Default shall have occurred and be continuing, notwithstanding anything in the Master Indenture to the contrary, the Holders of not less than a majority in aggregate principal amount of the Notes then Outstanding shall have the right, at any time, by an instrument in writing executed and delivered to the Master Trustee and accompanied by indemnity satisfactory to the Master Trustee to direct the method and place of conducting any proceeding to be taken in connection with the enforcement of the terms and conditions of the Master Indenture for the appointment of a receiver or any other proceedings, provided, that such direction is not in conflict with any applicable law or the provisions of the Master Indenture, and provided further, that the Master Trustee shall have the right to decline to follow any such direction if the Master Trustee in good faith shall determine that the proceeding so directed would involve it in personal liability, and, in the sole judgment of the Master Trustee, is not unduly prejudicial to the interest of any Holders not joining in such direction and provided further that nothing summarized under this caption shall impair the right of the Master Trustee in its discretion to take any other action under the Master Indenture which it may deem proper and which is not inconsistent with such direction by Holders.

Waivers of an Event Of Default. No delay or omission of the Master Trustee or of any Holder to exercise any right or power accruing upon an Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein. Every power and remedy given by the Master Indenture to the Master Trustee and the Holders, respectively, may be exercised from time to time and as often as may be deemed expedient by them.

The Master Trustee may waive any Event of Default which in its opinion shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the Master Indenture or before the completion of the enforcement of any other remedy under the Master Indenture.

Notwithstanding anything contained in the Master Indenture to the contrary, the Master Trustee, upon the written request of the Holders of not less than a majority of the aggregate principal amount of Notes then Outstanding, shall waive any Event of Default under the Master Indenture and its consequences; provided, however, that except as otherwise permitted by the Master Indenture, a default in the payment of the principal of, premium, if any, or interest on any Note, when the same shall become due and payable by the terms thereof or upon call for redemption, may not be waived without the written consent of the Holders of all of the Notes at the time Outstanding.

In case of any waiver of an Event of Default under the Master Indenture, Obligated Group Members, the Master Trustee and the Holders shall be restored to their former positions and rights under the Master Indenture, but no such waiver shall extend to any subsequent or other Event of Default or impair any right consequent thereon.

Appointment of Receiver. Upon the occurrence of any Event of Default, unless the same shall have been waived, the Master Trustee shall be entitled as a matter of right, if it shall so elect [i] forthwith and without declaring the Notes to be due and payable, [ii] after declaring the same to be due and payable, or [iii] upon the commencement of an action to enforce specific performance or in aid thereof or upon the commencement of any other judicial proceeding to enforce any right of the Master Trustee or the Holders, to the appointment of a receiver or receivers of any or all of the Property of the Obligated Group Members, with such powers as the court making such appointment shall confer. Each Obligated Group Member hereby consents and agrees, and will if requested by the Master Trustee consent and agree at the time of application by the Master Trustee for appointment of a receiver of its Property, to the appointment of such receiver of its Property and that such receiver may be given the right, power and authority, to the extent the same may lawfully be given, to take possession of and operate and deal with such Property and

the revenues, profits and proceeds therefrom, with like effect as each Obligated Group Member could do so, and to borrow money and issue evidences of indebtedness as such receiver.

Notice of Default. The Master Trustee shall, within 10 days after it has knowledge of the occurrence of an Event of Default, mail to all Holders notice of such Event of Default, unless such Event of Default shall have been cured before the giving of such notice; and provided that, except in the case of default in the payment of the principal of, premium, if any, or interest on any of the Notes and the Events of Default relating to bankruptcy or insolvency, the Master Trustee shall be protected in withholding such notice as and so long as the board of directors, the executive committee, or a trust committee of directors or any responsible officer of the Master Trustee in good faith determines that the withholding of such notice is in the best interest of the Holders.

Remedies Not Exclusive. No remedy conferred upon or reserved to the Master Trustee or the Holders of Notes by the Master Indenture is intended to be exclusive, but each and every remedy thereunder shall be cumulative and in addition to every other remedy thereunder or existing at law or in equity or by statute now and in the future.

Enforcement of Security Agreement. The Master Trustee shall enforce all rights and powers granted it under the Security Agreement and take all reasonable steps, actions and proceedings necessary for the preservation and enforcement of all terms, covenants and conditions of the Security Agreement. The Master Trustee shall diligently enforce, and take all reasonable steps, actions and proceedings necessary to protect its rights and powers under the Security Agreement.

Supplements and Amendments

Supplements Not Requiring Consent of Holders. The Obligated Group Members, when authorized by resolution or other similar action of their respective Governing Bodies and the Master Trustee, may, without the consent of or notice to any of the Holders, enter into one or more Supplements for one or more of the following purposes: (1) to cure any ambiguity or formal defect or omission in the Master Indenture; (2) to correct or supplement any provision in the Master Indenture which may be inconsistent with any other provision therein, or to make any other provisions with respect to matters or questions arising thereunder and which shall not materially and adversely affect the interests of the Holders; (3) to grant or confer ratably upon all Holders any additional rights, remedies, powers or authority that may lawfully be granted or conferred upon them, to the extent that the granting or conferring thereof do not expressly require the consent of Holders as discussed below; (4) to qualify the Master Indenture under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect; (5) to create and provide for the issuance of a series of Notes or a Guaranty as permitted under the Master Indenture; (6) to obligate a successor to an Obligated Group Member, to obligate additional Obligated Group Members or to effect the withdrawal of a Member from the Obligated Group ; (7) to comply with the provisions of any federal or state securities law; and (8) to provide for the issuance of Notes in bearer or coupon form or pursuant to a book-entry system.

Supplements and Amendments Requiring Consent of Holders. Other than supplements and amendments referred to in the preceding paragraph, the Holders of not less than a majority in aggregate principal amount of the Notes then Outstanding shall have the right to approve the execution of supplements for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, the Master Indenture, except no supplements or amendments are permitted which would:

A. Effect a change in the times, amounts or medium of payment of the principal of, premium, if any, and interest on any Note or a reduction in the principal amount or redemption price of any Note or the rate of interest thereon, without the consent of the Holder of that Note;

B. Modify, alter, amend, add to or rescind any of the terms or provisions contained in the Master Indenture in any manner which would materially and adversely affect the interests of any Holder of any Note then Outstanding, without the consent of the Holders of not less than a majority in aggregate principal amount of the Notes then Outstanding; or

C. Reduce the aggregate principal amount of Notes then Outstanding the consent of the Holders of which is required to authorize such reduction without the consent of the Holders of all Notes then Outstanding.

Satisfaction and Discharge of Master Indenture

Satisfaction and Discharge of Master Indenture. If [i] an Obligated Group Member shall deliver to the Master Trustee for cancellation all Notes theretofore authenticated (other than any Notes which shall have been mutilated, destroyed, lost or stolen and which shall have been replaced or paid) and not theretofore cancelled, or [ii] all Notes not theretofore cancelled or delivered to the Master Trustee for cancellation shall have become due and payable and shall have been paid and discharged in accordance with their terms; or [iii] the Obligated Group Members shall deposit or cause to be deposited with the Master Trustee (or with a bank or trust company acceptable to the Master Trustee pursuant to an agreement between the Obligated Group Members and such bank or trust company in form acceptable to the Master Trustee) as trust funds the entire amount of money or Defeasance Obligations, or both, the principal of and the interest on which shall be sufficient to pay at maturity or, upon redemption all Notes not theretofore cancelled or delivered to the Master Trustee for cancellation, including principal and interest due or to become due to such date of maturity or redemption date, as the case may be, and if in either case the Obligated Group Members shall also pay or cause to be paid all other sums payable under the Master Indenture by the Obligated Group Members, then the Master Indenture shall cease and be of no further effect, and the Master Trustee, on demand of the Obligated Group Members, at the cost and expense of the Obligated Group Members, execute proper instruments acknowledging satisfaction of and discharging the Master Indenture. The Obligated Group Members shall reimburse the Master Trustee for any costs or expenses theretofore and thereafter reasonably and properly incurred by the Master Trustee in connection with the Master Indenture or such Notes.

Payment of Notes after Discharge of Lien. Notwithstanding the discharge of the lien of the Master Indenture, the Master Trustee shall nevertheless retain such rights, powers and duties under the Master Indenture as may be necessary and convenient for the payment of amounts due or to become due on the Notes and the registration, transfer, exchange and replacement of Notes as provided therein. Any moneys held by the Master Trustee or any paying agent for the payment of the principal of, premium, if any, or interest on any Note remaining unclaimed for five (5) years after the principal of all Notes has become due and payable, whether at maturity or upon proceedings for redemption or by declaration as provided in the Master Indenture shall then be paid to the Obligated Group Members for payment thereof as unsecured creditors and all liability of the Master Trustee with respect to such moneys shall thereupon cease.

SUMMARY OF CERTAIN PROVISIONS OF THE FIRST SUPPLEMENTAL MASTER INDENTURE

The First Supplemental Master Indenture authorizes the execution and delivery of the Series 2008 Note of the Corporation in the principal amount of $330,000,000 in favor of the Master Trustee. The First Supplemental Indenture contains no provisions amending the provisions of the Master Indenture.

SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE

The Bond Indenture contains various covenants, security provisions, terms and conditions, certain of which are summarized below to which reference is made for a full and complete statement of their provisions.

Application of Proceeds.

The proceeds from the sale of the Bonds and accrued interest received at the time of delivery shall upon their receipt be applied by the Bond Trustee as follows:

1. the interest accrued on the Bonds from their dated date to the date of their delivery, shall be deposited in the Interest Account (as hereinafter defined);

2. an amount sufficient, along with other funds to be deposited therein, to defease the Prior Bonds shall be deposited in the respective Escrow Funds to be held and applied to the refunding of the Prior Bonds;

3. the balance of the proceeds of the Bonds shall be deposited in the Project Fund.

Pledge. All right, title and interest of the Issuer in the Series 2008 Note and the Loan Agreement (except the right to receive payments for its expenses and to receive indemnities), and all funds and accounts established by or pursuant to the Bond Indenture (except moneys held in accounts to pay for Bonds called for redemption or with respect to which irrevocable instructions to redeem have been given to the Bond Trustee and except moneys held in the Arbitrage Rebate Fund), including the moneys deposited therein, investments thereof and the proceeds of such investments, if any, are pledged for the payment of the principal of, interest on, and premium, if any, on Bonds in accordance with the terms and provisions of the Bond Indenture.

Bond Fund (Interest Account, Principal Account and Redemption Account). The Bond Indenture creates the Bond Fund, and within the Bond Fund, creates three separate accounts designated "Interest Account," "Principal Account" and the "Redemption Account". All payments on the Series 2008 Note shall be deposited into the Bond Fund. Loan Repayments and all other moneys, when and in the amounts received for the account of the Issuer pursuant to the Loan Agreement or the Series 2008 Note, but excluding moneys representing payments for expenses or indemnity payments to the Issuer, shall be deposited into the Bond Fund.

Interest Account. The Bond Trustee shall withdraw from the Interest Account the amount required for paying the interest on the Bonds on each Interest Payment Date for the payment of the interest due on the Bonds.

If on any Interest Payment Date there are not sufficient amounts on deposit in the Interest Account to pay the total amount of interest coming due on such Interest Payment Date, the Bond Trustee shall transfer moneys, in order to pay the interest coming due on the Bonds on such Interest Payment Date, from the following Funds or Accounts in the following priority and to the extent moneys are then on deposit therein: [i] first, from the Principal Account; [ii] then from the Redemption Account (unless moneys therein have been deposited into an irrevocable escrow for the purpose of paying redemption price of the Bonds); and [iii] then from the Debt Service Reserve Fund.

Principal Account. The Bond Trustee shall withdraw from the Principal Account the amount required for paying the principal due on the Bonds on each Bond Payment Date and transfer such funds to the Paying Agent for the payment of the principal due on the Bonds. Amounts on deposit in the Principal Account shall be used to satisfy any deficiency in the Interest Account on an Interest Payment Date. Any interest income and other earnings derived from the investment of amounts on deposit in the Principal Account shall be transferred upon receipt to the Interest Account.

If on any Interest Payment Date there are not sufficient amounts on deposit in the Principal Account to pay the total amount of principal coming due on such Interest Payment Date, the Bond Trustee, after making any transfers required to be made to the Interest Account to eliminate any insufficiency therein, shall transfer moneys in order to pay the principal coming due on the Bonds on such Interest Payment Date from the following Funds or Accounts, in the following priority and to the extent moneys are then on deposit therein: [i] first, from the Redemption Account (unless moneys therein have been deposited into an irrevocable escrow for the purpose of paying redemption price of the Bonds); and [ii] then from the Debt Service Reserve Fund.

Redemption Account. Moneys held for the credit of the Redemption Account shall be applied to the optional and mandatory redemption of Bonds on the applicable Redemption Date. The Bond Trustee shall withdraw from the Redemption Account and transfer to the Paying Agent the amount of moneys necessary to pay the principal coming due on the Bonds on the Redemption Date. Any interest income and other earnings derived from the investment of amounts on deposit in the Redemption Account shall be transferred upon receipt to the Interest Account.

If on any Interest Payment Date there are not sufficient amounts on deposit in the Redemption Account to pay the total amount of a mandatory sinking fund redemption payment coming due on such Interest Payment Date, the Bond Trustee, after making any transfers required after making any transfers required to be made to the Interest Account or the Principal Account to eliminate any insufficiency therein, shall transfer moneys, in order to pay the mandatory sinking fund redemption payment coming due on the Bonds on such Interest Payment Date, from the Debt Service Reserve Fund, to the extent moneys are then on deposit therein. If on any Interest Payment Date there are not sufficient amounts on deposit in the Redemption Account to pay the total amount of an optional redemption payment coming due on such Interest Payment Date, such optional redemption payment shall not be made.

Debt Service Reserve Fund. The Bond Indenture creates the Debt Service Reserve Fund. The Debt Service Reserve Fund shall be used exclusively to pay principal of or interest on the Bonds when there are insufficient moneys in the Interest Account, the Principal Account or the Redemption Account available to make such payment(s). The Bond Trustee shall deposit to the Debt Service Reserve Fund the Loan Payments, if any, made for such purpose pursuant to the Loan Agreement. No deposits shall be made to the Debt Service Reserve Fund when the Debt Service Reserve Fund Value equals or exceeds the Debt Service Reserve Fund Requirement. When [i] moneys in the Interest Account are insufficient to pay interest on the Bonds when due, [ii] moneys in the Principal Account are insufficient to pay principal of the Bonds when due or [iii] moneys in the Redemption Account are insufficient to make mandatory sinking fund redemption payments of the Bonds when due, moneys in the Debt Service Reserve Fund shall be used to augment payments due for the interest on, principal of or mandatory sinking fund redemption payments on the Bonds in accordance with the priorities set forth in the Bond Indenture.

On each Bond Payment Date, amounts and investments on deposit in the Debt Service Reserve Fund shall be valued at cost if maturity is one year or less and valued at fair market value and marked to market annually if maturity is longer than one year by the Bond Trustee. If upon such valuation it is determined that the Debt Service Reserve Fund Value is less than the Debt Service Reserve Fund Requirement (measured at each time of determination), the Bond Trustee shall notify the Corporation of

the amount of the deficiency. The Corporation agrees in the Loan Agreement to deposit in the Debt Service Reserve Fund the amount by which such Debt Service Reserve Fund Value is less than the Debt Service Reserve Fund Requirement within fifteen (15) days following the date the Corporation receives notice of such deficiency. If the Debt Service Reserve Fund Value on any such valuation date is more than the Debt Service Reserve Fund Requirement, the amount of such excess shall be transferred to the Interest Account and used as a source of payment of the interest payable on the Bonds on the next Interest Payment Date.

Except for such excess amounts, moneys on deposit in the Debt Service Reserve Fund shall be used only to make up any deficiencies in the Interest Account, the Principal Account and the Redemption Account (in that order); provided, however, that in connection with any partial redemption or provision for payment prior to maturity of any Bonds, the Bond Trustee may, at the written request of the Corporation, use any amounts on deposit in the Debt Service Reserve Fund which will be in excess of the Debt Service Reserve Fund Requirement after such redemption or provision for payment to pay or provide for the payment of the principal of or the principal portion of the redemption price of the Bonds.

Project Fund. The Bond Trustee shall apply the moneys in the Project Fund to the payment or the reimbursement to the Corporation for the Issuance Costs and the Project Costs. Any interest income and other earnings derived from the investment of amounts on deposit in the Project Account shall be transferred upon receipt to the Interest Account.

Escrow Funds. The Prior Trustee shall apply the moneys in the 2002 Escrow Fund created under the 2002 Escrow Agreement solely to the refunding of the Series 2002 Bonds. The Prior Trustee shall apply the moneys in the 2004 Escrow Fund created under the 2004 Escrow Agreement solely to the refunding of the Series 2004 Bonds.

Arbitrage Rebate Fund. The Bond Indenture creates an Arbitrage Rebate Fund which shall be continuously held, invested, expended and accounted for in accordance with the Code and applicable regulations, provided, however, that the Arbitrage Rebate Fund need not be maintained if in the opinion of Bond Counsel the failure to maintain the Arbitrage Rebate Fund will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes. Moneys in the Arbitrage Rebate Fund, including any investment earnings thereon, if any, shall not be considered moneys held under the Bond Indenture and shall not constitute a part of the trust estate held for benefit of the Bondholders. The Corporation has covenanted and agreed in the Loan Agreement that it will [i] appoint a Rebate Consultant as provided in the Bond Indenture and [ii] deposit into the Arbitrage Rebate Fund an amount sufficient to pay the Rebate Amount as provided in the Bond Indenture.

Upon the written direction of the Corporation (or the Rebate Consultant, on its behalf), the Bond Trustee shall pay to the United States [i] not later than sixty (60) days after the end of each fifth Rebate Year, the Rebate Amount as most recently determined by the Rebate Consultant, and [ii] within 60 days after each Retirement Date, the Rebate Amount, as finally determined by the Rebate Consultant, not previously paid to the United States. The obligation to pay the Rebate Amount shall survive the payment in full of the Bonds and the satisfaction and discharge of the Bond Indenture in accordance therewith.

Notwithstanding any other provision of the Bond Indenture, the obligation of the Bond Trustee to pay the Rebate Amount to the United States shall be payable only from, and only to the extent that there are, amounts on deposit in the Arbitrage Rebate Fund.

In the event the Corporation fails to make a timely deposit into the Arbitrage Rebate Fund of the amount required to be deposited therein as provided in the Bond Indenture, the Bond Trustee is authorized (but is not required) to transfer the required amount into the Arbitrage Rebate Fund from any

amounts available therefor on deposit in any of the Trust Funds held by the Bond Trustee. If the amount on deposit in the Arbitrage Rebate Fund is determined by the Rebate Consultant to exceed the amount required to be paid to the united States pursuant to the Bond Indenture, the Bond Trustee shall transfer the excess moneys in the Arbitrage Rebate Fund to [i] the Trust Fund from which such transfer into the Arbitrage Rebate Fund was made, and [ii] to the Corporation, to the extent any excess moneys remain in the Arbitrage Rebate Fund after any such required transfer to a Trust Fund.

Investment of Money. Upon written instructions from the Corporation, moneys in the Bond Fund, the Interest Account, the Principal Account, the Redemption Account and the Project Fund shall be invested in Qualified Investments; provided, however, that moneys held in the Redemption Account may only be invested in Government Obligations. The Corporation shall not direct the Bond Trustee to make any investment contrary to the preceding sentence and each instruction from the Corporation shall constitute a representation by the Corporation that such investment complies with the preceding sentence. To the extent that the Bond Trustee has not received written directions from the Corporation regarding investment of moneys, the Bond Trustee shall, until such directions are received, invest such moneys pursuant to standing written instructions delivered to the Bond Trustee by the Corporation upon the original issuance of the Bonds, as such instructions may be amended from time to time. Such investments shall be made so as to mature on or prior to the date or dates that moneys therefrom are anticipated to be required. The Trustee, when authorized by the Obligated Group Representative, may trade with itself or any of its affiliates in the purchase and sale of securities for such investment; provided, however, that in no case shall investments be otherwise than in accordance with the investment limitations contained in the Bond Indenture and in the Tax Exemption Agreement. The Trustee shall not be liable or responsible for any loss resulting from any such investments. Any purchase or sale of securities may be accomplished through the Bond Trustee's own investment department or that of any of its affiliates or subsidiaries.

During the period that the Project is in progress and until the Project is substantially completed, investment income from the Bond Fund, the Interest Account, the Principal Account, the Redemption Account and the Project Fund in excess of the requirements of such funds and accounts shall be deposited into the Project Fund, unless the Corporation elects to apply such funds as set forth in the paragraph below.

Except as provided in the paragraph immediately above, all income in excess of the requirements of the Bond Fund, the Interest Account, the Principal Account, the Redemption Account and the Project Fund derived from the investment of moneys on deposit in any such funds and accounts shall be deposited in the following funds, in the order listed: [i] the Interest Account and [ii] the Redemption Account (in that order) to the extent, with respect to the Interest Account, of the amount required to be deposited in the Interest Account to be necessary to make the estimated interest payments on the Bonds occurring within one year of the date of deposit, and to the extent, with respect to the Redemption Account, of the amount required to be deposited in the Redemption Account to make the next required principal payment on the Bonds occurring within one year of the date of deposit.

Valuation. For the purpose of determining the amount on deposit in any fund or account, the value of Qualified Investments shall be determined as of the end of each month, and such value shall be calculated as follows: [i] as to investments the bid and asked prices of which are published on a regular basis in The Wall Street Journal (or, if not there, then in The New York Times): the average of the bid and asked prices for such investments so published on or most recently prior to such time of determination; [ii] as to investments the bid and asked prices of which are not published on a regular basis in The Wall Street Journal or The New York Times: the average bid price at such time of determination for such investments by any two nationally recognized government securities dealers (selected by the

Bond Trustee in its absolute discretion) at the time making a market in such investments or the bid price published by a nationally recognized pricing service; [iii] as to certificates of deposit and bankers acceptances: the face amount thereof, plus accrued interest; and [iv] as to any investment not specified above: the value thereof established by prior agreement among the Issuer and the Bond Trustee.

Payment of Bond Trustee's Fees. Upon the occurrence of an Event of Default, the Bond Trustee shall have a first lien on all funds and accounts in its possession in addition to other items of Security defined in the Bond Indenture and will be entitled to a preference in payment of its fees and expenses over any Bonds Outstanding.

Supplemental Bond Indentures. The Issuer and the Bond Trustee may, without notice to or the consent of any of the Bondholders, enter into such indentures supplemental to the Bond Indenture as shall not be inconsistent with the terms and provisions of the Bond Indenture for any one or more of the following purposes: to cure any ambiguity or formal defect or omission in the Bond Indenture; to grant to or confer upon the Bond Trustee for the benefit of the Bondholders any additional rights, remedies, powers, or authority that may lawfully be granted to or conferred upon the Bondholders or the Bond Trustee; to grant or pledge to the Bond Trustee for the Bondholders any additional Security; to provide for the issuance of Additional Bonds, as provided for in the Bond Indenture; to modify, amend, or supplement the Bond Indenture or any indenture supplemental thereto in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939 or any similar federal statute then in effect or to permit the qualification of the Bonds for sale under the securities laws of any state of the United States; and to make any other change which, in the judgment of the Bond Trustee acting in reliance upon an Opinion of Counsel, is not to the prejudice of the Bond Trustee or Bondholders, including any amendments necessary to deposit the Bonds with a depository institution and to satisfy the requirements of such depository institution.

Exclusive of supplemental indentures described in the preceding paragraph, the Holders of not less than a majority of the principal amount of outstanding Bonds whose rights are affected thereby shall have the right to consent in writing to and approve the execution by the Issuer and the Trustee of supplemental indentures; provided, however, that indentures supplemental to the Bond Indenture for any of the following purposes require the prior written consent of the Holders of all Bonds affected thereby: [i] an extension of the stated maturity of, an extension of any sinking fund payment or reduction in the principal amount of, or reduction in the rate or extension of the time of payment of interest on, or reduction of any premium payable on the redemption of, any Bonds, or [ii] a reduction in the principal amount of any Bond or rate of interest thereon, or [iii] a privilege or priority of any Bond or Bonds over any other Bond or Bonds, [iv] a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental indenture; or [v] any other action which would have a material adverse effect on the Holders of the Bonds.

The Bond Trustee shall give written notice of the proposed execution of such supplemental indenture by mail to the registered owners of all Outstanding Bonds. Such notice shall briefly set forth the nature of the proposed supplemental indenture and shall state that copies thereof are on file at the principal office of the Bond Trustee for inspection by all Bondholders. If, within 60 days or such longer period as prescribed by the Bond Trustee following such notice, the Holders of not less than a majority (or all, as applicable) of the principal amount of the Bonds Outstanding shall have consented to the adoption of such supplement, such supplemental indenture may be executed and the Bond Indenture shall be deemed to be modified and amended in accordance therewith.

Any supplemental indenture which affects any rights of the Corporation shall not become effective unless and until the Corporation shall have consented in writing to the adoption of such supplemental indenture.

Defeasance. When, among other things, the principal, premium, if any, and interest due upon all of the Bonds is paid or sufficient money or Defeasance Obligations are held by the Bond Trustee for such purpose, then the right, title and interest of the Bond Trustee in the funds and accounts created by the Bond Indenture will cease and the Bond Trustee will release the Bond Indenture.

No Personal Liability. The Issuer's agents, including any person executing the Bond Indenture or the Bonds, shall not be liable personally on the Bonds or subject to any personal liability for any reason relating to the issuance of the Bonds.

Events of Default. Each of the following events is an "Event of Default" under the Bond Indenture: [a] failure to pay the principal of, premium, if any and/or interest on the Bonds whether at maturity, on redemption or upon acceleration; [b] An Event of Default under the Loan Agreement or the Series 2008 Note; [c] if a decree or order of a court or agency or supervisory authority, having jurisdiction in the premises for the appointment of a conservator or receiver or liquidation or any insolvency, readjustment of debt, marshalling of assets and liabilities or similar proceeding, or for the winding-up or liquidation of its affairs, shall have been entered against the Obligated Group Members or the Corporation shall have consented to the appointment of a conservator or receiver or liquidator in any such proceedings of or relating to the Corporation or of or relating to all or substantially all of its property; or [d] default by the Issuer in the performance or observance of any other of the covenants, agreements or conditions on its part contained in the Bond Indenture or in the Bonds; provided however, that no such default specified in [d] shall constitute an "Event of Default" until written notice thereof shall have been given by the Bond Trustee to the Corporation, or by the holders of not less than a majority of the Outstanding Bonds to the Corporation and the Bond Trustee, and the Corporation shall have had thirty (30) days after receipt of such notice to correct said default or cause it to be corrected within such period and shall not have corrected such default in such period; provided, however, if such default cannot be corrected within such period and in the opinion of the Bond Trustee is correctable without material adverse effect on the holders of the Bonds, it shall not constitute an Event of Default if corrective action is instituted by the Corporation within such period and diligently pursued until the default is corrected, but in no event longer than ninety (90) days after the receipt of such notice.

Remedies. Upon the happening and continuance of any Event of Default, the Bond Trustee may, and upon the written request of the holders of not less than a majority in principal amount of the Outstanding Bonds, shall enforce its rights by any one or more of the following remedies: [i] By suit or other proceedings in accordance with the laws of the Commonwealth, enforce all rights of the holders of the Bonds, including the right to collect the principal and interest on the Series 2008 Note, adequate to carry out the covenants and agreements as to, and the pledge of, the Series 2008 Note, and to require the Issuer to carry out any other covenant or agreement with holders of the Bonds and to perform its duties under the Bond Indenture; [ii] by bringing suit upon the Bonds, [iii] declare all Bonds due and payable, and if all defaults shall be cured, then annul such declaration and its consequences, [iv] enforce any rights it is given as the Secured Party under the Security Agreement.

Bondholders' Direction of Proceedings. The holders of the majority in principal amount of the outstanding Bonds shall have the right, by instruments in writing executed and delivered to the Bond Trustee, to direct the method of conducting all remedial proceedings to be taken by the Bond Trustee under the Bond Indenture, provided that such direction shall not be otherwise than in accordance with law or the provisions of the Bond Indenture.

Limitation on Rights of Bondholders. No Bondholder shall have any right to institute any suit, action or other proceeding hereunder or for the protection or enforcement of any right under the Bond Indenture or under law unless that holder shall have given to the Bond Trustee written notice of the Event

of Default or breach of duty on account of which such suit, action or proceeding is to be taken and unless the Holders of not less than a majority in principal amount of the outstanding Bonds shall have made written request of the Bond Trustee after the right to exercise such powers or right of action shall have accrued and shall have afforded the Bond Trustee a reasonable opportunity to act and offered the Bond Trustee reasonable indemnity, and the Bond Trustee shall have refused or neglected to comply with such request within a reasonable time. No one or more Bondholders secured under the Bond Indenture 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 or under law with respect to the Bonds or the Bond Indenture, except in the manner provided in the Bond Indenture, and all proceedings shall be instituted, had and maintained in the manner provided in the Bond indenture and for the benefit for all Bondholders.

Remedies Not Exclusive. No remedy in the Bond Indenture conferred upon or reserved to the Bond Trustee is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to any other remedy given under the Bond Indenture or now or hereafter existing at law.

Notice of Event of Default. The Bond Trustee shall give to the Bondholders notice by mail of each Event of Default within thirty (30) days after knowledge of the occurrence thereof, provided that except in the case of default in the payment of the principal of, premium, if any, or interest on any of the Bonds, the Bond Trustee shall be protected in withholding such notice to the holders of the Bonds if and so long as the Bond Trustee in good faith determines that the withholding of such notice is in the best interest of the Bondholders.

SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

The following is a summary of certain provisions of the Loan Agreement between the Corporation and the Issuer, to which reference is made for a full and complete statement of its provisions.

Loan and Repayment

Amount and Evidence of Loan; Issuance of Notes. The Series 2008 Note shall be issued pursuant to and secured by the Master Indenture. The Corporation on behalf of the Obligated Group hereby agrees to repay the Loan to be made by the Issuer through Loan Repayments pursuant to the Loan Agreement and the Series 2008 Note in installments which, in the aggregate, shall be in an amount sufficient to pay in full the Bonds Outstanding, including [i] the total interest becoming due and payable on the Bonds on any Interest Payment Date, [ii] the total principal amount of the Bonds due on any Bond Payment Date, and [iii] the redemption premium, if any, payable on the redemption of the Bonds whether at, before or after their stated maturity. The Loan Repayments shall be due on the Business Day preceding any Bond Payment Date or Interest Payment Date.

In addition, to the extent lawful, the Corporation agrees to pay for the benefit of the Bondholders interest on overdue installments of principal, premium, if any, and interest on the Loan at the rate or rates borne by the Bonds as to which such installments are overdue.

In addition, pursuant to the Bond Indenture, the Debt Service Reserve Fund is required to be funded to the Debt Service Reserve Fund Requirement from the proceeds of the Bonds upon the issuance thereof. Thereafter, if the Bond Trustee determines on any Bond Payment Date (the "Valuation Date") that the amount on deposit in the Debt Service Reserve Fund is less than the Debt Service Reserve Fund Requirement, the Corporation covenants and agrees to pay, within fifteen (15) days following the date the Corporation receives notice of such deficiency, to the Bond Trustee for deposit into the Debt Service

Reserve Fund an amount equal to the amount by which such Debt Service Reserve Fund Value is less than the Debt Service Reserve Fund Requirement. If the Bond Trustee notifies the Corporation that the Bond Trustee has withdrawn moneys from the Debt Service Reserve Fund to pay principal of or interest on the Bonds, the Corporation covenants and agrees to pay the amount necessary to restore the amount on deposit, including any letter of credit or surety bond, in the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Fund Requirement in not more than twelve (12) substantially equal monthly installments beginning with the first day of the first month after the month in which the withdrawal was made.

The Corporation may satisfy all or a portion of the Debt Service Reserve Fund Requirement through the deposit of a Debt Service Reserve Fund Credit Facility or a Debt Service Reserve Fund Surety, as provided in the Bond Indenture. If the Corporation obtains a Debt Service Reserve Fund Credit Facility or a Debt Service Reserve Fund Surety, the Corporation shall repay the provider of such Debt Service Reserve Fund Credit Facility or Debt Service Reserve Fund Surety, as and when required by such provider.

The Corporation shall make the Loan Repayments to the Bond Trustee for the account of the Issuer. The Bond Trustee shall deposit the Loan Repayments as provided in the Bond Indenture. If on any Bond Payment Date or Interest Payment Date the balance in the Bond Fund is insufficient to make the required payment of principal and interest on the Bonds, the Corporation shall pay such deficiency to the Bond Trustee.

Covenant to Pay Notes. So long as there are Outstanding Bonds, the obligation of the Corporation to pay the Series 2008 Note and the Loan Repayments shall be absolute and unconditional. The Corporation covenants in the Loan Agreement to remedy any deficiency in the Bond Fund, and such obligation shall be binding notwithstanding any payment on the Series 2008 Note for deposit in the Bond Fund.

Security for the Loan

Grant of Security Interest. To secure the punctual payment of the Series 2008 Note and the performance by the Corporation and the Obligated Group of their other obligations under the Loan Agreement, the Master Indenture and the Supplemental indenture, the Corporation and the other Obligated Group Members have executed and granted to the Master Trustee a security interest in the Pledged Collateral.

Payment of Fees and Expenses

Payment of Expenses. The Corporation shall pay, within ten (10) days of request, [a] all Issuance Costs and other out-of-pocket costs and expenses of the Issuer incidental to the performance of its obligations under the Loan Agreement, the Bond Indenture, and the Bond Purchase Agreement, to the extent not payable as Project Costs or from the proceeds of the sale of the Bonds, and [b] the out-of-pocket expenses of the Issuer related to the Loan Agreement or the Project, or incurred by the Issuer in enforcing the provisions of the Loan Agreement or the Bond Indenture.

Trustee's Fees and Expenses. The Corporation shall pay the fees of the Bond Trustee, the Registrar and Paying Agent, for services rendered in connection with the Bonds, and it shall pay such parties, in addition, all out-of-pocket attorneys' fees, taxes, and other expenses reasonably and necessarily incurred by such parties in performing their duties relating to the Bonds.

Events of Default and Remedies

Any of the following events shall constitute an Event of Default under the Loan Agreement:

A. Failure by the Corporation to pay the Loan Repayments in the amounts and at the times provided in the Loan Agreement and in the Series 2008 Note.

B. Any breach on behalf of the Obligated Group of any representation, warranty, or covenant made in any document delivered to the Issuer, the Bond Trustee or the holders of the Bonds or failure to perform any obligation or observe any covenant or condition to be performed or observed by the Obligated Group pursuant to any such document for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied, given to the Corporation by the Issuer or the Bond Trustee; provided, however, that if said Default cannot be corrected within such period, it shall not constitute an Event of Default if the Default, in the opinion of the Bond Trustee, is correctable without material adverse effect. on the Bonds and if corrective action is instituted within such period and diligently pursued until the Default is corrected.

C. The dissolution or liquidation of the Corporation except as may be permitted by the terms of the Loan Agreement; or failure by the Corporation promptly to lift any execution, garnishment, or attachment of such consequence as will impair its ability to carry out its obligations under the Loan Agreement; or the commission by the Corporation of an act of bankruptcy; or if the Corporation becomes insolvent or bankrupt, or makes an assignment for the benefit of creditors, or consents to the appointment of a trustee or receiver for the Corporation or for the greater part of its properties; or a trustee or receiver is appointed for the Corporation or for the greater part of its properties without its consent and is not discharged within thirty (30) days; or bankruptcy, reorganization, or liquidation proceedings are commenced by or against the Corporation, and if commenced against the Corporation are consented to by it or remain undismissed for thirty (30) days.

D. An Event of Default by the Corporation or the Obligated Group under the Master Indenture.

The term "Default" shall mean a default or failure by the Corporation or the Obligated Group in the performance or observance of any of the covenants, conditions, or agreements on its part contained in the Loan Agreement, exclusive of any period of grace required to constitute an Event of Default.

Whenever any Event of Default shall have occurred and be continuing, the Bond Trustee on behalf of the Issuer, the Issuer itself, and/or the holders of the Bonds (as may be authorized under the Bond Indenture) may exercise their respective rights and remedies under the Bond Indenture. If an Event of Default occurs and is continuing, the Issuer, the Bond Trustee or the Bondholders, all as may be authorized under the Bond Indenture, may exercise any one or more of the following remedies: [a] if the principal and interest accrued on the Bonds have been declared immediately due and payable pursuant to the Bond Indenture and if the Master Indenture permits such action, declare all Loan Repayments to be immediately due and payable or direct the Master Trustee to declare all sums due under the Series 2008 Note to be immediately due and payable, whereupon the same will become immediately due and payable; or [b] have access to and inspect, examine, and make copies of the books and records and any and all accounts, data, and income tax and other tax returns of the Corporation, only, however, insofar as they relate to the Project, the Loan Agreement, or the Event of Default and the remedying thereof; or [c] take whatever action at law or in equity as may appear necessary or desirable to collect the Loan Repayments then due and thereafter to become due or to enforce performance and observance of any obligation, agreement, or covenant of the Corporation under the Loan Agreement and the Series 2008 Note.

Any amounts collected pursuant to the actions described above shall be paid into the Bond Fund and applied in accordance with the Bond Indenture, except for amounts collected for the benefit of the Issuer, which will be paid to or retained by the Issuer.

Furthermore, upon the happening of any Event of Default and at any time thereafter, the Bond Trustee at its option, without notice to the Corporation, and without waiving any other right or remedy available to it by law or under the Loan Agreement or otherwise, may refuse to make further disbursements from the Project Fund and enter upon the Project, and perform any and all work and take all steps necessary to complete the Project. All sums thus expended by the Bond Trustee upon default shall be deemed advanced to the Corporation and shall be secured by the security interest of the Loan Agreement. The Corporation constitutes and appoints the Bond Trustee its true and lawful attorney-in-fact with full power of substitution to complete the Project in the name of the Corporation and empowers the Bond Trustee as its said attorney-in-fact as follows:

A. To use any funds of the Corporation, including any funds held in escrow and any funds which may remain unadvanced hereunder, for the purpose of completing the Project;

B. To make such additions, changes, and corrections in the Project as the Bond Trustee shall deem necessary or desirable;

C. To employ such contractors, subcontractors, agents, architects, and inspectors as shall be required;

D. To enforce or otherwise without limitation deal with any bonding or insurance company under any policy required hereunder as the Corporation might do in its own behalf;

E. To pay, settle, or compromise all existing bills and claims which are or may be liens against the Project, or which may be necessary or desirable for the timely completion thereof or the removal of liens and encumbrances;

F. To execute all applications and certificates in the name of the Corporation as may be required by any contract respecting the Project and to do any and every act with respect to the construction thereof which the Corporation might do in its own behalf;

G. To prosecute and defend all actions or proceedings in connection with the Project and to take such action and require such performance as the Bond Trustee deems necessary; and

H. To endorse in the Corporation’s name any check, draft, or other remittance received by the Bond Trustee and to apply any proceeds to the construction of the Project or, at the Bond Trustee’s option, to the payment of any of the Corporation’s obligations under the Loan Agreement.

Other Covenants of Obligated Group

The Loan Agreement provides that the Corporation will comply with each covenant, condition and agreement in the Master Indenture. The Loan Agreement also sets forth certain other agreements of the Corporation with respect to use of its assets; the preservation of the 501(c)(3) tax-exempt status of the Corporation and certain other Obligated Group Members; examination of books and records by the Bond Trustee and the Issuer; furnishing to the Bond Trustee and certain rating agencies of financial statements and certain other information required to be furnished under the Master Indenture to the Master Trustee; and the indemnification of the Issuer and the Bond Trustee under certain circumstances.

Tax Covenants. The Issuer covenants that it will not take any action within its control that would adversely affect the exclusion from gross income for federal income tax purposes of interest on Bonds. The Corporation covenants that it will not take any action, or fail to take any action, that would adversely affect the exclusion from gross income of the interest on the Bonds under Section 103 of the Code. The Corporation will not directly or indirectly use or permit the use of any proceeds of the Bonds or any other funds of the Issuer or the Corporation, or take or omit to take any action that would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Code. The Corporation agrees to comply with all requirements of Section 148 of the Code to the extent applicable to the Bonds.

Amendment of Loan Agreement

The Loan Agreement may be amended, supplemented or modified only in accordance with requirements and limitations of the Bond Indenture, with the prior written consent of the Bond Trustee, and only by written agreement duly executed by the Corporation and the Issuer.

Consents and Approvals, Reasonableness, Personal Liability

Whenever any consent is required or permitted to be made under the Loan Agreement, such consent or approval shall not be unreasonably withheld. None of the respective officers, directors or employees of the Corporation nor the officials, members, officers and employees of the Issuer shall be personally liable for any costs, losses, damages or liabilities caused or incurred by the Issuer, the Corporation, the Bond Trustee or the Master Trustee in connection with the Loan Agreement.

SUMMARY OF THE SECURITY AGREEMENT

Purpose

A requirement of the Loan Agreement and the Master Indenture is that the Obligated Group execute and deliver the Security Agreement granting a security interest in certain assets of the Obligated Group to the Master Trustee as further security for repayment of the Series 2008 Note and the obligation under the Loan Agreement and, as additional security for any additional Notes issued pursuant to the Master Indenture.

Grant of Security Interest

Each Obligated Group Member has granted and conveyed to the Master Trustee a security interest in the Pledged Collateral and the proceeds and products thereof. The grant of a security interest is for the benefit of all the holders of the Outstanding Notes issued, authenticated and delivered under the Master Indenture (the "Outstanding Notes") until paid in full, as additional security and collateral for the full and prompt payment of the principal of, redemption premium, if any, and the interest on all Outstanding Notes when and as the same become due, whether at the stated maturity thereof, at redemption prior to maturity, or otherwise, plus the payment of all expenses and charges (including court costs and reasonable attorneys' fees) paid or incurred by the Master Trustee to collect any of the payments thereby secured or in otherwise enforcing the Master Indenture.

Obligations Secured

The Security Agreement is made as security for, and the security interest granted in the Pledged Collateral secures, the following obligations (sometimes collectively referred to as the "Obligations"): (a) all liabilities or indebtedness arising under or evidenced by all Outstanding Notes, (b) all liabilities or indebtedness arising under or evidenced by any renewal, extension, replacement or novation of such

Notes, (c) all liabilities or indebtedness arising under or evidenced by any Related Bonds and Related Bond Indentures, (d) all liabilities or indebtedness arising under or evidenced by any renewal, extension, replacement or novation of any Related Bonds, (e) all obligations of the Obligated Group under the Master Indenture and the Security Agreement and in any document or instrument evidencing any other obligation secured by the Security Agreement, (f) all other indebtedness, liabilities and obligations of the Obligated Group to the Master Trustee of whatever nature, whether now or hereafter created, arising or acquired, whether created directly or acquired by assignment or otherwise, whether matured or unmatured and whether absolute or contingent, and (g) all costs incurred by the Master Trustee to obtain, preserve, perfect and enforce the security interest created by the Security Agreement, to collect and enforce the Obligations and to maintain, preserve and collect the Pledged Collateral, including reasonable attorneys' fees and legal expenses, costs and expenses of collection and sale.

Pledged Collateral

Pledged Collateral Fund. Each Obligated Group Member agrees that, so long as any Notes remain Outstanding and upon request of the Master Trustee, all cash proceeds representing Pledged Collateral shall be deposited as soon as practicable upon receipt in a separate fund designated as (the respective Obligated Group Member) Pledged Collateral Fund (the "Pledged Collateral Fund") which such Obligated Group Member shall maintain, subject to the provisions of the Security Agreement, in an account or accounts at such banking institution as such Obligated Group Member shall from time to time designate in writing to the Master Trustee for such purpose (the "Depository Bank"). Subject only to the provisions of the Security Agreement permitting the application thereof for the purposes and on the terms and conditions set forth in the Security Agreement, each Obligated Group Member pledges, and to the extent permitted by law, grants a security interest in its respective Pledged Collateral Fund and all of its Pledged Collateral to the Master Trustee to secure the payment of and the performance by each Obligated Group Member of its obligations under the Security Agreement. Each Obligated Group Member shall execute and cause to be filed Uniform Commercial Code financing statements and continuation statements in form and substance satisfactory to the Master Trustee, shall execute and cause to be sent to the Depository Bank notice of the security interest granted under the Security Agreement and shall execute and deliver such other documents (including, but not limited to, continuation statements) as may be necessary or reasonably requested by the Master Trustee in order to perfect or maintain as perfected such security interest or give public notice thereof.

Amounts in the Pledged Collateral Fund may be used and withdrawn by an Obligated Group Member at any time for any lawful purpose, except as otherwise provided in the Security Agreement. Upon the occurrence of an Event of Default under the Security Agreement, the Master Trustee shall notify the Depository Bank of such failure and the Depository Bank shall transfer the Pledged Collateral Fund to the name and credit of the Master Trustee. All Pledged Collateral shall continue to be deposited in the Pledged Collateral Fund until three (3) months after the Obligated Group has continuously maintained its Long-Term Debt Service Coverage Ratio at 1.00 and until any other Events of Default then existing shall have been cured to the satisfaction of the Master Trustee or provisions deemed by the Master Trustee to be adequate shall have been made therefor, whereupon each Pledged Collateral Fund (except for the Pledged Collateral required to make such payments or cure such Events of Default) shall be returned to the name and credit of the respective Obligated Group Member. During any period that the Pledged Collateral Fund is held in the name and to the credit of the Master Trustee, the Master Trustee shall use and withdraw amounts in said fund from time to time to make payments of Outstanding Notes required of the Obligated Group as such payments become due (whether at maturity, by redemption, acceleration or otherwise), and to such other payments in the order which the Master Trustee, in its discretion, shall determine to be in the best interests of the holders of the Outstanding Notes. During any period that the Pledged Collateral Funds are held in the name and to the credit of the Master Trustee, an Obligated Group Member shall not be entitled to use or withdraw any of its Pledged Collateral unless and

to the extent that the Master Trustee in its sole discretion so directs for the payment of current or past due operating expenses of the Obligated Group Member.

Collection of Receivables. Upon the occurrence of an Event of Default under the Security Agreement, the Master Trustee shall have the right to notify account debtors of the Obligated Group constituting part of the Pledged Collateral to make payment thereof directly to the Master Trustee, and to take control of all proceeds of any such Pledged Collateral. To facilitate the direct collection of such Pledged Collateral, the Obligated Group grants the Master Trustee the right to take over the Obligated Group's post office boxes or to make other arrangements suitable to the Master Trustee so that the Master Trustee may receive the Obligated Group's mail and open same as its irrevocable attorney-in-fact. The Obligated Group shall execute promptly and deliver to the Master Trustee all documents and instruments necessary or appropriate to further the Master Trustee's exercise of these rights and powers granted to the Master Trustee pursuant to the Security Agreement.

Upon the Master Trustee's demand, which demand may be made in its absolute discretion at any time after an Event of Default, each Obligated Group Member will forthwith, upon receipt of all checks, drafts, cash and other remittances in payment or on account of accounts receivable, contract rights and general intangibles constituting Pledged Collateral, deposit same in a special bank account maintained with the Master Trustee, over which it alone, to the exclusion of the Obligated Group, has the power of withdrawal. The funds in said account shall be held by the Master Trustee as security for all the indebtedness secured by the Security Agreement.

Disposition of Pledged Collateral. Unless an "Event of Default" under the Security Agreement has occurred and the same has not been cured as provided therein, each Obligated Group Member shall have the right, at any time and from time to time, without any release from or consent by the Master Trustee:

(1) Subject to the provisions of the Security Agreement, to collect its accounts receivable constituting a part of the Pledged Collateral in the ordinary course of business; and

(2) Subject to the provisions of the Master Indenture, to use its cash in the ordinary course of its business.

Negative Covenants. Each Obligated Group Member agrees that it will not, directly or indirectly, incur, create, assume or suffer to exist any pledge, lien or encumbrance on any of its Property, including without limitation the Pledged Collateral, except for the security interests of the Master Trustee created by the Security Agreement and except for Permitted Liens.

Master Trustee as Attorney-in-Fact. Each Obligated Group Member irrevocably appoints the Master Trustee as its attorney-in-fact to do all acts and things which the Master Trustee may deem necessary or appropriate to perfect and to continue the perfection of the security interest created by the Security Agreement and to protect the Pledged Collateral, including (but not limited to) the execution in the name of each Obligated Group Member of financing and continuation statements covering the Pledged Collateral and recordation of same wherever the Master Trustee deems appropriate.

Events of Default

At the Master Trustee's option and without necessity for demand or notice, the happening of any of the following shall constitute an event of default (an "Event of Default"): (a) an "Event of Default" (as defined in the Master Indenture or any Outstanding Note) shall have occurred; (b) if the Obligated Group shall fail to maintain a Long-Term Debt Service Coverage Ratio of 1.00; provided, however, that the

Obligated Group can cure this Event of Default by maintaining continuously for three (3) consecutive months a Long-Term Debt Service Coverage Ratio of 1.00; or (c) the creation of any encumbrance upon the Pledged Collateral or any part thereof (except for Permitted Liens), or the making of a levy, seizure or attachment of or upon the Pledged Collateral or any part thereof.

Remedies

In addition to the rights given in other parts of the Security Agreement, upon the occurrence of any Event of Default the Master Trustee may, at its option, proceed to exercise with respect to the Pledged Collateral all rights, options and remedies of a secured party upon default as provided for under the Uniform Commercial Code as adopted in Kentucky.

Limitations on Actions by Holders of Outstanding Notes

The Holders of Outstanding Notes shall not have the right to pursue any right or remedy under the Security Agreement unless such Holders are entitled to exercise such right or remedy under the Master Indenture.

Amendments

The Security Agreement shall not be amended except in writing signed by the parties thereto after approval by the Holders of not less than two-thirds of the Outstanding principal amount of the Notes.

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APPENDIX D

FORM OF BOND COUNSEL OPINION
FOR THE SERIES 2008 BONDS

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July 10, 2008

Louisville/Jefferson County Metro Government
Louisville, Kentucky

Morgan Stanley & Co. Incorporated,
Chicago, Illinois

Jewish Hospital & St. Mary's HealthCare, Inc.
Louisville, Kentucky

The Bank of New York Mellon Trust Company, N.A., as Bond Trustee
Cincinnati, Ohio

RE: $330,000,000 Louisville/Jefferson County Metro Government Health Facilities Revenue Bonds, Series 2008 (Jewish Hospital & St. Mary's HealthCare, Inc. Project)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance and sale by the Louisville/Jefferson County Metro Government (the "Issuer") of its $330,000,000 Health Facilities Revenue Bonds, Series 2008 (Jewish Hospital & St. Mary's HealthCare, Inc. Project), herein called the "Series 2008 Bonds."

The Series 2008 Bonds are being sold to Morgan Stanley & Co. Incorporated as the underwriter (the "Underwriter"), pursuant to a Bond Purchase Agreement dated as of June 27, 2008 (the "Bond Purchase Agreement"), by and among the Issuer, the Underwriter, and Jewish Hospital & St. Mary's HealthCare, Inc. (the "Corporation"), a Kentucky nonstock, nonprofit corporation, as the Obligated Group Representative of the Obligated Group as defined in the Master Indenture defined below.

The Series 2008 Bonds are issued pursuant to an Ordinance of the Issuer duly enacted on May 29, 2008 (the "Bond Ordinance"), and are secured under a Bond Trust Indenture dated as of June 1, 2008 (the "Bond Trust Indenture"), between the Issuer and The Bank of New York Mellon Trust Company, N.A., Cincinnati, Ohio, as trustee under the Bond Trust Indenture (the "Bond Trustee").

The Issuer has entered into a Loan Agreement dated as of June 1, 2008, with the Corporation (the "Loan Agreement"), under which the Issuer has agreed to lend to the Corporation the proceeds of the Series 2008 Bonds, in order to finance and/or reimburse the Corporation for the costs of the Project, as described therein.

The Corporation, on behalf of the Obligated Group (as hereafter defined), has issued its Series 2008 Note in favor of the Issuer in the principal amount of $330,000,000 (the "Series 2008 Note"). The Series 2008 Note requires the Corporation to make loan repayments in amounts sufficient to enable the Issuer to pay the principal of, premium, if any, and interest on the Series 2008 Bonds as the same become due.

In order to secure the payment of the Series 2008 Bonds, the Issuer has assigned to the Bond Trustee all of the Issuer's right, title, and interest (except for certain rights to payment or reimbursement

of its expenses and indemnification from certain liabilities in connection with the Series 2008 Bonds) in the Loan Agreement and the Series 2008 Note.

The Corporation, JH Properties, Inc., Jewish Hospital & St. Mary's HealthCare Network, Regional Service Center, LLC, Jewish Hospital HealthCare Services, Inc., and The Physician Group at Jewish Hospital & St. Mary's HealthCare, Inc. (collectively, the "Obligated Group") and The Bank of New York Mellon Trust Company, N.A., as master trustee (the "Master Trustee"), have entered into an Amended and Restated Master Trust Indenture dated as of June 1, 2008 (the "Master Trust Indenture"), under which the Obligated Group has covenanted and agreed to be liable jointly and severally for the obligations issued or to be issued by or on behalf of any Obligated Group member (all such obligations being referred to as "Indebtedness"), including the Indebtedness under the Loan Agreement and the Series 2008 Note.

The Corporation, on behalf of itself and the Obligated Group, and the Master Trustee have entered into the First Supplemental Indenture dated as of June 1, 2008 (the "Supplemental Indenture"). The Series 2008 Note is being issued pursuant to the Master Trust Indenture and the Supplemental Indenture (the Master Trust Indenture as supplemented by the Supplemental Indenture being hereinafter referred to as the "Master Indenture").

As further security for the payment of the Series 2008 Note and all other promissory Notes that may from time to time be issued under the Master Indenture, the Obligated Group has executed and delivered an Amended and Restated Security Agreement dated as of June 1, 2008 (the "Security Agreement"), pursuant to which the Obligated Group has granted to the Master Trustee a security interest in certain revenues and other intangible assets of the Obligated Group (the "Pledged Collateral"), subject only to Permitted Liens (as defined in the Master Indenture).

In our capacity as bond counsel we have examined such documents and matters and conducted such research as we have deemed necessary to enable us to express the opinions set forth below. As to questions of fact material to our opinion set forth below, we have relied upon statements and certifications of certain of the directors, officers, and employees of the Corporation, as well as the certificates of certain officials of the Issuer and other public officials. The documents we have examined include, but are not limited to, the following: the Bond Ordinance, the Bond Purchase Agreement, the Bond Trust Indenture, the Series 2008 Bonds, the Loan Agreement, the Master Trust Indenture, the Supplemental Indenture, the Series 2008 Note, the Security Agreement, the Escrow Agreement (Series 2002 Bonds) dated as of June 1, 2008 between the Corporation and the Bond Trustee and the Escrow Agreement (Series 2004 Bonds) dated as of June 1, 2008 between the Corporation and the Bond Trustee (the "Escrow Agreements"), the Preliminary Official Statement dated June 16, 2008, relating to the Series 2008 Bonds (the "Preliminary Official Statement"), the Official Statement dated July 1, 2008, relating to the Series 2008 Bonds (the "Official Statement"), a Tax Exemption Agreement dated as of June 1, 2008 among the Issuer, the Bond Trustee and the Corporation (the "Tax Exemption Agreement") and the other documents and instruments included in the transcript of proceedings relating to the Series 2008 Bonds.

In rendering our opinions set forth below, we have assumed the authenticity of all documents submitted to us as originals, the legal capacity of natural persons and the conformity to the originals of all documents submitted to us as copies. We have also relied for purposes of the opinions set forth below on the representations and warranties made in such documents by all parties thereto and on the opinion of counsel to the Issuer.

Based on the foregoing, and in reliance thereon, and on the basis of the examination of such other matters of fact and questions of law as we have deemed relevant in the circumstances, it is our opinion that:

1. The Issuer is a public body corporate and politic and a political subdivision validly existing under the Constitution and laws of the Commonwealth of Kentucky (the "Commonwealth") with the requisite power and authority under the Industrial Buildings for Cities and Counties Act, KRS 103.200 to 103.285, inclusive, as amended, to enact the Bond Ordinance, to execute, deliver and perform the Bond Trust Indenture, the Bond Purchase Agreement, the Loan Agreement and the Tax Exemption Agreement, to authorize the preparation and distribution of the Official Statement, to issue and sell the Series 2008 Bonds, to loan the proceeds thereof to the Corporation as provided in the Loan Agreement, to make the assignment of the Loan Agreement and the Series 2008 Note, and to pledge and assign to the Bond Trustee the funds and accounts established under the Bond Trust Indenture as security for the Series 2008 Bonds.

2. The Bond Trust Indenture, the Bond Purchase Agreement, the Loan Agreement and the Tax Exemption Agreement have been duly authorized, executed and delivered by the Issuer and constitute the valid and binding obligations of the Issuer, enforceable in accordance with their respective terms. The Series 2008 Bonds and the interest thereon do not constitute a general obligation or indebtedness of the Issuer or the Commonwealth, within the meaning of the Constitution and laws of the Commonwealth and are not a charge against the general credit or taxing power of the Commonwealth, the Issuer or any other political subdivision of the Commonwealth, but are a special and limited obligation of the Issuer secured solely from the property and funds pledged under the Bond Trust Indenture for the equal and ratable protection of the holders of the Series 2008 Bonds.

3. All right, title, and interest of the Issuer in and to the amounts payable under the Loan Agreement and the Series 2008 Note (except for the rights of the Issuer to payment or reimbursement of its expenses and indemnification from certain liabilities in connection with the Series 2008 Bonds) have been validly assigned to the Bond Trustee to secure the due payment of the principal of, premium, if any, and interest on the Series 2008 Bonds.

4. The issuance and sale of the Series 2008 Bonds have been duly authorized by the Issuer. The Series 2008 Bonds have been duly executed and delivered by the Issuer and authenticated by the Bond Trustee and constitute the valid and binding special and limited obligations of the Issuer enforceable in accordance with their terms.

5. Under existing law and as of the date hereof, interest on the Series 2008 Bonds is excluded from gross income for federal income tax purposes. Interest on the Series 2008 Bonds is not an item of tax preference for purposes of determining alternative minimum taxable income for individuals and corporations under the Internal Revenue Code of 1986 (the "Code"). Such interest, however, will be taken into account in computing an adjustment used in determining the alternative minimum tax for certain corporations and in computing the environmental tax imposed on certain corporations and in computing the branch profits tax imposed on certain foreign corporations.

6. Under the laws of the Commonwealth as presently enacted and construed, the Series 2008 Bonds are exempt from ad valorem taxation, and the interest thereon is exempt from income taxation, by the Commonwealth and all of its political subdivisions and taxing authorities.

For the purpose of rendering the opinion set forth in Paragraph 5 above, we have also assumed compliance by the Issuer, the Corporation and the other Members of the Obligated Group with the

requirements of the Code that must be met subsequent to the issuance of the Series 2008 Bonds in order that the interest thereon be and remain excludable from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the Series 2008 Bonds to be included in gross income retroactive to the date of issuance of the Series 2008 Bonds. The Issuer, the Corporation and such Obligated Group Members have covenanted to comply with such requirements. Other than as stated in paragraph 5 above, we express no opinion regarding the federal income tax consequences of the ownership of the Series 2008 Bonds or the receipt of interest thereon.

Our opinion set forth above is subject to the qualification that the enforceability of the Series 2008 Bonds, the Bond Purchase Agreement, the Bond Trust Indenture, the Master Indenture, the Loan Agreement, the Security Agreement, the Tax Exemption Agreement and the Series 2008 Note may be limited by bankruptcy, reorganization, moratorium, insolvency or other laws relating to or affecting the enforcement of creditors' rights, and by the exercise of judicial discretion in accordance with general equitable principles.

We are members of the Bar of the Commonwealth and do not purport to be experts on the laws of any jurisdiction other than the Commonwealth and the United States of America. We express no opinion as to the laws of any jurisdiction other than those specified. Our opinion relates solely to the questions set out herein and does not consider other questions of law which may be presented by the fact situation outlined above. We do not express an opinion on the investment quality of the Series 2008 Bonds.

Sincerely,

FROST BROWN TODD LLC

By______________________
Member

APPENDIX E

Form of Continuing Disclosure Agreement

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CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT (the "Agreement") is entered into as of this 1st day of June, 2008, by JEWISH HOSPITAL & ST. MARY'S HEALTHCARE, INC., a Kentucky nonprofit corporation (the "Borrower"), and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Dissemination Agent (the "Dissemination Agent"), in connection with the issuance by the Louisville/Jefferson County Metro Government (the "Issuer") of, and for the benefit of the owners from time to time of the $330, 000,000 Health Facilities Revenue Bonds, Series 2008 (Jewish Hospital & St. Mary's HealthCare, Inc. Project) (the "Bonds").

The Bonds are being issued pursuant to a Bond Trust Indenture, dated as of June 1, 2008, between the Issuer and The Bank of New York Mellon Trust Company, N.A., as bond trustee (the "Bond Trustee"), as from time to time supplemented and amended (the "Bond Indenture"). Proceeds of the Bonds are being loaned by the Issuer to the Borrower pursuant to a Loan Agreement, dated as of June 1, 2008 (the "Loan Agreement"), between the Issuer and the Borrower. To evidence and secure the loans, the Borrower is delivering to the Issuer its Series 2008 Note, dated as of June 1, 2008 (the "Note"), issued under the Amended and Restated Master Trust Indenture, dated as of June 1, 2008 (the "Original Master Indenture"), as supplemented by the First Supplemental Indenture, dated as of June 1, 2008 (the "First Supplement", and together with the Original Master Indenture, the "Master Indenture"), each between the Borrower and other members of the Obligated Group, and The Bank of New York Mellon Trust Company, N.A., as master trustee (the "Master Trustee").

The Borrower and the Dissemination Agent covenant and agree as follows:

1. Definitions. Initially capitalized terms used but not otherwise defined in this Agreement have the same meanings given them in the Bond Indenture. In addition, the terms defined above shall have the meanings set forth above and the following terms have the following meanings:

"Borrower Annual Report" means the annual report of the Borrower described in Section 3 below.

"Borrower Quarterly Report" means the quarterly report of the Borrower described in Section 4 below.

"Dissemination Agent" means The Bank of New York Mellon Trust Company, N.A., and any other Dissemination Agent from time to time serving under this Agreement.

"MSRB" means the Municipal Securities Rulemaking Board.

"NRMSIR" means each Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. As of the date hereof, the following organizations are NRMSIRs:

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, New Jersey 08558
Phone: (609) 279-3225
Fax: (609) 279-5962
Email: munis@bloomberg.com

DPC Data Inc.
One Executive Drive
Fort Lee, New Jersey 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
Email: nrmsir@dpcdata.com

Interactive Data Pricing and Reference Data, Inc.
Attn: NRMSIR
100 William Street, 15th Floor
New York, NY 10038
Phone: (212) 771-6999
Fax: (212) 771-7390
Email: nrmsir@interactivedata.com

Standard & Poor's Securities Evaluations, Inc.
55 Water Street, 45th Floor
New York, New York 10041
Phone: (212) 438-4595
Fax: (212) 438-3975
Email: nrmsir_repository@sandp.com

"Official Statement" means the final Official Statement with respect to the Bonds dated June ___, 2008.

"Participating Underwriter" means Morgan Stanley & Co. Incorporated.

"Repositories" means each NRMSIR and the SID, if any.

"Rule" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934, as amended ("1934 Act"), as the same may be amended from time to time.

"SID" means any public or private repository or entity as may be designated by the State as a state repository for the purpose of the Rule. As of the date of this Agreement, there is no SID.

"Significant Event(s)" means any one or more of the events described in Section 6 below.

"State" means the Commonwealth of Kentucky.

2. Purpose of the Agreement; Manner of Providing Materials.

(a) This Agreement is being executed and delivered by the Borrower and the Dissemination Agent for the benefit of registered and beneficial owners of Bonds and in order to assist the Participating Underwriter in complying with the Rule. As required by the Rule, this Agreement is enforceable by registered and beneficial owners of Bonds, as further provided in Section 12 of this Agreement.

(b) In the event that any new Member shall join the Obligated Group after the date of this Agreement, the Borrower shall cause the same information as is required to be provided by the

Borrower or the Obligated Group under the terms of this Agreement to be provided in accordance with the terms of this Agreement with respect to such new Member and with respect to the entire Obligated Group.

(c) Without limitation on any other provision of this Agreement, each item that the Borrower is obligated to provide under the terms of this Agreement may be provided by the Borrower to the parties entitled to receive same either (i) directly, or (ii) if the Bond Trustee or any successor Trustee under the Bond Indenture, or any other agent engaged by the Borrower for such purpose, has agreed with the Borrower to provide same to the parties entitled to receive same, then through the Bond Trustee, such successor Trustee or such agent.

3. Borrower Annual Report.

(a) Within six months after the end of each fiscal year of the Borrower (the "Annual Report Date"), commencing with the fiscal year ending December 31, 2008, the Borrower shall provide to each of (i) each registered or beneficial owner of the Bonds who requests such information, (ii) each NRMSIR, and (iii) the SID, if any, the Borrower Annual Report, which shall include the following:

> (i) Financial information and operating data relating to the Borrower updating the financial information and operating data presented in tabular format in Appendix A to the Official Statement under the following captions (provided, however, that the updating information may be provided in such format as the Borrower deems appropriate): "Utilization of the Corporation's Facilities," "Financial Results of the Corporation" and "Source of the Corporation's Revenue."
>
> (ii) Audited consolidated financial statements of the Borrower for the most recently ended fiscal year, prepared in conformity with generally accepted accounting principles, consistently applied. The Borrower may from time to time, modify the basis upon which its financial statements are prepared. Notice of any such modification shall be provided by the Borrower to (A) either each NRMSIR or the MSRB and (B) the SID, if any, and shall include a reference to the specific federal or State law or regulation, or official statement of accounting principles, directing or authorizing such accounting basis. If audited consolidated financial statements are not available by the end of the sixth month after the end of the applicable fiscal year, then they shall be provided when available, and unaudited consolidated financial statements shall be provided in place of audited consolidated financial statements by such date.

The Borrower may satisfy its obligations under this paragraph (a) by utilizing the Dissemination Agent as provided in paragraph (c) of this Section.

(b) If the Borrower changes its fiscal year, the Borrower shall send notice of such change to (i) the Dissemination Agent, (ii) either each NRMSIR or the MSRB and (iii) the SID, if any. If a change is made to the basis on which financial statements are prepared, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably

feasible, quantitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

(c) Not less than fifteen (15) days prior to the Annual Report Date (the "Annual Submission Date"), the Borrower shall submit the Borrower Annual Report to the Dissemination Agent in such quantities as the Dissemination Agent may request. The Borrower shall include with each submission of a Borrower Annual Report to the Dissemination Agent a written representation addressed to the Dissemination Agent to the effect that such Borrower Annual Report is the Borrower Annual Report required by this Section and that it complies with the applicable requirements of this Section. Upon receipt of such Borrower Annual Report and written representation, the Dissemination Agent shall promptly provide such Borrower Annual Report to each party entitled to receive same under the terms of this Section.

(d) The Borrower shall also provide, in a timely manner, to (i) the Dissemination Agent, (ii) either each NRMSIR or the MSRB, and (iii) the SID, if any, notice in substantially the form of Exhibit A of a failure to satisfy the requirements of subparagraphs 3(a)(i) and 3(a)(ii) above. Upon receipt of such a notice, the Dissemination Agent shall promptly transmit such notice to (i) either each NRMSIR or the MSRB, and (ii) the SID, if any.

4. Borrower Quarterly Report.

(a) Within two months after the end of each fiscal quarter of the Borrower (the "Quarterly Report Date") commencing with the quarter ending June 30, 2008, the Borrower shall provide any entity entitled to receive a Borrower Annual Report pursuant to Section 3 above, the Borrower Quarterly Report, which shall consist of unaudited consolidated balance sheets, statements of operations and changes in net assets and statements of cash flows. The Borrower may satisfy its obligations under this paragraph (a) by utilizing the Dissemination Agent as provided in paragraph (b) of this Section.

(b) Not less than fifteen (15) days prior to the Quarterly Report Date (the "Quarterly Submission Date"), the Borrower shall submit the Borrower Quarterly Report to the Dissemination Agent in such quantities as the Dissemination Agent may request. The Borrower shall include with each submission of a Borrower Quarterly Report to the Dissemination Agent a written representation addressed to the Dissemination Agent to the effect that such Borrower Quarterly Report is the Borrower Quarterly Report required by this Section and that it complies with the applicable requirements of this Section. Upon receipt of such Borrower Quarterly Report and written representation, the Dissemination Agent shall promptly provide such Borrower Quarterly Report to each party entitled to receive same under the terms of this Section.

(c) The Borrower shall also provide, in a timely manner, to (i) the Dissemination Agent, (ii) either each NRMSIR or the MSRB, and (iii) the SID, if any, notice in substantially the form of Exhibit B of a failure to satisfy the requirements of this Section 4. Upon receipt of such a notice, the Dissemination Agent shall promptly transmit such notice to (i) either each NRMSIR or the MSRB, and (ii) the SID, if any.

5. Incorporation by Reference. Any or all of the items listed in subparagraphs 3(a)(i) and 3(a)(ii) or Section 4 above may be incorporated by reference from other documents, including other official statements of the Borrower or related entities, which have been submitted to each of the Repositories. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Borrower shall clearly identify each such other document so incorporated by reference in the Borrower Annual Report or Borrower Quarterly Report.

6. Significant Events.

(a) The Borrower shall also provide, in a timely manner, to (i) the Dissemination Agent, (ii) either each NRMSIR or the MSRB, and (iii) the SID, if any, notice of the occurrence of any of the following events with respect to the Bonds, if the event is material:

(i) principal and interest payment delinquencies;
(ii) non-payment related defaults;
(iii) unscheduled draws on debt service reserves reflecting financial difficulties;
(iv) unscheduled draws on credit enhancements reflecting financial difficulties;
(v) substitution of credit or liquidity providers, or their failure to perform;
(vi) adverse tax opinions or events affecting the tax-exempt status of the Bonds;
(vii) modification to rights of owners of the Bonds;
(viii) bond calls (other than mandatory sinking fund redemptions);
(ix) defeasances;
(x) release, substitution or sale of property securing the repayment of the Bonds; and
(xi) rating changes.

The Borrower may satisfy its obligations under this paragraph (a) by utilizing the Dissemination Agent as provided in paragraph (b) of this Section.

(b) Upon receipt of such a notice from the Borrower, the Dissemination Agent shall promptly transmit such notice to each party entitled to receive same under the terms of this Agreement.

(c) The Dissemination Agent agrees to promptly advise the Borrower whenever, in the course of performing its duties as Bond Trustee, it identifies an occurrence which, if determined to be material by the Borrower, would require the Borrower to provide a notice pursuant to this Section; provided, however, that the failure of the Bond Trustee so to advise the Borrower of such occurrence shall not constitute a breach by the Bond Trustee of any of its duties and responsibilities under the Bond Indenture. If in response to a notice under this paragraph (c), the Borrower determines that the event would not be material, the Borrower shall not be required to report the occurrence pursuant to this Section.

7. Management Discussion of Items Disclosed in the Borrower Annual Reports or as Significant Events. If any item required to be disclosed in the Borrower Annual Report or as a Significant Event would be misleading without further discussion, the Borrower shall additionally provide a statement clarifying the disclosure in order that the statement made will not be misleading in light of the circumstances in which it is made.

8. Concerning the Dissemination Agent.

(a) The Borrower may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If no Dissemination Agent has been appointed or engaged or if a Dissemination Agent resigns or is otherwise removed and no successor Dissemination Agent is appointed or engaged, the Borrower shall perform all of the duties and

assume all of the obligations of the Dissemination Agent hereunder. The Dissemination Agent may resign at any time by providing not less than 30 days' written notice to the Borrower.

(b) If a Dissemination Agent has been designated, the Dissemination Agent shall comply with the following provisions:

(i) If by an Annual Report Date or a Quarterly Report Date, the Dissemination Agent has not received either the Borrower Annual Report or the Borrower Quarterly Report, as the case may be, or a notice from the Borrower in the form of Exhibit A or Exhibit B hereto, as the case may be, or a written representation from the Borrower that it has provided such Report or notice directly to the parties to which they are to be provided under the terms of this Agreement, then without further direction or instruction from the Borrower, the Dissemination Agent shall promptly provide to (A) either each NRMSIR or the MSRB, and (B) the SID, if any, notice of the fact that such Borrower Annual Report or Borrower Quarterly Report has not been provided.

(ii) If the Borrower provides to the Dissemination Agent information that is not designated as notice of a Significant Event, and directs the Dissemination Agent to provide such information to Repositories, the Dissemination Agent shall promptly provide such information in a timely manner to each Repository.

(iii) If by an Annual Submission Date or a Quarterly Submission Date, the Dissemination Agent has not received a copy of the Borrower Annual Report or Borrower Quarterly Report, as the case may be, the Dissemination Agent shall contact the Borrower to determine if the Borrower is in compliance with Section 3 or Section 4 of this Agreement, as the case may be.

(iv) The Dissemination Agent shall file a report with the Borrower certifying that the Borrower Annual Report or Quarterly Annual Report, as the case may be, has been provided pursuant to this Agreement, stating the date it was provided, and listing all of the parties to which it was provided.

9. Termination of Reporting Obligation. The Borrower's obligations under this Agreement will terminate upon the defeasance, prior redemption or payment in full of all of the Bonds or if the Borrower no longer remains an obligated person with respect to the Bonds within the meaning of the Rule.

10. Amendment; Waiver. Notwithstanding any other provision of this Agreement, the Borrower may amend this Agreement, and any provision of this Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws, acceptable to the Borrower, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to fail to satisfy the requirements of the Rule taking into account any subsequent change in or official interpretation of the Rule.

11. Additional Information. Nothing in this Agreement shall be deemed to prevent the Borrower from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Borrower Annual Report, Borrower Quarterly Report or notice of occurrence of a Significant Event, in addition to that which is required by this Agreement.

12. Default. The intent of the Borrower's undertaking is to provide on a continuing basis the information described and required in the Rule. In the event of a failure of the Borrower to comply with any provision of this Agreement, the Dissemination Agent may (and, at the request of any Participating Underwriter or the beneficial owners of at least 25% in aggregate principal amount of outstanding Bonds and upon being indemnified to its satisfaction, shall), and any registered or beneficial owner of Bonds may, take action to compel performance by the Borrower under this Agreement. A default under this Agreement shall not be deemed a default or event of default under the Bond Indenture, Master Indenture, Loan Agreement or Note, and the sole remedy under this Agreement in the event of any failure of the Borrower to comply with this Agreement shall be an action to compel performance.

13. Duties, Immunities and Liabilities of Dissemination Agent. Article VIII of the Bond Indenture is hereby made applicable to the Dissemination Agent and this Agreement as if this Agreement were (solely for this purpose) contained in the Bond Indenture. The Dissemination Agent shall have only such duties as are specifically set forth in this Agreement, and the Borrower agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities, which it may incur arising out of or in the exercise or performance of its 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 Dissemination Agent's negligence or willful misconduct. The obligations of the Borrower under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. In the absence of bad faith on its part, the Dissemination Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Dissemination Agent and conforming to the requirements of this Agreement. In the case of any Borrower Annual Report, Borrower Quarterly Report or Significant Event disclosure, or any opinions that, by any provision hereof, are specifically required to be furnished to the Dissemination Agent, the Dissemination Agent shall be under no duty to verify independently or investigate the accuracy or completeness of any information contained therein or the correctness of any opinion furnished hereunder or to determine the materiality of any Significant Event and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Borrower, the Obligated Group Members, the Participating Underwriter or the Bondholders (including any beneficial owners thereof when the Bonds are held in a book-entry system). The Dissemination Agent shall have no responsibility for the Borrower's failure to report to the Dissemination Agent any Significant Events. No provision of this Agreement shall require the Dissemination Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, provided that the Dissemination Agent shall pay such reasonable expenses, disbursements and advances necessary to perform its obligations hereunder, which expenses, disbursements and advances are expected to be reimbursed by the Borrower

14. Beneficiaries. This Agreement shall inure solely to the benefit of the Borrower, the Participating Underwriter and registered and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

15. Counterparts. This 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.

16. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Kentucky.

JEWISH HOSPITAL & ST. MARY'S
HEALTHCARE, INC.

By: ______________________________

Title: ____________________________

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A.

By: ______________________________

Title: ____________________________

EXHIBIT A

NOTICE OF FAILURE TO PROVIDE BORROWER ANNUAL REPORT

Name of Issuer:	Louisville/Jefferson County Metro Government
Name of Bonds:	$330,000,000 Health Facilities Revenue Bonds, Series 2008 (Jewish Hospital & St. Mary's HealthCare, Inc. Project)
Name of Borrower:	Jewish Hospital & St. Mary's HealthCare, Inc.
Date of Issuance:	July 10, 2008

NOTICE IS HEREBY GIVEN that the Borrower has not provided the Borrower Annual Report with respect to the above-named Bonds, as required by Section 3(a)(i) of the Continuing Disclosure Agreement dated as of June 1, 2008, executed by the Borrower. The Borrower anticipates that the Borrower Annual Report will be provided by ______________________.

Dated: _______________

EXHIBIT B

NOTICE OF FAILURE TO PROVIDE BORROWER QUARTERLY REPORT

Name of Issuer:	Louisville/Jefferson County Metro Government
Name of Bonds:	$330,000,000 Health Facilities Revenue Bonds, Series 2008 (Jewish Hospital & St. Mary's HealthCare, Inc. Project)
Name of Borrowers:	Jewish Hospital & St. Mary's HealthCare, Inc.
Date of Issuance:	July 10, 2008

NOTICE IS HEREBY GIVEN that the Borrower has not provided the Borrower Quarterly Report with respect to the above-named Bonds as required by Section 4 of the Continuing Disclosure Agreement dated as of June 1, 2008 executed by the Borrower. The Borrower anticipates that the Borrower Quarterly Report will be provided by _______________________.

Dated: ________________

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT • HEALTH FACILITIES REVENUE BONDS, SERIES 2008 (JEWISH HOSPITAL & ST. MARY'S HEALTHCARE, INC. PROJECT)

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