NEW ISSUE — Book-Entry Only

RATINGS: Moody's: "Baal"
S&P: "BBB+"

In the opinion of Squire, Sanders & Dempsey L.L.P., Bond Counsel, under existing law (i) assuming continuing compliance with certain covenants and the accuracy of certain representations, interest on the Series 2009 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and (ii) interest on the Series 2009 Bonds is exempt from Arizona state income tax, so long as that interest is excluded from gross income for federal income tax purposes. Interest on the Series 2009 Bonds may be subject to certain federal taxes imposed only on certain corporations. For a more complete discussion of the tax aspects, see "TAX MATTERS" herein.

$61,800,000
UNIVERSITY MEDICAL CENTER CORPORATION
(TUCSON, ARIZONA)
HOSPITAL REVENUE BONDS
SERIES 2009

Dated: Date of Delivery **Due: July 1, as shown below**

INTEREST: Interest on the Series 2009 Bonds will be payable on January 1 and July 1, commencing July 1, 2009, and calculated on the basis of a 360- day year or twelve 30- day months.

DENOMINATIONS: The Series 2009 Bonds are issuable in denominations of $5,000 or any integral multiple of $5,000.

PURPOSE: The Series 2009 Bonds are being issued to pay and/or reimburse UMCC for costs of the acquisition, construction, expansion, improvement and equipping of UMCC health care facilities, funding deposits to reserve funds, and to pay costs of issuance of the Series 2009 Bonds. See "PLAN OF FINANCING" herein.

REDEMPTION: The Series 2009 Bonds are subject to redemption at the option of UMCC on any date on or after July 1, 2019, and sooner under extraordinary circumstances, and the term Series 2009 Bonds are subject to mandatory sinking fund redemption, as described herein.

SOURCE OF PAYMENT: The Series 2009 Bonds are general obligations of UMCC secured by the Master Indenture. See "SECURITY FOR THE SERIES 2009 BONDS" herein.

MATURITY SCHEDULE

$6,785,000 Serial Bonds

Maturity (July 1)	Principal Amount	Interest Rate	Yield	CUSIP No.+	Maturity (July 1)	Principal Amount	Interest Rate	Yield	CUSIP No.+
2013	$810,000	5.00%	4.50%	914446AW9	2017	$1,020,000	5.25%	5.49%	914446BA6
2014	855,000	5.00%	4.83%	914446AX7	2018	1,085,000	6.00%	5.69%	914446BB4
2015	900,000	5.00%	5.09%	914446AY5	2019	1,155,000	5.75%	5.85%	914446BC2
2016	960,000	5.50%	5.29%	914446AZ2					

$8,220,000 6.00% Term Bond due July 1, 2024, Priced to Yield 6.25%; CUSIP No. 914446BD0
$11,055,000 6.25% Term Bond due July 1, 2029, Priced to Yield 6.50%; CUSIP No. 914446BE8
$35,740,000 6.50% Term Bond due July 1, 2039, Priced to Yield 6.75%; CUSIP No. 914446BF5

The Series 2009 bonds shall not constitute a debt or obligation of the Arizona Board of Regents, the University of Arizona, the State of Arizona, or any political subdivision thereof and shall not constitute or give rise to any liability of any of them (other than UMCC). UMCC has no taxing power.

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

The Series 2009 Bonds are offered when, as and if issued and accepted by the Underwriter, subject to the opinion on certain legal matters relating to their issuance by Squire, Sanders & Dempsey L.L.P., Phoenix, Arizona, Bond Counsel. Certain legal matters will be passed upon for UMCC by Lewis and Roca LLP, Tucson, Arizona, and for the Underwriter by Fulbright & Jaworski L.L.P., Dallas, Texas. The Series 2009 Bonds are expected to be available for delivery to The Depository Trust Company, New York, New York, on or about May 28, 2009.

Merrill Lynch & Co.

The date of this Official Statement is May 13, 2009.

+ *Copyright 2007, America Bankers Association. See page (iii) herein.*

IN CONNECTION WITH THE OFFERING OF THE SERIES 2009 BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2009 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME WITHOUT PRIOR NOTICE.

No dealer, broker, salesman or other person has been authorized by UMCC to give any information or to make representations with respect to the Series 2009 Bonds, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2009 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth herein under the caption "BOOK-ENTRY SYSTEM" has been furnished by The Depository Trust Company. All other information contained in this Official Statement has been obtained from UMCC and other sources believed to be reliable. Such other information is not guaranteed as to accuracy or completeness by, and is not to be relied upon as, or construed as a promise or representation by the Underwriter. In accordance with its responsibilities under the federal securities laws, the Underwriter has reviewed the information in this Official Statement but does not guarantee its accuracy or completeness. This Official Statement is submitted in connection with the sale of securities referred to herein and may not be used, in whole or in part, for any other purpose. The information and expressions of opinion set forth 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 UMCC or any other person since the date of the information set forth herein. This Official Statement does not constitute a contract among or between UMCC or the Underwriter and any purchaser of the Series 2009 Bonds.

The Series 2009 Bonds have not been registered with the Securities and Exchange Commission under the Securities Act of 1933, as amended, nor has the Bond Indenture or Master Indenture 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 2009 Bonds in accordance with applicable provisions of the securities laws of the states, if any, in which the Series 2009 Bonds have been registered or qualified and the exemption from registration or qualification in certain 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 2009 Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

The following Official Statement contains a general description of the Series 2009 Bonds, UMCC, the Project and the plan of financing and sets forth summaries of certain provisions of the Act, the Bond Indenture, the Master Indenture and the Lease and Conveyance Agreement. The descriptions and summaries herein do not purport to be complete and are not to be construed to be a representation of UMCC or the Underwriter. Persons interested in purchasing the Series 2009 Bonds should carefully review this Official Statement (including the Appendices attached hereto) as well as copies of such documents in their entirety, which are available at the designated office of the Bond Trustee in Phoenix, Arizona.

The order and placement of materials in this Official Statement, including the Appendices, are not to be deemed to be a determination of relevance, materiality or importance, and this Official Statement, including the Appendices, must be considered in its entirety.

This Official Statement contains "forward-looking statements," which generally can be identified with words or phrases such as "anticipates," "believes," "could," "estimates," "expects," "foresees," "may," "plan," "predict," "should," "will" or other words or phrases of similar import. All statements included in this Official Statement that any person expects or anticipates will, should or may occur in the future are forward-looking statements. These statements are based on assumptions and analyses made by UMCC in light of its experience and perception of historical trends, current conditions and expected future developments as well as other factors it believes are appropriate in the circumstances. However, whether actual results and developments conform with expectations and predictions is subject to a number of risks and uncertainties, including, without limitation, the information discussed under "BONDHOLDERS' RISKS" in this Official Statement as well as additional factors beyond

UMCC's control. The important risk factors and assumptions described under that caption and elsewhere herein could cause actual results to differ materially from those expressed in any forward-looking statement. All of the forward-looking statements made in this Official Statement are qualified by these cautionary statements. There can be no assurance that the actual results or developments anticipated will be realized or, even if substantially realized, that they will have the expected consequences to or effects on UMCC's business or operations. All subsequent forward-looking statements attributable to UMCC or persons acting on its behalf are expressly qualified in their entirety by the factors and assumptions described above and in any documents containing those forward-looking statement. No person has any obligation to prepare or release any updates or revisions to any forward-looking statement.

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OFFICIAL STATEMENT

$61,800,000
UNIVERSITY MEDICAL CENTER CORPORATION
HOSPITAL REVENUE BONDS
SERIES 2009

INTRODUCTION

This Official Statement, including the cover page and Appendices, is furnished in connection with the issuance and sale by University Medical Center Corporation ("***UMCC***") of its Hospital Revenue Bonds, Series 2009 (the "***Series 2009 Bonds***"). Certain capitalized terms appearing in this Official Statement have the meanings given to them in "APPENDIX C" hereto.

The Series 2009 Bonds will be issued and sold by UMCC pursuant to Section 15-1637, Arizona Revised Statues, as amended (the "***Act***"), and a resolution of its Board of Directors. UMCC is a not-for-profit corporation and a public instrumentality of the State of Arizona (the "***State***") and is treated as a governmental unit under Section 103 of the Internal Revenue Code of 1986, as amended (the "***Code***"). UMCC operates University Medical Center (the "***Hospital***") in Tucson, Arizona, which is the principal teaching hospital for and is located adjacent to the University of Arizona College of Medicine. See "UMCC" and "APPENDIX A" herein. The Series 2009 Bonds will be issued pursuant to and secured by a Fifth Supplemental Bond Trust Indenture, dated as of May 1, 2009 (the "***Supplemental Bond Indenture***"), which supplements a Bond Trust Indenture, dated as of January 15, 1991, as previously supplemented by the First Supplemental Bond Indenture, dated as of March 1, 1992, the Second Supplemental Bond Trust Indenture, dated as of May 1, 1993, the Third Supplemental Bond Indenture, dated as of February 1, 2004, and Fourth Supplemental Bond Trust Indenture, dated October 1, 2005, between UMCC and U.S. Bank National Association, as successor Bond Trustee (the "***Bond Trustee***"). The Bond Trust Indenture, as supplemented, is referred to herein as the "***Bond Indenture***". UMCC has previously issued, and there are currently outstanding under the Bond Indenture, the following: (i) Hospital Revenue Refunding Bonds, Series 1993, dated May 1, 1993 originally issued in the amount of $54,750,000 and currently outstanding in the amount of $39,790,000 (the "***Series 1993 Bonds***"), (ii) Hospital Revenue Bonds, Series 2004, dated March 3, 2004 originally issued in the amount of $52,000,000 and currently outstanding in the amount of $45,300,000 (the "***Series 2004 Bonds***"), and (iii) Hospital Revenue Bonds, Series 2005, dated November 10, 2005 originally issued in the amount of $140,000,000 and currently outstanding in the amount of $140,000,000 (the "***Series 2005 Bonds***"). The Series 2009 Bonds and all other bonds issued under the Bond Indenture (referred to herein collectively as the "***Bonds***") are general obligations of UMCC payable as provided in the Bond Indenture.

The obligations of UMCC to pay debt service on the Series 2009 Bonds will be evidenced by a note (the "***Series 2009 Note***") issued by UMCC to the Bond Trustee pursuant to the Master Trust Indenture, as amended and restated as of July 1, 1987, as amended to date hereof through and including the Supplemental Master Indenture No. Ten, dated as of May 1, 2009 (collectively, the "***Master Indenture***"), between UMCC and U.S. Bank National Association, as successor master trustee (the "***Master Trustee***"). The Series 1993 Bonds, the Series 2004 Bonds and the Series 2005 Bonds are also secured by Notes issued under the Master Indenture. See "SECURITY FOR THE SERIES 2009 BONDS" herein.

The descriptions 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, copies of which are available at the designated trust office of the Bond Trustee at 101 North First Avenue, Suite 1600, Phoenix, Arizona 85003. All statements herein are qualified by reference to each such document in its entirety and are further qualified in their entirety by reference to laws and principles of equity relating to or affecting the enforceability of creditors rights.

UMCC

The following is a brief description of UMCC. For a more detailed discussion of UMCC, see "APPENDIX A" hereto, and for the financial statements of UMCC, see "APPENDIX B" hereto.

UMCC is an Arizona not-for-profit corporation incorporated in July, 1984, with authorization from the Arizona Board of Regents. Pursuant to the Act, UMCC is a body politic and corporate.

UMCC operates the Hospital, a general acute care teaching medical facility with 355 licensed beds, 351 of which are operational, located in Tucson, Arizona. The Hospital is the primary teaching hospital for and is located adjacent to the College of Medicine of the University of Arizona.

The Hospital is located within a portion of the Arizona Health Sciences Center of the University of Arizona and commenced operations in 1971. As originally organized, the Hospital functioned as a department of the University of Arizona with ultimate governance by the Arizona Board of Regents through its Health Sciences Board. In 1984, UMCC was organized with the approval of the Arizona Board of Regents which conveyed the physical assets comprising the Hospital and its liabilities, and leased the land beneath the Hospital, to UMCC pursuant to a Lease and Conveyance Agreement, originally dated November 5, 1984 (as amended and supplemented, the "***Lease and Conveyance Agreement***"), described in "APPENDIX A" under the caption "OTHER INFORMATION - The Lease and Conveyance Agreement".

PLAN OF FINANCING

The proceeds of the Series 2009 Bonds will be utilized to: pay or reimburse UMCC for costs of the acquisition, construction, expansion, improvement and equipping of UMCC's health care facilities including the Diamond Children's Medical Center, the bed tower, the hematology/oncology clinic, and other projects contained in UMCC's capital improvement plans or budgets that may not be listed above; deposits to the 2004/2005/2009 Bond Reserve Account; and to pay costs of issuance and other charges related to the Series 2009 Bonds. See "APPENDIX A - THE PROJECT" herein.

ESTIMATED SOURCES AND USES OF FUNDS

The sources of funds, the uses of the proceeds of the Series 2009 Bonds and the expenses incurred in connection with the issuance of the Series 2009 Bonds and related matters are estimated as follows:

Sources of Funds:	
Par Amount of Series 2009 Bond	61,800,000
Net Original Issue Discount/Premium	(1,627,430)
Total Source of Funds	60,172,570
Uses of Funds:	
Project Costs	54,868,894
Deposit to 2004/2005/2009 Bond Reserve Account	4,435,389
Costs of Issuance[(1)]	868,287
Total Uses of Funds	60,172,570

(1) Includes underwriter's discount, legal fees, printing costs, trustee fees, and miscellaneous expenses of issuance.

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ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth the annual debt service requirements for the Series 2009 Bonds, and on the Series 1993 Bonds, Series 2004 Bonds, and Series 2005 Bonds under the "Other Debt Service" column, based on the fiscal year ending June 30.

	Series 2009 Bonds				
Year	**Principal**	**Interest**	**Total**	**Other Debt Service**	**Total Debt Service Requirements on all Outstanding Bonds**
2010	-	$2,291,732	$2,291,732	$15,330,625	$17,622,357
2011	-	3,873,350	3,873,350	15,267,525	19,140,875
2012	-	3,873,350	3,873,350	15,262,925	19,136,275
2013	-	3,873,350	3,873,350	15,256,800	19,130,150
2014	$810,000	3,853,100	4,663,100	15,253,550	19,916,650
2015	855,000	3,811,475	4,666,475	15,247,613	19,914,088
2016	900,000	3,767,600	4,667,600	15,238,475	19,906,075
2017	960,000	3,718,700	4,678,700	15,230,388	19,909,088
2018	1,020,000	3,665,525	4,685,525	15,225,625	19,911,150
2019	1,085,000	3,606,200	4,691,200	15,218,750	19,909,950
2020	1,155,000	3,540,444	4,695,444	15,211,250	19,906,694
2021	1,460,000	3,463,438	4,923,438	15,202,375	20,125,813
2022	1,545,000	3,373,288	4,918,288	15,196,250	20,114,538
2023	1,640,000	3,277,738	4,917,738	15,182,125	20,099,863
2024	1,735,000	3,176,488	4,911,488	15,174,125	20,085,613
2025	1,840,000	3,069,238	4,909,238	15,166,125	20,075,363
2026	1,950,000	2,953,100	4,903,100	15,152,250	20,055,350
2027	2,075,000	2,827,319	4,902,319	15,141,500	20,043,819
2028	2,205,000	2,693,569	4,898,569	15,132,625	20,031,194
2029	2,340,000	2,551,538	4,891,538	15,119,500	20,011,038
2030	2,485,000	2,400,756	4,885,756	15,106,000	19,991,756
2031	2,645,000	2,237,138	4,882,138	15,090,875	19,973,013
2032	2,815,000	2,059,688	4,874,688	15,077,750	19,952,438
2033	3,000,000	1,870,700	4,870,700	15,060,250	19,930,950
2034	3,190,000	1,669,525	4,859,525	15,046,875	19,906,400
2035	3,400,000	1,455,350	4,855,350	15,031,000	19,886,350
2036	3,620,000	1,227,200	4,847,200	15,011,125	19,858,325
2037	3,855,000	984,263	4,839,263	-	4,839,263
2038	4,105,000	725,563	4,830,563	-	4,830,563
2039	4,400,000	449,150	4,849,150	-	4,849,150
2040	4,710,000	153,075	4,863,075	-	4,863,075
	$61,800,000	$82,492,950	$144,292,950	$409,634,276	$553,927,226

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THE SERIES 2009 BONDS

General Description

The Series 2009 Bonds will mature on the dates and in the aggregate principal amounts and will bear interest from the date of initial delivery at the rates set forth on the cover page of this Official Statement. Interest on the Series 2009 Bonds will be payable semiannually on January 1 and July 1 of each year, commencing July 1, 2009, and be calculated on the basis of a 360-day year of twelve 30-day months.

The Series 2009 Bonds will be issued to and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("***DTC***"). DTC will act as securities depository for the Series 2009 Bonds. Ownership interests in the Series 2009 Bonds may be purchased in book-entry form only in denominations of $5,000 or any integral multiple of $5,000. See "BOOK-ENTRY SYSTEM." Except as described under "BOOK-ENTRY SYSTEM", beneficial owners of the Series 2009 Bonds will have no right to receive physical delivery of Series 2009 Bonds and will not be or be considered to be registered owners of Series 2009 Bonds. So long as DTC or its nominee is the registered owner of the Series 2009 Bonds, references in this Official Statement to Bondholders or registered owners or owners of the Series 2009 Bonds (other than under "TAX MATTERS") will refer to DTC or its nominee and not to the beneficial owners of the Series 2009 Bonds, and payment of principal of, premium, if any, and interest on Series 2009 Bonds will be paid through the facilities of DTC. See "BOOK-ENTRY SYSTEM" herein.

Redemption Provisions

Optional Redemption. Except upon mandatory and extraordinary redemption described below, the Series 2009 Bonds are not subject to redemption prior to July 1, 2019. The Series 2009 Bonds maturing on and after July 1, 2020 are subject to redemption prior to maturity on any date on or after July 1, 2019, at the option of UMCC, in whole or in part at any time, in the amount of $5,000 or any integral multiple thereof, at a redemption price equal to the principal amount thereof, plus accrued interest, if any, to the redemption date, without premium.

Mandatory Sinking Fund Redemption. The Series 2009 Bonds maturing on July 1, 2024, 2029 and 2039, are subject to mandatory sinking fund redemption, prior to their respective stated maturities, by lot in such manner as may be designated by the Bond Trustee, on July 1 of each of the years and in the aggregate principal amounts set forth below, at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date:

Series 2009 Term Bonds maturing 2024

Year	Principal Amount
2020	$1,460,000
2021	1,545,000
2022	1,640,000
2023	1,735,000
2024[(1)]	1,840,000

Series 2009 Term Bonds maturing 2029

Year	Principal Amount
2025	$1,950,000
2026	2,075,000
2027	2,205,000
2028	2,340,000
2029[(1)]	2,485,000

Series 2009 Term Bonds maturing 2039

Year	Principal Amount
2030	$2,645,000
2031	2,815,000
2032	3,000,000
2033	3,190,000
2034	3,400,000
2035	3,620,000
2036	3,855,000
2037	4,105,000
2038	4,400,000
2039[(1)]	4,710,000

(1) Due at stated maturity.

At the option of UMCC, to be exercised by delivering a certificate to the Bond Trustee on or before the 35th day preceding the applicable mandatory sinking fund redemption date, UMCC may deliver to the Bond Trustee for cancellation Series 2009 Bonds subject to mandatory sinking fund redemption which prior thereto have been redeemed (otherwise than through the operation of the mandatory sinking fund requirements) or purchased for cancellation and not theretofore applied as a credit against any mandatory sinking fund requirement. Each such Series 2009 Bond so delivered or previously redeemed shall be credited by the Bond Trustee at 100% of the principal amount thereof against the obligation of UMCC on such mandatory sinking fund redemption date. Any excess shall be credited against the next sinking fund redemption obligation.

Extraordinary Optional Redemption. The Series 2009 Bonds are subject to redemption prior to maturity, in whole or in part, at any time, at a redemption price equal to the principal amount of the Series 2009 Bonds to be redeemed, plus interest accrued to the date fixed for redemption, without premium, from insurance proceeds with respect to casualty losses or condemnation awards (i) where the amount of such proceeds or awards exceeds 10% of the Book Value (as defined in the Master Indenture) of UMCC's Property, Plant and Equipment (as defined in the Master Indenture), or (ii) if less than 10% of Book Value, management of UMCC determines the damage or taking will adversely affect UMCC's ability to make payments of principal and interest on the Bonds as provided under the Bond Indenture when due.

Purchase in Lieu of Optional Redemption. If any Series 2009 Bond is called for optional redemption in whole or in part, UMCC may elect to have such Series 2009 Bond purchased in lieu of redemption.

Purchase in lieu of redemption shall be available to all Series 2009 Bonds called for optional redemption or for such lesser portion of such Series 2009 Bonds as constitute authorized denominations. UMCC may direct the Bond Trustee to purchase all or such lesser portion of the Series 2009 Bonds so called for redemption. Any such direction to the Bond Trustee must be in writing; state either that all the Series 2009 Bonds called for redemption are to be purchased or, if less than all of the Series 2009 Bonds called for redemption are to be purchased, identify those Series 2009 Bonds to be purchased by maturity date and outstanding principal amount in authorized denominations; and be received by the Bond Trustee no later than 12:00 noon one Business Day prior to the scheduled redemption date thereof. If so directed, the Bond Trustee shall purchase such Series 2009 Bonds on the date which otherwise would be the redemption date of such Series 2009 Bonds. Any of the Series 2009 Bonds called for redemption that are not purchased in lieu of redemption shall be redeemed as otherwise required by the Bond Indenture on such redemption date. On or prior to the scheduled redemption date, any direction given to the Bond Trustee pursuant to the Bond Indenture may be withdrawn by UMCC by written notice to the Bond Trustee. Subject generally to the Bond Indenture, should a direction to purchase be withdrawn, the scheduled redemption of such Bonds shall occur. If the Bond Trustee is so directed by UMCC, the purchase shall be made for the account of UMCC or its designee.

The purchase price of the Series 2009 Bonds shall be equal to the outstanding principal of, accrued and unpaid interest on and the redemption premium, if any, which would have been payable on such Series 2009 Bonds on the scheduled redemption date for such redemption. To pay the purchase price of such Series 2009 Bonds, the Bond Trustee shall use such funds deposited by UMCC with the Bond Trustee for such purpose and funds, if any, held under the Bond Indenture that the Bond Trustee would have used to pay the outstanding principal of, accrued and unpaid interest on and the redemption premium, if any, that would have been payable on the redemption of such Series 2009 Bonds on the scheduled redemption date. The Bond Trustee shall not purchase Series 2009 Bonds pursuant to the above provisions if by no later than the redemption date, sufficient moneys have not been deposited with the Bond Trustee, or such moneys are deposited, but are not available.

No notice of the purchase in lieu of redemption shall be required to be given to the Bondholders other than the notice of redemption otherwise required under the Bond Indenture.

Selection of Series 2009 Bonds for Redemption. If less than all the Series 2009 Bonds are to be redeemed UMCC may select the principal amount of each maturity to be redeemed. For selection of Series 2009 Bonds within maturities to be redeemed, the Bond Trustee shall select by lot from among the Series 2009 Bonds designated by the UMCC in any manner in which the Bond Trustee might determine. See "BOOK-ENTRY SYSTEM" herein.

Effect of Redemption. If notice of redemption has been duly mailed and monies are held by the Bond Trustee on the redemption date for payment of the redemption price of and interest accrued to the redemption date on the Series 2009 Bonds (or portions thereof) called for redemption, then the Series 2009 Bonds (or portions thereof) so called for redemption shall become due and payable at the redemption price specified in such notice and interest on the Series 2009 Bonds so called for redemption shall cease to accrue, said Series 2009 Bonds (or portions

thereof) shall cease to be entitled to any benefit or security under the Bond Indenture, and the registered Holders of said Series 2009 Bonds shall have no rights in respect thereof except to receive payment of said redemption price and accrued interest.

Notice of Redemption. Whenever redemption of Series 2009 Bonds is to be made, the Bond Trustee shall give notice, in the name of UMCC, only to DTC or its nominee as the registered Holder of any Series 2009 Bonds designated for redemption in whole or in part, by mailing a copy of the redemption notice by first-class mail at least 30 days prior to the redemption date. Such redemption notice will set forth the details with respect to the redemption. The failure of the Bond Trustee to mail notice to a registered Holder or any defect in such notice shall not affect the validity of the redemption of any other Series 2009 Bond.

So long as all Series 2009 Bonds are held under a book-entry system by a securities depository (such as DTC), any call notice will be sent by the Bond Trustee only to the depository or its nominee. Selection of book entry interests in the Series 2009 Bonds called, and notice of the call to the Beneficial Owners of those interests called, is the responsibility of DTC, its Participants and Indirect Participants. Any failure of DTC to advise any Participant, or of any Participant or any Indirect Participant to notify the Beneficial Owner, of any such notice and its content or effect will not affect the validity of any proceedings for the redemption of any Series 2009 Bonds.

If at the time of mailing of notice of any redemption of Series 2009 Bonds described above under the captions "Optional Redemption" or "Extraordinary Optional Redemption", there has not been deposited with the Bond Trustee moneys or Defeasance Obligations sufficient to redeem all Series 2009 Bonds called for such redemption, such notice is required to state that the redemption is conditional upon the deposit of moneys or Defeasance Obligations (maturing on or before the redemption date) sufficient for the redemption with the Bond Trustee not later than the redemption date, and such notice will be of no effect and such Series 2009 Bonds shall not be redeemed unless such moneys or Defeasance Obligations are so deposited.

BOOK-ENTRY SYSTEM

General

The information provided under this caption "- General," has been provided by DTC. No representation is made by UMCC, the Bond Trustee or the Underwriter as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

DTC will act as securities depository for the Series 2009 Bonds. The Series 2009 Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for the Series 2009 Bonds, in the aggregate principal amount of such Bonds, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("***Direct Participants***") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("***DTCC***"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("***Indirect Participants***"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Series 2009 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2009 Bonds on DTC's records. The ownership interest of each actual purchaser of a Series 2009 Bond (a "***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 2009 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2009 Bonds, except in the event that use of the book-entry system for the Series 2009 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2009 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 2009 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2009 Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2009 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 2009 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2009 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the bond documents. For example, Beneficial Owners of Series 2009 Bonds may wish to ascertain that the nominee holding the Series 2009 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Bond Trustee and request that copies of notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Series 2009 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 2009 Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an "Omnibus Proxy" to UMCC as soon as possible after the record date. The "Omnibus Proxy" assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2009 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal of, interest on, and redemption price of the Series 2009 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 UMCC or the Bond Trustee on each 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 or its nominee, the Bond Trustee, or UMCC, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest, and redemption price to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of UMCC or the Bond Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of the Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2009 Bonds at any time by giving reasonable notice to UMCC or the Bond Trustee. In addition, UMCC may elect to discontinue the use of DTC (or a successor as securities depository) for the Series 2009 Bonds. Under either circumstance, if a successor depository is not appointed, bond certificates are required to be printed and delivered.

Limitations

For so long as the Series 2009 Bonds are registered in the name of DTC or its nominee, Cede & Co., UMCC and the Bond Trustee will recognize only DTC or its nominee, Cede & Co., as the registered owner of the Series 2009 Bonds for all purposes, including payments, notices and voting.

Because DTC is treated as the registered owner of the Series 2009 Bonds for substantially all purposes under the Bond Indenture, Beneficial Owners may have a restricted ability to influence in a timely fashion remedial action or the giving or withholding of requested consents or other directions. In addition, because the identity of Beneficial Owners is unknown to UMCC, to DTC or to the Bond Trustee, it may be difficult to transmit information of potential interest to Beneficial Owners in an effective and timely manner. Beneficial Owners should make appropriate arrangements with their broker or dealer regarding distribution of information regarding the Series 2009 Bonds that may be transmitted by or through DTC.

Payments made by the Bond Trustee to DTC or its nominee will satisfy UMCC's obligations, whether or not such payments are credited to Beneficial Owners.

Neither UMCC nor the Bond Trustee will have any responsibility or obligation with respect to: (i) the accuracy of the records of DTC, its nominee or any Direct Participant or Indirect Participant with respect to any beneficial ownership interest in any Series 2009 Bonds; (ii) the delivery to any Direct Participant or Indirect Participant or any other Person, other than a registered owner, of any notice or other document, including, without limitation, any notice of redemption with respect to any Series 2009 Bond; (iii) the payment to any Direct Participant or Indirect Participant or any other Person, other than a registered owner, of any amount with respect to the principal of, premium, if any, interest on, or redemption price of, any Series 2009 Bond; (iv) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Series 2009 Bonds; or (v) any consent given or other action taken by DTC as registered owner.

Prior to any discontinuation of the book-entry system with respect to the Series 2009 Bonds, UMCC and the Bond Trustee may treat DTC as, and deem DTC to be, the absolute owner of the Series 2009 Bonds for all purposes whatsoever, including, without limitation, (i) the payment of principal, premium, if any, and interest on and the purchase price for Series 2009 Bonds; (ii) giving notices of redemption and other matters with respect to the Series 2009 Bonds; (iii) registering transfers with respect to the Series 2009 Bonds; and (iv) the selection of Series 2009 Bonds for redemption; and (v) giving consents of or directions from registered owners pursuant to the Bond Indenture.

SECURITY FOR THE SERIES 2009 BONDS

General

The Series 2009 Bonds will be issued pursuant to and secured by the Bond Indenture and will be a general obligation of UMCC. The Series 2009 Bonds will not be secured by a mortgage or other lien on any real or personal property of UMCC. So long as the Series 1993 Bonds, Series 2004 Bonds, Series 2005 Bonds and Series 2009 Bonds are Outstanding, all Notes issued under the Master Indenture (including the Notes issued to secure the Series 1993 Bonds, Series 2004 Bonds, Series 2005 Bonds or Series 2009 Bonds) must be secured by a security interest in UMCC's Gross Revenues. The Series 2009 Bonds will not constitute obligations (general or special), debt or bonded indebtedness of the Arizona Board of Regents, the University of Arizona, the State, or any political subdivision thereof and shall not constitute or give rise to any liability of any of them (other than UMCC), and the Holders or Owners of the Series 2009 Bonds will not have the right to have any taxes levied by the State or any political subdivision thereof or applied for the payment of debt service on the Series 2009 Bonds. UMCC has no taxing power.

The obligation of UMCC to pay the debt service of the Series 2009 Bonds will be evidenced by the Series 2009 Note, issued by UMCC to the Bond Trustee pursuant to the Master Indenture. The Series 2009 Note will be in the same principal amount and will have the same payment provisions as the Series 2009 Bonds. The Series 2009 Note will require payments by UMCC which, together with other monies available for such purpose, will be sufficient to provide for the debt service on the Series 2009 Bonds.

The Series 2009 Note will entitle the Bond Trustee as holder thereof (a) to the protection of the covenants, restrictions and other obligations imposed by the Master Indenture upon UMCC and any other Persons who may subsequently become members of the Obligated Group under the Master Indenture, and (b) to the collateral granted by UMCC to the Master Trustee pursuant to the Master Indenture as security for the Notes, described under "- The Master Indenture" below.

UMCC may issue Additional Bonds under the Bond Indenture on a parity with the Series 1993 Bonds, Series 2004 Bonds, Series 2005 Bonds and Series 2009 Bonds, upon satisfaction of the conditions set forth in the Bond Indenture. Additional Bonds may be issued for any purpose or combination of purposes permitted under the Act. See " - Additional Bonds" below and "BOND INDENTURE - Issuance of Additional Bonds" in "APPENDIX C" hereto.

UMCC (and any other Person who may subsequently become a member of the Obligated Group) may issue additional Notes under the Master Indenture on a parity with the Notes issued to secure Indebtedness, including the Series 2009 Bonds, and other obligations upon satisfaction of the conditions set forth in the Master Indenture. See "MASTER INDENTURE - Issuance of Additional Notes" in "APPENDIX C" hereto.

The Master Indenture

Master Indenture Notes. The Master Indenture authorizes the issuance of Notes by any Obligated Group member subject to satisfaction of the requirements set forth in the Master Indenture. Notes are general obligations of the Obligated Group and are not required to be secured by a mortgage or other lien on Property of the Obligated Group; provided, to the extent permitted by the Master Indenture, Notes may be secured by a mortgage or other lien on Property. See "MASTER INDENTURE - Issuance of Additional Notes" and "- Limitation on Creation of Liens" in "APPENDIX C" hereto. The Notes securing the Series 1993, 2004, 2005 and 2009 Bonds are secured by a security interest in UMCC's Gross Revenues as described below. Each Note issued by an Obligated Group member pursuant to the Master Indenture is stated to be a joint and several obligation of the issuer thereof and each other Obligated Group member. See "Enforceability of Joint and Several Obligations" below.

The Obligated Group. Currently, UMCC is the only member of the Obligated Group and UMCC has no current plans to add any additional members to the Obligated Group. Other persons may join the Obligated Group upon satisfaction of the conditions set forth in the Master Indenture. Any member of the Obligated Group may at any time sell, lease, convey or transfer all or any portion of its Property to other members of the Obligated Group, provided that the Lease and Conveyance Agreement may only be assigned as permitted thereunder. See "APPENDIX A - OTHER INFORMATION - The Lease and Conveyance Agreement." UMCC or any other member of the Obligated Group may withdraw from the Obligated Group if certain financial tests and other conditions set forth in the Master Indenture are met; provided UMCC shall not withdraw from the Obligated Group until the Series 1993 Bonds, Series 2004 Bonds, Series 2005 Bonds and Series 2009 Bonds are no longer outstanding. See "MASTER INDENTURE - Membership in Obligated Group" and "MASTER INDENTURE - Withdrawing from Obligated Group" in "APPENDIX C" hereto.

The financial results of all members of the Obligated Group will be combined for the purpose of determining compliance with various financial and other covenants and tests contained in the Master Indenture (including tests relating to incurrence of additional Indebtedness and issuance of additional Notes).

Enforceability of Joint and Several Obligations. The state of the law as to enforceability of obligations issued by one corporation in favor of the creditors of another, and the obligation of a member of the Obligated Group to make payments on a Note for the benefit of another member is unsettled. In the event the Obligated Group were to expand to include one or more additional members, the ability to enforce the Notes against any member of the Obligated Group (other than UMCC) could be subject to legal challenge. See "BONDHOLDERS' RISKS - Matters Relating to Security".

Other Indebtedness. Any Obligated Group member may incur Indebtedness not evidenced by Notes, which is only an obligation of such member, but such Indebtedness must be within the limitations set forth in the Master Indenture. See "MASTER INDENTURE - Restrictions on Indebtedness" in "APPENDIX C" hereto. The terms of such Indebtedness, including the remedies granted to the holders of such Indebtedness, may be different from the terms of the Notes.

Provisions Concerning Gross Revenues. Pursuant to Supplemental Master Indenture Number Nine, so long as the Series 1993 Bonds, Series 2004 Bonds, Series 2005 Bonds or Series 2009 Bonds are outstanding, all Notes issued under the Master Indenture must be secured by a security interest in UMCC's Gross Revenues. The security interest in UMCC's Gross Revenues may not be enforceable, and may be subject to subordination or prior claims, in certain circumstances. See "BONDHOLDERS' RISKS - Enforceability of Security Interest in Gross Revenues". In the event that any other person joins the Obligated Group, that person is not required by the Master Indenture to grant any security interest in its Gross Revenues to secure the Notes.

So long as there is no delinquency in making any payment required under any Note and no continuing declaration of acceleration of the principal of all Notes under the Master Indenture, UMCC will be permitted to collect and use Gross Revenues for any corporate purpose. If UMCC does not make a payment under any Note or there is a continuing declaration of acceleration of the principal of all Notes, then the Master Trustee may, subject to the terms of any security interest in Gross Revenues which is prior to the security interest in Gross Revenues granted to the Master Trustee (as described in the following paragraph), require that UMCC transfer all Gross Revenues to the Master Trustee for deposit into the Gross Revenue Fund until the amounts on deposit are sufficient to pay all deficiencies.

UMCC may grant a security interest in its Gross Revenues which is prior to the security interest securing Notes for (i) the purpose of securing its obligations under Short-Term Indebtedness incurred for working capital or (ii) Permitted Encumbrances.

Restrictions on Encumbrances. Each Obligated Group member agrees that Property of the Obligated Group, other than Excluded Property, will not be subject to any mortgage or other security interest, lien, charge or encumbrance other than Permitted Encumbrances and other liens permitted by the Master Indenture unless prior to or contemporaneously with the attachment of the lien, such member of the Obligated Group shall have entered into a security agreement with the Master Trustee granting it a lien prior to or on a parity with such other lien and shall have taken all action necessary to perfect the lien granted to the Master Trustee. If an Obligated Group member were to grant a lien in violation of this restriction in the Master Indenture, the rights of the holders of the Notes to enforce remedies against such property would likely be subordinated to such lien. Pursuant to Supplemental Master Trust Indenture Number Six dated as of February 1, 2004 and Supplemental Master Trust Indenture Number Ten, dated as of May 1, 2009, UMCC has added certain property, not constituting part of the Hospital campus, to the list of Excluded Property. See "MASTER INDENTURE - Limitation on Creation of Liens" in "APPENDIX C" hereto and for a description of "Excluded Property" see "FACILITIES - Other Facilities" in "APPENDIX A" hereto.

Bond Reserve Fund

The Bond Indenture provides for separate Bond Revenue Accounts in the Bond Reserve Fund held by the Bond Trustee to separately secure the Outstanding Bonds.

The Bond Reserve Account for the Series 2004 Bonds and the Series 2005 Bonds provides (A) for a single Bond Reserve Account for the Series 2004 Bonds, the Series 2005 Bonds and any Additional Bonds specified by UMCC to be secured thereby (the "2004/2005 Bond Reserve Account", and Bonds so secured are referred to herein as "Bonds Secured by the 2004/2005 Bond Reserve Account"), and (B) the Reserve Requirement for Bonds Secured by 2004/2005 Bond Reserve Account shall equal the least of (i) 10% of the original principal amount of the sum of such Bonds, (ii) maximum annual debt service, in the aggregate, for such Bonds, or (iii) 125% of the average annual debt service of the aggregate such Bonds. UMCC will secure the Series 2009 Bonds thereby and a portion of the proceeds of the Series 2009 Bonds will be deposited into the 2004/2005 Bond Reserve Account so that amounts therein, when added to the amount currently on deposit in the 2004/2005 Bond Reserve Account (hereinafter referred to as the "***2004/2005/2009 Bond Reserve Account***") will equal the Reserve Requirement for the Bonds Secured by the 2004/2005/2009 Bond Reserve Account.

The Series 1993 Bonds are secured by a separate and distinct reserve account within the Bond Reserve Fund (the "***1993 Reserve Account***"). The 1993 Reserve Account will not secure the Series 2004 Bonds, the Series 2005 Bonds, the Series 2009 Bonds or any Additional Bonds.

UMCC has the right under the Bond Indenture to deliver to the Bond Trustee a Reserve Fund Guaranty (see "Definition of Certain Terms" in "APPENDIX C") in favor of the Bond Trustee to satisfy all or a portion of the separate Reserve Requirements for the Bonds Secured by the 2004/2005/2009 Bond Reserve Account, thereby

replacing the cash or Eligible Investments in the 2004/2005/2009 Bond Reserve Account, upon the terms specified in the Bond Indenture. There is a similar provision for the 1993 Reserve Account. See "BOND INDENTURE – Application of Special Funds - Reserve Funds" in "APPENDIX C" hereto.

If the Reserve Fund Value is less than 90% of the Reserve Requirement for any Bond Reserve Account as a result of withdrawal therefrom by the Bond Trustee because of a deficiency in the Bond Fund to pay debt service on the applicable series of Bonds, or as shown in an annual valuation of the Eligible Investments therein, then the UMCC is required under the Bond Indenture to restore the balance of the applicable Reserve Requirement in 24 equal monthly deposits or such shorter period as maybe set forth in the applicable Supplemental Bond Indenture.

Additional Bonds

Upon compliance by UMCC with the requirements of the Master Indenture for incurring additional Indebtedness, UMCC may issue Additional Bonds from time to time for any purpose or combination of purposes permitted under the Act. Those Additional Bonds may be issued on a parity with the Series 1993 Bonds, the Series 2004 Bonds, the Series 2005 Bonds, the Series 2009 Bonds and any other series of Additional Bonds then Outstanding under the Bond Indenture; provided, however Additional Bonds may be otherwise secured and protected from sources or by property, instruments or documents not applicable to the other Bonds. In addition, Additional Bonds may be secured by the 2004/2005/2009 Bond Reserve Account if, at the time of the issuance of such Additional Bonds, UMCC specifies that such Additional Bonds are to be so secured and the amount on deposit in the 2004/2005/2009 Bond Reserve Account equals at least the Reserve Requirement for all the Bonds Secured by the 2004/2005/2009 Bond Reserve Account. If after giving effect to the issuance of the Additional Bonds, the amount on deposit in the 2004/2005/2009 Bond Reserve Account is less than such Reserve Requirement, then such Additional Bonds shall not be secured by the 2004/2005/2009 Bond Reserve Account and any Reserve Fund Account for such Additional Bonds shall not secure the Series 2004 Bonds, the Series 2005 Bonds and the Series 2009 Bonds.

BONDHOLDERS' RISKS

The discussion herein of risks to the owners of the Series 2009 Bonds is not intended as dispositive, comprehensive or definitive, but rather is to summarize certain matters which could affect payment on the Series 2009 Bonds. Other sections of this Official Statement, as cited herein, should be referred to for a more detailed description of risks described in this section, which descriptions are qualified by reference to any documents discussed therein. Copies of all such documents are available for inspection as described under "INTRODUCTION."

Introduction

The ability of UMCC to make the payments required in respect of the Series 2009 Bonds will depend on its ability to obtain sufficient revenues from operations to meet such obligations. No representation or assurance is given or can be made that revenues will be realized by UMCC in amounts sufficient to meet such obligations. **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 should be considered in evaluating the ability of UMCC to make payments in amounts sufficient to meet its obligations in respect of the Series 2009 Bonds. This discussion is not and is not intended to be exhaustive.**

Impact of Disruptions in the Credit Markets and General Economic Factors

The current domestic and international financial crisis has had, and is expected to continue to have, negative repercussions upon the national and global economies, including a scarcity of credit, lack of confidence in the financial sector, extreme volatility in the financial markets, increase in interest rates, reduced business activity, increased consumer bankruptcies and increased business failures and bankruptcies. In response, Congress passed, and the President signed on October 3, 2008, the Emergency Economic Stabilization Act of 2008, which authorizes the U.S. Treasury to purchase up to $700 billion of mortgage–debt and other securities from financial institutions and take other actions for the purpose of stabilizing the financial markets. The Federal Reserve Board and other agencies of the federal government and foreign governments have taken various actions that are designed to enhance liquidity, improve the performance and efficiency of credit markets and generally stabilize securities markets. There can be no assurance these and other governmental actions will be effective.

The financial crisis has had a particularly acute impact upon the financial sector in recent months, and has caused many banks and other financial institutions to seek additional capital, to merge, and in some cases, to fail. Additionally, substantial amounts have been withdrawn from tax-exempt money market funds, one of the largest purchasers of variable rate tax-exempt bonds. A continued weakening of the economy could have a material adverse effect upon UMCC and the market value of the Series 2009 Bonds.

UMCC has significant holdings in a broad range of investments. Market fluctuations have affected and will continue to affect materially the value of those investments and those fluctuations may be and historically have been material. The market disruption has exacerbated the market fluctuations and has negatively affected the investment performance of securities in UMCCs' portfolios. Investment income (including both realized and unrealized gains on investments) has contributed significantly to UMCCs' financial results over recent years. Current market conditions have significantly reduced UMCCs' investment income and had a material adverse effect on UMCCs' financial results. See "APPENDIX A" MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL PERFORMANCE – Periods Ended March 31, 2009 and March 31, 2008."

For many years, health care providers have been under increasing economic pressure from various third-party payors, both governmental (particularly Medicare and Medicaid) and private (e.g., health insurance companies). These third-party payors have limited the payment rates for hospital stays and procedures creating incentives that reduce hospital inpatient utilization and increase the use of outpatient services and out-of-hospital care. Shifts in third-party payor policies and the need for hospitals to adapt to changing and complex payment arrangements have had and will continue to have a significant impact upon the economic performance of UMCC. The financial condition of UMCC is also threatened by particular pressures resulting from the current economic crisis, including risks of: increased pressure on the federal government to decrease Medicare funding, on the federal and state governments to decrease Medicaid funding and on employers to reduce healthcare coverage and increase deductibles; increased unemployment, uncompensated care and bad debt; and decrease in return on investments, and increased inflation.

Healthcare Reform Initiatives

Healthcare reform has been identified as a priority by business leaders, public advocates, political leaders and candidates for office at the federal, state and local levels. Proposals include: (1) establishing universal healthcare coverage or purchasing pools; (2) modifying how hospitals, physicians and other healthcare providers are paid; and (3) evaluating hospitals, physicians and other healthcare providers on a variety of quality and efficacy standards to support pay-for-performance systems. Other initiatives affecting hospitals as major employers include: (1) imposing higher minimum or living wages; (2) enhancing occupational health and safety standards; and (3) penalizing employers of undocumented immigrants. Health care reform is a priority for the current presidential administration. The administration included multiple health care proposals in the proposed 2010 federal budget. These proposals include accelerating the adoption of health information technology, expanding and investing in medical research, investing in health care personnel in shortage areas, and increasing Medicare fraud and abuse efforts. The American Recovery and Reinvestment Act of 2009 also included substantial appropriations for research and health information technology. President Obama signed into law the American Recovery and Reinvestment Act of 2009 (the "***Reinvestment Act***"). The Reinvestment Act includes several provisions that are intended to provide financial relief to the health care sector, including an increase through December 31, 2010 in Federal payments to states to fund the Medicaid program, a requirement that states promptly reimburse healthcare providers, and a subsidy to the recently unemployed for health insurance premium costs. The Reinvestment Act also establishes a framework for the implementation of a nationally-based health information technology program, including incentive payments commencing in 2011 to healthcare providers to encourage implementation of health information technology and electronic medical records. On March 11, 2009, House committee chairmen indicated they have agreed upon a timetable to move reform legislation and that they would work closely with the Senate and the White House to ensure reform is enacted. The committee chairmen from the House Ways and Means, Energy and Commerce, and Education and Labor committees also committed to passing health care reform legislation before the August congressional recess. The Senate Finance committee is on a similar timetable and aims to have a health care reform bill marked up and approved by July 4, 2009. Both chambers are likely to consider separate pieces of legislation. Legislation or regulation on any of the above or related topics could have a material adverse effect on UMCC and, in turn, its ability to make payments under the Bond Indenture and the Series 2009 Note.

Medicare Reimbursement and Related Federal Legislation

Background. The health care industry is highly dependent on a number of factors, which may affect UMCC. Among other things, participants in the health care industry are subject to: (i) significant regulatory requirements of federal, state, and local governmental agencies; (ii) standards of independent professional organizations and accrediting bodies; (iii) technological advances and changes in treatment modalities; (iv) various competitive factors; (v) significant numbers of uninsured patients which hospitals are required to provide care for, with minimal reimbursement likely; (vi) social policy decisions to introduce more market-based factors into health care to shift more responsibility to covered individuals and thereby reduce utilization, which increases the proportion of hospital reimbursement subject to hospital collection efforts (e.g., HSAs and "consumer-driven health care" models); and (vii) changes in third party payment programs.

Congress is frequently engaged in intense debate over federal budget commitments, and in particular, the extent of the government's financial commitment to the Medicare and Medicaid programs. Discussed below are certain of these factors that could have a significant impact on the future operations and financial condition of UMCC. It is difficult to predict the effect of these factors on the operations of UMCC; however, the factors described below could have a negative impact on such operations and such effect could be material.

Medicare and Medicaid Program. Medicare and Medicaid are the commonly used names for hospital reimbursement or payment programs governed by certain provisions of the federal Social Security Act. Medicare is an exclusively federal. Medicaid is jointly funded by federal and state government and is administered by state administrative agencies.

Hospital benefits are available under the Medicare program and each participating state's Medicaid program, within prescribed limits, to persons meeting certain minimum income or other eligibility requirements including children, the aged, the blind and/or disabled. Medicare provides certain health care benefits to beneficiaries who are 65 years of age or older or disabled, or qualify for the End Stage Renal Disease Program. Medicaid is designed to pay providers for medical care given to the indigent.

Health care providers have been and will be affected significantly by changes made in the last several years to federal health care laws and regulations, particularly those pertaining to Medicare and Medicaid. The purpose of much of the recent statutory and regulatory activity has been to limit or reduce government health care costs, particularly costs 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, and have caused significant reductions in reimbursement from these programs.

Medicare. Medicare is administered by the Centers for Medicare and Medicaid Services ("***CMS***"), an agency of the U.S. Department of Health and Human Services ("***DHHS***"), which delegates to the states the process for certifying those organizations to which CMS will make payment. The DHHS's rule-making authority is substantial and the rules are extensive and complex. Substantial deference is given by courts to rules promulgated by DHHS.

Medicare claims are processed by non-government organizations or agencies that contract to serve as the fiscal agent between providers and the Federal government to locally process Medicare's institutional and provider claims. These claims processors are known as Medicare Administrative Contractors ("***MACs***"). They apply the Medicare coverage rules to determine the appropriateness of claims. CMS selects organizations (generally insurance companies) to act as MACs in various states or regions, and enters into a "prime contract" with each. Most Medicare services are provided through a fixed rate per case program under the reimbursement methods described below. Some Medicare recipients, however, enroll in Medicare managed care plans, which may reimburse providers on a capitated or other basis. Institutions which participate in the Medicare program must agree to be bound by the terms and conditions of participation in the program such as meeting the quality standards for rendering covered services and adopting and enforcing policies to protect patients from certain discriminatory practices.

For the fiscal years ended June 30, 2007 and June 30, 2008, Medicare net patient service revenues represented approximately 33% and 31%, respectively, of the combined net patient service revenues of UMCC. See "APPENDIX A - SUMMARY OF HISTORIC REVENUE EXPENSES – Services at Patient Revenues."

Medicare Inpatient Hospital Operating Costs Reimbursement. Under the Medicare programs, acute care hospitals are paid under Medicare Part A for inpatient hospital services furnished to Medicare beneficiaries under a prospective payment system ("***PPS***"). Under the inpatient PPS, hospitals are paid a predetermined fixed payment amount for each hospital discharge. This fixed payment amount is based on the Diagnosis Related Group ("***DRG***") of each Medicare patient. Every DRG is based on national averages of costs for categories of diagnoses, procedures and other factors assigned to each Medicare patient. The amount to be paid for each DRG is established prospectively by CMS and is not, with certain exceptions, related to a hospital's actual costs or variations in service or length of stay. The actual cost of care, including capital costs, may be more or less than the DRG rate. The DRG assignment also affects the predetermined capital rate paid with each DRG. The DRG and capital payment rates are adjusted annually by a predetermined geographic adjustment factor for the geographic region in which a particular hospital is located and are weighted based upon a statistically normal distribution of severity of services furnished. Such reimbursement in recent years has been subject to changes that have adversely affected hospitals. Reimbursement for outpatient, rehabilitation and other services are based on alternative calculations, which similarly may not cover all actual costs. Other third party payers have begun implementing their own limitations on reimbursement payable to hospitals to avoid such costs shifting to them.

Historically, DRG payments have been adjusted annually based on the hospital "market basket" index, or the cost of providing health care services. For federal fiscal years 2001, 2004, 2005 and 2006, acute inpatient PPS ("***IPPS***") hospitals received the full "market basket;" however, historically Congress has modified the increases and given substantially less than the increase in the "market basket" index. Additionally, hospitals' Medicare margins have dropped every year since 1997. The annual payment updates for IPPS hospitals are tied to the submission of ten quality indicators established by DHHS. Hospitals that do not submit the required quality data on a timely basis will receive a lower payment update for the fiscal year in question.

On August 1, 2007, CMS published its IPPS final rule for federal fiscal year 2008. In the rule, CMS adopted a new Medicare severity diagnosis-related group ("***MS-DRG***") classification system intended to better recognize the severity of illness. CMS has created 745 new MS-DRGs to replace the prior 538 DRGs. While projected aggregate spending will not change, payments will increase for hospitals serving more severely ill patients and decrease for hospitals serving patients who are less severely ill. Also, Medicare inpatient rates for operating expenses will increase by 3.3% in fiscal year 2008 for hospitals that report quality data to CMS. In the final rule CMS added certain new quality measures that hospitals must report beginning in calendar year 2008 in order to qualify for the full market basket update. Payments to hospitals that do not report quality information are reduced by 2.0%. The final rule is effective for discharges occurring on or after October 1, 2007. In addition, CMS implemented a provision in the Deficit Reduction Act of 2005 (Pub. L. 109-171) intended to prevent Medicare from paying additional costs of treating hospital-acquired conditions, including infections, during a hospital stay. Beginning in fiscal year 2009, cases involving eight specified conditions will not be paid at a higher rate unless they were present on admission. UMCC cannot make any assurance that these changes will not have a material adverse impact on its hospital business, financial condition and results of operations.

On July 31, 2008, CMS posted the 2009 IPPS final rule. The rule updates Medicare payments to hospitals for fiscal year 2009 and provides additional incentives for hospitals to improve the quality of care provided to Medicare beneficiaries. The final rule implements a market basket rate increase of 3.6% for hospitals that reported quality data on 30 specified quality measures in fiscal year 2008. Hospitals that failed to report such data will receive a 1.6% increase. For determining payment in fiscal year 2010, CMS increases to 42 the number of quality measures on which hospitals will need to report in 2009 to receive the full market basket update. In the final rule, CMS adds three more conditions to the list of hospital-acquired conditions for which the agency will not pay the additional cost of hospitalization. UMCC cannot make any assurance that these changes will not have a material adverse impact in its hospital business, financial condition and results of operations.

Included as part of the hospital IPPS is a transfer payment policy pursuant to which a hospital that transfers a Medicare beneficiary with one of 30 designated DRGs to a post-acute setting is paid a graduated per diem rate for each day of the patient's stay rather than the applicable DRG amount. However, such per diem payment is capped at the full applicable DRG amount. The receiving facility is reimbursed on the basis of its applicable PPS amount. Effective for cost reporting periods beginning on or after October 1, 2005, the criteria for determining qualifying DRGs for purposes of the transfer payment policy changed significantly resulting in a significant increase in the number of qualifying DRGs – from 30 to 182. There can be no assurance that the Medicare reimbursement received by UMCC for inpatient services provided to Medicare beneficiaries will cover the actual costs of providing the services.

Capital Costs. As noted above, 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. Capital costs are reimbursed exclusively on the basis of a standard federal rate (based upon average national costs of capital), subject to certain adjustments (such as for disproportionate share, indirect medical education and outlier cases) specific to the hospital.

There can be no assurance that future capital-related PPS payments will be sufficient to cover the actual capital-related costs of UMCC's facilities applicable to Medicare patient stays or to provide adequate flexibility in meeting changing capital needs.

Graduate Medical Education Cost Reimbursement. Medicare pays for direct graduate medical education ("***GME***") costs for teaching hospitals with an approved medical residency-training program. GME reimbursement amounts are determined by using the weighted average number of full-time equivalent ("***FTE***") residents in the program multiplied by a hospital-specific base year adjusted per resident amount and the number of Medicare inpatient bed days associated with each cost reporting period.

Medicare also reimburses prospective payment hospitals for indirect costs of providing medical education. Medical education reimbursement is intended to offset the costs incurred by hospitals in delivering patient care that are attributable to their teaching missions. These costs include the overall complexity of cases treated at teaching hospitals and the associated costs attributable to the training and teaching of medical residents in teaching programs. There can be no assurance that payments to UMCC for providing medical education will be adequate to cover the cost attributable to graduate medical education programs.

Outpatient Services. Outpatient services continue to expand dramatically, as government and private commercial payers seek to shift more patient services to the less costly outpatient setting. Outpatient hospital services are paid under Medicare Part B on the basis of predetermined rates based upon Ambulatory Patient Classification Groups ("***APCs***") for such services. The payment rate established for each APC is based upon national median hospital costs (including operating and capital costs) adjusted for variations in hospital labor costs across geographic areas. Depending on the services provided, hospitals may be paid for more than one APC per patient encounter. CMS makes additional payment adjustments under an outpatient PPS ("***OPPS***") including: (i) outlier payments for services where the hospital's costs exceed a threshold amount determined by CMS for that service and (ii) transitional pass-through payments for certain drugs and medical devices. Outpatient payment rates to hospitals are adjusted annually and, like IPPS reimbursements, are subject to potential future reductions. There can be no assurance that the hospital OPPS rate, which bases payment on APC groups rather than on individual services, will be sufficient to cover the actual costs of UMCC allocable to Medicare patient care. Significant reductions in pass-through payments for certain drugs and medical devices have occurred since the program's inception in 2000. Such a system would cause a hospital with costs above the payment rate to incur losses on such services provided to Medicare beneficiaries. Because of the fixed nature of this reimbursement for outpatient services, the ultimate effect on UMCC depends upon the ability of UMCC to control the costs of providing such services. Additionally, as the APC prospective payment program is relatively young, CMS makes significant program, regulatory and payment category changes annually, which require hospitals to rapidly change policies and practices to minimize possible revenue losses when new rules take effect. Congress or regulators in the future may impose additional limits or cutbacks in such payments or modify the method of calculating such payments.

On November 1, 2007, CMS released a final rule with comment period updating the OPPS, effective for those services furnished in calendar year 2008. Under the final rule, hospitals have to report on seven quality measures in order to avoid a two percentage point reduction in their 2009 OPPS market basket updates. On October 30, 2008, the CMS issued a final OPPS rule with comment period, updating payment policies and rates for hospital outpatient departments for calendar year 2009. The Rule includes: a 3.6% annual inflation update for hospital outpatient departments and changes to the Hospital Outpatient Quality Data Reporting Program ("***HOP-QDRP***"). CMS also describes a healthcare-associated conditions payment policy that it plans to propose that would not pay for medical care in a hospital outpatient department that harms patients or leads to complications that could have been prevented. In addition, CMS is seeking public comment regarding potential changes to the revenue code-to-cost center crosswalk upon which OPPS cost estimation is based. CMS is also attempting to strengthen ties between payment and quality by: 1) reducing the CY 2009 payment update factor for most services for hospitals that failed to meet the requirements of the HOP QDRP for CY 2009 as well as beneficiary cost-sharing for these services; 2) adding four imaging efficiency quality measures that hospitals will be required to report; and 3) implementing a voluntary test validation program to review the accuracy of hospital-reported quality data. CMS is making the following changes to APCs: 1) establishing five imaging composite APCs that provide a single APC payment when

multiple imaging procedures are provided in a single session using the same imaging modality; 2) adopting four new APCs for certain Type B (i.e., not open round-the-clock) emergency department visits; and 3) adopting two separate Partial Hospital Program rates calculated using cost data from hospitals. These and future changes in the OPPS payment rules may negatively affect hospitals' reimbursement for Medicare Part B services.

Home Health Payment. Since October 1, 2000, payments for home health services have been based on a federal PPS rate. Medicare pays home health providers a predetermined base payment, adjusted to the health condition of the beneficiary. On August 29, 2007, CMS announced a 3.0% increase in Medicare payment rates to home health providers for calendar year 2008. The Deficit Reduction Act of 2005 provides for a 2 percent reduction in an home health provider's market basket increase if certain quality measure data is not submitted to CMS. For CY 2007, CMS identified 10 required quality measures to be reported in order to receive the full update. In the CY 2008 Home Health PPS Final Rule, CMS adopted 2 additional quality measures and requires that the 12 quality measures be reported for a full home health market basket increase beginning in 2008. Pursuant to a final rule published in the November 3, 2008 Federal Register, the Medicare payment rate increase for 2009 is 2.9% for those home health providers who properly reported quality data in 2008. The same 12 quality measures must be reported in 2009 to receive the full payment update in 2010. Revenues received by UMCC for providing such services to Medicare beneficiaries may not always be sufficient to cover their costs for providing such services.

Physician Payment. Physicians may elect to "participate" or enroll in the Medicare program as a provider. Medicare Part B provides reimbursement for physician services, including employed and provider-based physicians, based upon a national fee schedule called the Resource-Based Relative Value Scale ("***RBRVS***"). Under the RBRVS system, payments for services are determined by the "resource costs" necessary to provide such services. Payments also are adjusted for geographical differences. The costs also have three components: physician work, practice expense and professional liability insurance. Payments are calculated by multiplying the combined costs of a service by a conversion factor. The conversion factor is a monetary amount that currently is determined by CMS's Sustainable Growth Rate ("***SGR***") system. The SGR system annually takes into account changes in the Medicare fee-for-services enrollment, input prices, spending due to law and regulation, and gross domestic product, effectively changing the RBRVS on an annual basis. Since 2002, the SGR system has resulted in CMS cuts to physician reimbursement. Each year since 2003, Medicare law has mandated a payment cut, but Congress has separately reversed these cuts by intervening with temporary legislation.

On November 1, 2007, CMS published the Medicare Physician Fee Schedule ("***MPFS***") final rule for calendar year 2008; applicable to services rendered on or after January 1, 2008. The annual update to the MPFS amounted to a 10% across-the-board cut in physician reimbursement rates under the fee schedule. In December 2008, Congress acted to reverse this reduction in the Medicare, Medicaid and SCHIP Extension Act of 2007 ("***MMSEA***"). The MMSEA included a .5% increase for physician payments through June 30, 2008. Thereafter, Congress passed the Medicare Improvements for Patients and Providers Act of 2008, which eliminates the 10% reduction for the rest of 2008 and funds a 1.1% increase in payments to physicians in 2009 by reducing payments to Medicare Advantage Plans. Accordingly, the 2009 MPFS, published October 30, 2008 increases payment rates for physician fee schedule services by 1.1 % in 2009, instead of decreasing by 5.4 % as projected under the proposed rule. CMS also implemented improvements to the Physician Quality Reporting Initiative, offering a 2.0 % payment increase incentive to physicians who successfully report on their cases. Further legislation will be necessary in future years in order to prevent pending significant reductions in Medicare payments for physician services. There can be no assurance that Congress and CMS will take the necessary action to prevent pending significant reductions in physician fee schedule payments that would have a material adverse impact on the level of reimbursement received by physicians associated with UMCC, which could result in diminished revenues received by UMCC's hospital from the provision of health care services to Medicare beneficiaries. There is no guarantee that future reimbursement under RBRVS will cover UMCC's actual costs of providing physician services to Medicare patients.

Further, physicians who opt not to participate in the Medicare program also may provide care to Medicare beneficiaries, but will be reimbursed at a lower fee schedule. Regardless of physician enrollment status, all physicians who furnish health care services to Medicare beneficiaries must meet the full gamut of federal coding, documentation and other compliance requirements. In general, the professional staff members of UMCC are participating physicians in the Medicare program.

Provider-Based Standards. The Medicare program pays certain facilities and services, including, for example, SNFs and physician offices and clinics, differently depending upon whether they are "provider-based" or "freestanding." A "provider-based" facility or service is an integral part of another provider, such as a hospital. To qualify as "provider-based," facilities must meet a number of enumerated requirements to demonstrate integration

with the main provider. "Provider-based" facilities must also adhere to all the Medicare conditions of participation applicable to the main provider. Provider-based designation can result in additional Medicare payments for services furnished at the provider-based location and also may increase the co-insurance liability of Medicare beneficiaries for those services. "Freestanding" providers are not considered part of another provider under the Medicare program and stand on their own for purposes of Medicare certification and payments. For any given facility or service, it is probable that one classification or the other will result in higher aggregate Medicare payments for the system as a whole.

Effective October 1, 2002, the mandatory requirement to obtain provider-based designation was replaced with a voluntary attestation process. Nevertheless, providers may elect to obtain a determination of provider-based status prior to billing in that manner, thereby reducing the risk of incorrect billing and reimbursement for services provided to Medicare beneficiaries. UMCC believes that all facilities or services, which currently are or have been treated as provider-based, met and continue to meet all applicable criteria for such designation. However, should a determination be made to the contrary, reclassification of entities now characterized as "provider-based" to "freestanding" may adversely affect those entities' payments received from the Medicare Program and could make them liable for Medicare overpayments. Such a determination could also jeopardize future Medicare payments.

Medicaid

Background. Medicaid is a joint federal-state reimbursement program for individuals meeting certain income and other eligibility criteria. Unlike Medicare which is an exclusively federal program, Medicaid is a partially federally-funded state program of medical care for the poor. States obtain federal funds for their Medicaid programs by obtaining the approval of CMS of a "state plan" which conforms to Title XIX of the Social Security Act and its implementing regulations. Within broad national guidelines which the Federal government provides, each of the states establishes its own eligibility standards, determines the type, amount, duration, and scope of services, sets the rate of payment for services, and administers its own program. Thus, the Medicaid program varies considerably from state to state, as well as within each state over time. After its state plan is approved, a state is entitled to federal matching funds for Medicaid expenditures.

Arizona Health Care Cost Containment System ("AHCCCS"). AHCCCS is Arizona's alternative to the Medicaid program. AHCCCS is funded with contributions from Arizona county governments, the State of Arizona and the federal government. AHCCCS awards contracts to private healthcare plans ("***AHCCCS Plans***") to arrange for the provision of hospital and physician services on a prepaid managed care basis to indigent, medically needy and certain other categories of eligible individuals for a prepaid, per capita monthly fee. Such eligible persons are enrolled with the AHCCCS Plans. The AHCCCS Plans, in turn, subcontract with hospitals, physicians and other healthcare providers to provide services.

AHCCCS/Hospital Reimbursement. Unless otherwise provided in a contract between an AHCCCS Plan and a hospital, AHCCCS Plans currently reimburse hospitals for impatient services on a tiered per diem basis. The per diem rate is based generally upon the severity of the patient's condition; the payment does not vary based upon the intensity of services required by such patient. These rates, which apply uniformly to all Arizona hospitals (except for certain hospital-specific capital components), generally represent a substantial discount from usual charges, and, depending on the cost structure of a particular hospital, generally does not cover the cost of providing services. Commencing on July 1, 2005, AHCCCS payments for outpatient services are based on a fee schedule similar to Medicare. AHCCCS Plans may pay physicians and other health care providers on a negotiated basis, and frequently pay physicians, particularly primary care physicians, on a capitated prepaid basis to provide all necessary services to a specified number of enrollees.

Like Medicare HMOs, AHCCCS Plans present challenges for healthcare providers comparable both to those posed by private contracted managed care plans and government funded health care programs. The Arizona Legislature has repeatedly enacted legislation that has resulted in reductions in payments to AHCCCS providers with respect to various services, and in June of 2008 the State imposed a freeze on AHCCCS reimbursement and a reduction of AHCCCS outlier reimbursement for the fiscal year that ends on June 30, 2009. Management of UMCC estimates that these AHCCCS reimbursement reductions will reduce UMCC's patient service revenues by approximately $7 million below anticipated levels during this period of time. UMCC anticipates continued deficits in the State budget in 2010. Due to this deficit and the continued State imposed rate freezes on AHCCCS reimbursements, UMCC expects a reduction in patient service revenues of approximately $10 million in 2010. There can be no assurance that UMCC's patient service revenues will not be substantially adversely affected by any future amendments and revisions to AHCCCS.

As of June 30, 2008, reimbursement from AHCCCS accounts for approximately 23% of the net patient service revenue of UMCC. See "APPENDIX A - SUMMARY OF HISTORIC REVENUE EXPENSES – Services at Patient Revenues." There is increasing governmental pressure to reduce reimbursement and/or tighten current eligibility standards. There can be no assurance that the UMCC's patient service revenues will not be adversely affected by any future amendments and revisions to the AHCCCS.

Future Federal Legislation

Future legislation, regulation, or other actions by the federal government are expected to continue the trend toward more restrictive limitations on reimbursement for healthcare services. Legislation is periodically introduced in Congress which could result in limitations on healthcare revenues, reimbursement and costs or charges. At present, no determination can be made concerning whether, or in what form, such legislation could be introduced and enacted into law. Similarly, the impact of future cost control programs and future regulations upon UMCC's forecasted financial performance cannot be determined at this time.

Any changes to the Medicare and Medicaid programs could result in substantial reductions in the amounts of Medicare and Medicaid payments to healthcare providers in the future which could substantially reduce the revenues available to UMCC, and any reduction in the levels of payment in these government payment programs could substantially adversely affect UMCC's financial condition and ability to fulfill its obligations securing the Series 2009 Bonds.

Congress is also studying a number of questions relating to organizations whose income is exempt from federal income taxation, such as UMCC. On February 12, 2009 the Internal Revenue Service ("***IRS***") released a long-awaited report regarding the hospital industry, focusing on non-profit, tax-exempt entities. The report is expected to inspire further Congressional debate and study of such entities. Such study may result in additional requirements which UMCC must meet in order to maintain its tax-exempt, not-for-profit status. One proposal which has been made is that tax-exempt organizations which are hospitals be required to provide a certain level of indigent care. As revealed by the IRS study, currently a small number of non-profit hospitals furnish most of the indigent care. Whether as a result of the study now being conducted or otherwise, Congress can at any time impose additional requirements on tax-exempt organizations. Should Congress impose any new requirements on tax-exempt organizations, such as UMCC, including any requirements relating to indigent care, it is not certain that (i) UMCC would be able to meet such requirements, or (ii) if it should meet such requirements, it would not suffer adverse economic consequences in doing so.

Regulation of Healthcare Industry

General. The health care industry is highly dependent on a number of factors. Among other things, participants in the healthcare industry 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 which could have a significant effect on the future operations and financial condition of UMCC.

Investigations of Billing and Reporting Practices. Hospital providers of Medicare and Medicaid covered services must file annual cost reports with their MACs and state agencies, either by mail or electronically. Cost reports serve to document costs associated with patient care that are "reasonable, necessary and proper." Reasonable costs take into account a hospital's direct and indirect costs for patient care, including general and administrative activities. Certain costs, even though associated with patient care, cannot be included in annual cost reports. Allowable costs are determined in accordance with numerous complicated and technical rules. Submitting cost reports that include disallowed costs is a special risk area for hospitals. Failure to abide by these cost reporting rules may result in civil monetary fines, penalties and sanctions under the False Claims Act or similar state statutes as described herein.

In addition to disallowed costs, other billing practices related to Medicare and Medicaid claims may implicate the federal False Claims Act and other federal and state civil and criminal statutes. The claim process for federal health care programs is subject to highly detailed statutory and regulatory requirements. Certain billing practices such as unbundling, upcoding, duplicate billing, etc., can implicate false claims statutes, leading to a wide range of civil, administrative and criminal penalties, all of which are not exclusive of one another. Penalties can

range from $5,000 to $11,000 for each false claim submitted, and payment of up to three times the amount of damages (false claims) sustained by federal health care programs. In addition, another penalty under the False Claims Act is exclusion from participation in federal health care programs. Exclusion can be mandatory or permissive, depending on the circumstances and can have a serious impact on health care providers where Medicare or Medicaid represents a significant part of their business.

State Children's Health Insurance Program The State Children's Health Insurance Program ("***SCHIP***") is a federally funded insurance program for children whose families exceed the income threshold for Medicaid eligibility, but cannot afford commercial health insurance. CMS administers SCHIP, but each state creates its own program based upon minimum federal guidelines. A SCHIP program can either be part of a state's Medicaid program, or a completely separate state program. Each state must periodically submit its SCHIP plan to CMS for review to determine if it meets the federal requirements. If it does not meet the federal requirements, a state can lose its federal funding for its program.

On February 4, 2009 the U.S. House of Representatives approved the Children's Health Insurance Program Reauthorization Act of 2009 ("***H.R. 2***"), extending SCHIP for another 4½ years. The act will cover 7 million children currently enrolled and an additional 4 million eligible children, and cost $32.8 billion, to be funded wholly by a 62-cent increase on federal tobacco taxes. Of the contested legislative provisions, the removal of the 5-year waiting period for legal immigrant children and pregnant women, and the expansion of SCHIP coverage to include families with incomes at 300% of the federal poverty level, remained in the final version. Excluded from the final legislation was language contained in the House's initial version of the legislation, that would have banned physician self-referrals to hospitals in which they have an ownership interest.

Federal "Fraud and Abuse" Laws and Regulations. Health care fraud and abuse laws at the federal and state levels regulate both the provision of services to government program beneficiaries and the submission of claims for services rendered to such beneficiaries. Individuals and organizations can be punished for submitting claims for services that were not provided, not medically necessary, provided by an improper person, accompanied by an illegal inducement to utilize or refrain from utilizing a service or product, or billed in a manner that does not comply with applicable government requirements. Congress has extended the scope of certain fraud and abuse laws to include private health care plans.

Federal and state governments have a range of criminal, civil and administrative sanctions available to penalize and remediate health care fraud and abuse, including recoveries of amounts paid to the provider or multiples thereof, imprisonment, exclusion of the provider from participation in the Medicare/Medicaid programs, civil monetary penalties and suspension of payments. Fraud and abuse cases may be initiated and prosecuted by one or more government entities, and in the case of *qui tam* lawsuits by private individuals, and more than one of the available penalties may be imposed for each violation. The federal government has made the investigation and prosecution of health care fraud and abuse a priority, and Congress has authorized significant funding of this effort. As a result, there have been a substantial number of investigations, prosecutions and civil enforcement proceedings of health care-related fraud and abuse in recent years. Additionally, many states prohibit remuneration (in cash or kind) for patient referrals where ultimately an insurance company will pay claims.

Laws governing fraud and abuse apply to virtually all individuals and entities with which a health care provider does business, including hospitals, home health agencies, long-term care entities, infusion providers, pharmaceutical providers, insurers, health maintenance organizations, preferred provider organizations, third party administrators, physicians, physician groups, physician practice management companies, ambulatory care entities, laboratories, diagnostic testing facilities and suppliers of medical items and services.

Federal Criminal Fraud and Abuse Liability. Both individuals and organizations are subject to prosecution under the criminal fraud and abuse statutes. Criminal conviction for an offense may result in substantial fines and/or the provider's exclusion and debarment from all government programs.

Criminal False Claims Act. The criminal False Claims Act ("***Criminal FCA***") prohibits anyone from knowingly submitting a false, fictitious or fraudulent claim to the federal government. There are numerous specific rules that a health care provider must follow with respect to the submission of claims. Violation of the Criminal FCA can result in imprisonment of five years and a fine of up to $250,000 for an individual or $500,000 for an organization.

Anti-Kickback Law. The federal Anti-Kickback Law is a criminal statute that prohibits anyone from knowingly and willfully soliciting, receiving, offering or paying any remuneration, directly or indirectly, overtly or covertly, in cash or in kind, in return for or to induce (1) a referral or (2) the purchasing, leasing, ordering or arranging for/or recommending the purchase, lease or order of any item or service that is covered by a federal or state health care program. Generally, courts have taken a broad interpretation of the scope of the Anti-Kickback Law. Courts have held that the Anti-Kickback Law may be violated if merely one purpose of a financial arrangement is to induce future referrals of federal or state health care program covered items or services. The Anti-Kickback Law applies to virtually every person and entity with which a hospital does business. The scope and enforcement of these provisions have been strengthened by other recent legislation. In recent years, the Anti-Kickback Law has been aggressively enforced.

The criminal sanctions for a conviction under the anti-kickback provisions are imprisonment for not more than five years, a fine of not more than $25,000 for each offense, or both, for each incident or offense, although this fine may be increased to $250,000 for individuals and $500,000 for organizations. If a party is convicted of a criminal offense related to participation in the Medicare program or any state health care program, or is convicted of a felony relating to health care fraud, the Secretary of DHHS is required to bar the party from participation in federal health care programs and to notify the appropriate state agencies to bar the individual from participation in the state health care programs.

In addition, the Office of Inspector General ("***OIG***") of DHHS has the authority to impose civil assessments and fines and to exclude hospitals engaged in prohibited activities from the Medicare, Medicaid, TRICARE (a health care program providing benefits to dependents of members of the uniformed services), and other federal health care programs for not less than five years. In addition to certain statutory exceptions to the Anti-Kickback Law, the OIG has promulgated a number of regulatory "safe harbors" under the Anti-Kickback Law designed to protect certain payment and business practices. Arrangements that do not comply with all of the strict requirements of the safe harbors are not necessarily illegal. Arrangements that do not comply with the statutory exceptions or regulatory safe harbors, however, subject the participants to a risk of prosecution due to the broad language of the statute.

Section 13-3713 of the Arizona Revised Statutes, as a amended (the "***Arizona Anti-Kickback Statute***"), provides that it is a felony to knowingly offer, deliver, receive or accept any rebate, refund, commission, preference or other consideration as compensation for referring a patient, client or customer to any individual, pharmacy, laboratory, clinic or health care institution providing medical or health-related services or items.

UMCC, like many hospitals participating in the Medicare and Medicaid programs, may have entered into arrangements with other health care providers that may not meet all of the requirements of the "safe harbor" regulations. Management of UMCC believes UMCC's arrangements promote efficient and quality health care delivery and comply with the Anti-Kickback Law and state anti-kickback statutes, if any; however, no assurance can be given that regulatory authorities will not take a contrary position. In the event regulatory authorities determine that any such arrangements violate the Anti-Kickback Law and/or the applicable state anti-kickback statutes, UMCC could be subjected to substantial criminal and civil penalties, as well as excluded from continuing participation in the Medicare and Medicaid programs. Furthermore, services provided at UMCC facilities by physicians involved in such arrangements could be deemed as unnecessary by the Medicare and/or Medicaid programs, thereby causing all claims submitted to these programs to be deemed to be false claims and subjecting UMCC to additional penalties under the False Claims Act.

The lack of definition in the Anti-Kickback Law and Arizona Anti-Kickback Statute and their enforcement can have a chilling effect on contractual arrangements of UMCC that would otherwise be financially beneficial. The imposition of penalties against UMCC or exclusion from the Medicare or Medicaid programs under the Anti-Kickback Statute or Arizona Anti-Kickback Statute could have a material adverse impact on the financial condition of UMCC and its continued participation in the Medicare and/or Medicaid program.

Civil Fraud and Abuse Liability. Unlike criminal statutes, which require the government to prove that the health care provider intended to violate the law, civil statutes may be violated simply by the provider's participation in a prohibited financial arrangement or the provider having knowledge that its claims procedures are not in full compliance with the law.

Civil False Claims Act. The Civil False Claims Act ("***Civil FCA***") allows the federal government to recover significant damages from persons or entities that submit fraudulent claims for payment to a federal agency.

The government may assess penalties of up to three times the amount of the erroneous payment plus mandatory penalties between $5,500 and $11,000 for each false claim submitted. It also permits private individuals to initiate actions on behalf of the government in lawsuits called *qui tam* actions. These *qui tam* plaintiffs, or "whistleblowers," can recover significant amounts from the damages awarded to the government.

In September 2007, the False Claims Act Correction Act of 2007 was intorduced. The legislation would have repealed the current requirement that a false claim be presented to a government employee for payment before liability may be imposed. The bill would also have impeded dismissal of *qui tam* cases on the grounds that the cases are founded on public knowledge, permitted the U.S. Department of Justice to share information regarding false claims investigations with other federal, state and local law enforcement authorities, as well as *qui tam* relators, and allowed government employees to bring *qui tam* actions under certain conditions. The U.S. House of Representatives version of the bill would have changed the statute of limitations from six to eight years, but would not have given government employees the explicit authority to bring *qui tam* actions. These bills expired without vote at the end of Congress' 2007-2008 session. In February 2009, the Fraud Enforcement and Recovery Act of 2009 (S. 386) was introduced. The bill would change the language of the current FCA to eliminate terminology that has been construed to limit FCA violations to actual knowledge that the claims will be paid by the government. By eliminating terms such as "intending to defraud," the bill would increase the scope of the FCA to ensure that contractors and subcontractors paid with government funds are liable for proven frauds, even when they have not presented claims directly to the government.

The federal government is using the False Claims Act and the threat of significant financial liability in its investigations of providers throughout the country for a wide variety of Medicare billing practices, as well as purported violations of the Stark and Anti-Kickback laws involving, among other things, hospital-physician relations. Since 1986, the federal government has used the False Claims Act to recover over $20 billion. Most recently, approximately $2 billion was recovered for fiscal year 2007, with health care fraud accounting for over $1 billion. Given the significant size of the actual and potential settlements, it is expected that the government will continue to devote substantial time and effort towards investigating allegations of health care fraud.

The federal agencies charged with investigation of health care fraud and abuse include the OIG, the United States Department of Justice, and the Federal Bureau of Investigation. Recent laws have provided these entities with a broad range of discovery and investigatory tools, for investigations and audits into health care fraud.

The DRA provides financial incentives for states to enact their own false claims acts. The DRA provides that a state that has a false claims statute that meets certain minimum standards in effect on January 1, 2007, earns an additional 10% of any Medicare/Medicaid funds recovered under that statute. This provision creates a strong incentive for states to enact their own false claims statutes. Currently, 23 states have enacted their own false claim statutes. In large part because of the enactment of the DRA, additional states have false claims legislation pending. Allegations of False Claims Act violations or similar state laws, or even investigations of such allegations, whether or not UMCC is successful in defending such allegations could materially affect the financial condition of UMCC.

Restrictions on Physician Referrals. The Physician Self-Referral Statute ("***Stark Law***") prohibits a physician from referring a Medicare or Medicaid patient to an entity with which the physician (or an immediate family member) has a "financial relationship" for certain "designated health services," unless the financial relationship meets the requirements of certain exceptions. The statutory definition of "designated health services" includes all inpatient and outpatient hospital services. The Stark Law defines "financial relationship" broadly to include ownership and compensation arrangements. Unlike the Anti-Kickback Statute, the Stark Law does not require wrongful intent or culpable conduct on the part of one or both parties.

If a prohibited financial relationship exists, the physician may not refer Medicare or Medicaid patients to an entity for certain designated health services and the entity may not present a claim for such services. If a Medicare fiscal intermediary, carrier or administrative contractor determines that there has been a Stark Law violation, it must deny payment, and the physician and entity must refund any amounts collected from any individual. Further, DHHS may seek civil monetary penalties of up to $15,000 for each illegal referral and up to $100,000 for each offense consisting of a scheme designed to circumvent the Stark Law requirements. If Stark Law violations are prosecuted under the Civil FCA, the potential liability would be increased. Penalties may be assessed against either the referring physician or the entity that receives the prohibited referral, or both. In addition to the Stark Law, many states have also adopted self-referral laws.

On September 5, 2007, CMS published Phase III of the final Stark II regulations ("***Phase III***"), which became effective on December 4, 2007. The final rule replaces the Phase I and Phase II regulations and includes significant changes to the physician recruitment exception as well as revisions to the fair market value definition to eliminate the hourly payments safe harbor and clarifications to the lease of space and equipment exceptions to specify what provisions in such agreements can be amended during initial and subsequent lease terms. In addition, Phase III revised the distinction between indirect and direct compensation relationships such that many relationships will now be deemed to be direct relationships which means that the indirect compensation exception will be inapplicable. Phase III also makes certain changes to protections to certain physician recruitment and retention arrangements.

On July 31, 2008, CMS posted for public viewing the 2009 IPPS final rule, which includes a number of new and revised Stark provisions. The final rule covers a number of issues, including: "stand in the shoes," percentage based compensation arrangements, unit based ("***per click***") leasing arrangements, period of disallowance, alternative methods of compliance with signature requirements, "under arrangements" relationships, malpractice insurance subsidies for obstetrical services, ownership interests in retirement plans, and burden of proof. Pursuant to this final rule, effective October 1, 2008, physicians with an ownership or investment interest in a physician organization are deemed to "stand in the shoes" of that organization for purposes of analyzing a financial arrangement under the Stark Law.

Certain other Stark provisions included in the 2009 IPPS final rule, will not be effective until October 1, 2009. These changes include a prohibition on the use of percentage-based compensation formulae in determining space and equipment rental charges; a prohibition on per click based payments for space and equipment leases, as well as for indirect compensation; and a revision of the definition of "entity" such that a person or entity is considered to be furnishing designated health services if it is the person or entity that has performed the designated health services or presented a claim or caused a claim to be presented for designated health services. This expands the concept of a designated health services entity from the provider, such as a hospital, to also include an entity, such as a physician joint venture, that provides designated health services "under arrangements" to the hospital. UMCC intends to comply with the requirements of this final rule. Nevertheless, it is unknown at this time what impact, if any, this final rule will have on UMCC's operations.

Exclusion from Medicare or Medicaid Participation. The term "exclusion" means that no Medicare or state health care program reimbursement (including Medicaid and the Maternal and Child Health programs) will be made for any services rendered by the excluded party or for any services rendered on the order or under the supervision of an excluded physician. The Secretary of DHHS is required to exclude from program participation for not less than five years any individual or entity who has been convicted of a criminal offense relating to the delivery of any item or service reimbursed under Medicare or a state health care program; any criminal offense relating to patient neglect or abuse in connection with the delivery of health care; a felony relating to fraud, theft, embezzlement, breach of fiduciary responsibility or other misdemeanor in connection with the delivery of health care services financed or with respect to any act or omission in a health care program (other than Medicare or a state health care program) operated by or financed in whole or in part by a governmental agency; or a felony offense relating to the illegal manufacture, distribution, prescription or dispensing of a controlled substance. The Secretary also has permissive authority to exclude individuals or entities under certain other circumstances, such as a misdemeanor conviction for fraud in connection with delivery of health care services or conviction for obstruction of an investigation of a health care violation. The minimum period of exclusion for certain permissive exclusions is three years.

Anti-Dumping Statute. Congress, in response to concerns regarding inappropriate hospital transfers of emergency patients based on the patients' inability to pay for the services provided, enacted the so-called "anti-dumping" statute, which imposes certain requirements on hospitals in the treatment and transfer of patients with emergency medical conditions. The anti-dumping statute requires hospitals, as a condition of participation in the Medicare program, to provide a medical screening examination and if necessary, additional medical treatment required to stabilize the patient, to any individual, without regard to ability to pay, who comes to the hospital emergency department for treatment to determine whether the individual suffers from an emergency medical condition within the meaning of the statute. The penalties for knowingly and willfully, or negligently, violating these transfer requirements are substantial and could also give rise to an EMTALA violation, see "Other Federal Statutes -EMTALA" below.

The anti-dumping statute requires treatment of individuals who may not be able to pay for these services and substantially increases the liability exposure and the risk of suspension or termination of Medicare participation

of UMCC. The obligations and penalties imposed under the statute could adversely affect the ability of UMCC to generate revenues sufficient to pay the debt service on the Series 2009 Bonds.

Other Federal Statutes. Healthcare providers are subject to prosecution under a variety of federal laws in addition to those discussed in the previous paragraphs, notably the following:

HIPAA. The federal Health Insurance Portability and Accountability Act of 1996 ("***HIPAA***") added to an existing criminal statute a provision that prohibits in any matter involving health benefits, the knowing and willful falsification or concealment of a material fact or the making of a materially false, fictitious or fraudulent statement in connection with the delivery of or payment for health care benefits, items or services. HIPAA also extends the federal government's criminal authority to certain fraudulent acts committed against health care benefit programs. In addition, HIPAA includes administrative simplification provisions that require standardization of electronic transactions, specific security protections for medical information and processes, privacy protections for patient health information, and establishment of national employer and provider identifiers. DHHS and CMS have promulgated rules related to electronic transactions, national employer identifiers, national provider identifiers, security, and privacy. Rules regarding national health plan identifiers, claims attachments standards and first report of injury standards have been published in proposed form or are under development.

These new rules required the implementation of new policies and procedures by health care providers for coding, maintaining, storing and transmitting medical information, as well as policies and procedures designed to protect the security, data integrity and confidentiality of patient medical information and to permit patients to exercise their specific rights under HIPAA. UMCC was required to comply with HIPAA's privacy standards by April 14, 2003. Compliance with the security standards was required by April 20, 2005, and required health care providers to implement administrative, physical and technical safeguards to protect the confidentiality, integrity and availability of electronic protected health information. UMCC compiled with the National Provider Identification standards by May 23, 2007.

The penalty for violating HIPAA's administrative simplification requirements includes imposition of civil monetary penalties of not more than $100 per person, per violation up to a maximum of $25,000 for violation of the same standard within any calendar year. Criminal penalties may also be imposed on any person who knowingly obtains or discloses protected health information in violation of HIPAA. These penalties range from up to $50,000 and one year in prison for obtaining or disclosing protected health information; up to $100,000 and up to five years in prison for obtaining or disclosing protected health information under "false pretenses;" and up to $250,000 and up to 10 years in prison for obtaining protected health information with the intent to sell, transfer or use it for commercial advantage, personal gain or malicious harm. The Secretary of DHHS and the Secretary's designees have the authority to conduct compliance reviews to determine whether any covered entity is complying with HIPAA requirements, and to investigate complaints filed by any person who believes a covered entity is not complying with those requirements. HIPAA requires the Secretary of DHHS, however, to the extent practicable, to seek cooperation in obtaining compliance prior to formal action for civil monetary or criminal penalties. Except for the privacy rule, which is enforced by the Office for Civil Rights of DHHS, the standards promulgated pursuant to HIPAA's administrative simplification provisions are enforced by CMS.

UMCC maintains a formal plan for compliance with all applicable HIPAA requirements, has trained its staff and employees in these requirements and maintains specified HIPAA Compliance Officers for Privacy and Security who have been provided the authority to supervise, update and enforce policies and procedures designed to assure HIPAA compliance. While UMCC believes it has taken reasonable and appropriate steps in the design of policies and procedures and in its supervision so as to maintain HIPAA compliance, it cannot be predicted when or to what extent complaints may be filed or investigations undertaken, which could involve the expenditure of possibly substantial sums to defend, and the possibility of fines or other penalties should DHHS determine that any covered component of UMCC is not in compliance with HIPAA requirements.

EMTALA. The federal Emergency Medical Treatment and Active 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 the emergency department to determine if an emergency medical condition exists. A hospital must stabilize the patient, and the patient cannot be transferred, except under very limited circumstances. The definition of hospital emergency department includes 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. In addition, emergency room services provided to screen and stabilize a Medicare beneficiary must be evaluated for Medicare's "reasonable and necessary" requirements on the basis of information available to the treating physician or practitioner at the time the services were ordered.

Over the last few years, the federal government has increased its enforcement of EMTALA. Failure to comply with EMTALA may result in a hospital's exclusion from the Medicare and/or Medicaid programs, as well as civil and criminal penalties. As such, failure of UMCC to meet its responsibilities under EMTALA could adversely affect the financial condition of UMCC**.** Management of UMCC believes its policies and procedures are in material compliance with EMTALA, but no assurance can be given that a violation of EMTALA will not be found. Any sanctions imposed as a result of an EMTALA violation could have a material adverse effect on the future operations or financial condition of UMCC.

Mail Fraud and Wire Fraud. Federal law makes it a crime to use the mails or electronic means to defraud the federal government. Submission of claims in knowing violation of the Anti-Kickback Law or the Stark Law may result in violations of the Mail Fraud or Wire Fraud laws and can lead to criminal penalties of up to $250,000 and imprisonment up to five years.

Investigations. Enforcement activity against health care providers is increasing, and enforcement authorities are adopting more aggressive approaches. In the current regulatory climate, it is anticipated that many hospitals and physician groups will be subject to investigation, audit or inquiry regarding billing practices or false claims. As with other health care providers, UMCC may be the subject of investigations, audits or inquiries by a Medicare intermediary or carrier, the OIG, U.S. Attorney General, Department of Justice Medicaid fraud control unit and/or state attorney general or other state agency in the future. Because of the complexity of these laws, the instances in which an alleged violation may arise to trigger such investigations, audits or inquiries are increasing and could result in expensive and prolonged enforcement action against UMCC.

Compliance. Healthcare Providers may act to reduce their exposure to federal criminal fines and penalties pursuant to Federal Sentencing Guidelines and also reduce their practical exposure to such claims, Stark Law violations and civil penalties by establishing effective corporate compliance programs, including periodic review of hospital/physician relationships, billing and coding practices and compliance with the requirements of federal criminal and civil laws and regulations, preparing policies and procedures for promptly returning to the government any payments received by way of inappropriate or illegal referrals, and responding in an effective manner to complaints regarding potentially illegal financial and other arrangements. Implementation and enforcement of an effective compliance program can substantially reduce the level of federal criminal fines and penalties if, in fact, a violation is determined to exist. UMCC believes that an effective compliance program is in operation; however, there can be no assurance that such program will be deemed to be effective by federal authorities. If the program proves to be ineffective, its implementation could lead to material adverse consequences for UMCC.

Joint Ventures. The OIG has expressed its concern in various advisory bulletins and other guidance that many types of joint venture arrangements involving hospitals may implicate the Anti-Kickback Statute, since the parties to joint ventures are typically in a position to refer patients of federal health care programs. In its 1989 Special Fraud Alert, the OIG raised concerns about certain physician joint ventures where the intent is not to raise investment capital to start a business but rather to "lock up a stream of referrals from the physician investors and compensate these investors indirectly for these referrals." The OIG listed various features of suspect joint ventures, but noted that its list was not exhaustive. These features include: (i) whether investors are chosen because they are in a position to make referrals; (ii) whether physicians with more potential referrals are given larger investment interests; (iii) whether referrals are tracked and referral sources shared with investing physicians; (iv) whether the overall structure is a "shell" (i.e., one of the parties is an ongoing entity already engaged in a particular line of business); and (v) whether investors are required to invest a disproportionately small amount or are paid extraordinary returns in comparison with their risk.

In April 2003, the OIG issued a Special Advisory Bulletin indicating that "contractual joint ventures" (where a provider expands into a new line of business by contracting with an entity that already provides the items or services) may violate the Anti-Kickback Statute and expressed skepticism that existing statutory or regulatory safe-harbors would protect suspect contractual joint ventures. In January, 2005, the OIG published its Supplemental Program Guidance for Hospitals and reiterated its concerns regarding joint ventures entered into by hospitals.

In addition, under the federal tax laws governing Section 501(c)(3) organizations, a tax-exempt hospital's participation in a joint venture with for-profit entities must further the hospital's exempt purposes and the joint venture arrangement must permit the hospital to act exclusively in the furtherance of its exempt purposes, with only incidental benefit to any for-profit partners. If the joint venture does not satisfy these criteria, the hospital's tax-exemption may be revoked, the hospital's income from the joint venture may be subject to tax, or the parties may be subject to some other sanction.

Finally, many hospital joint ventures with physicians may also implicate the federal Stark Law.

Any evaluation of compliance with the Anti-Kickback Statute, the Stark Law or tax laws governing Section 501(c)(3) organizations depends on the totality of the facts and circumstances. While management of UMCC believes that the joint venture arrangements to which UMCC is a party are in material compliance with the Anti-Kickback Statute and OIG pronouncements, the Stark Law and the tax laws governing Section 501(c)(3) organizations, any determination that UMCC is not in compliance could have a material adverse effect on the future financial condition of UMCC.

Managed Care and Integrated Delivery Systems

General. As a response to the increase in competition in the healthcare industry and to the increasing shift of patients to managed care companies, many hospitals and health systems are pursuing strategies with physicians in order to offer an integrated package of healthcare services, including physician hospital services, to patients, healthcare insurers, and managed care providers. These integration strategies take many forms. Further, many of these integration strategies are capital intensive and may create certain business and legal liabilities for UMCC.

UMCC has entered into 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 healthcare 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 UMCC.

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

Private Contracted Managed Care Health Plans and Commercial Insurers. Private managed care health plans ("***Managed Care Plans***") may include PPOs, HMOs and other contractual arrangements, including contracts with insurers and employers, for provision of healthcare to groups of individuals.

Many Managed Care Plans contract with hospitals on an "exclusive" or a "preferred" provider basis. Under such plans, there may be financial incentives for subscribers to use only those hospitals which contract with the plans. Under an exclusive provider plan, private payors may limit coverage to those services provided by selected hospitals. With this contracting authority, Managed Care Plans may effectively direct patients to their participating healthcare providers and away from others. The ability of UMCC to secure and maintain contracts with Managed Care Plans will be critical to the financial performance of UMCC. There can be no assurance that UMCC will be successful in its ability to secure and maintain these contracts.

As a result of these developments, the volume of business of healthcare providers is increasingly dependent upon the providers' ability to attract and retain contracts with Managed Care Plans. The necessity for obtaining such contracts also increases competition between healthcare providers on the basis of price as well as quality. Termination, or expiration without renewal, of such contracts would have a material adverse effect on UMCC's financial condition. There can be no assurances that such contracts will be renewed upon expiration or that such

contracts will not be terminated prior to expiration. Conversely, renewal of such contracts may maintain or increase business volume, but may result in reduced payment and lower net income to UMCC.

Managed Care Plans that contract on a discounted fee-for-service or discounted fixed rate-per day basis also exert strong controls over the utilization of healthcare resources. Strong utilization management by Managed Care Plans has led to reduction in the number of hospitalizations and lengths of hospital stays, both of which may reduce patient service revenue to hospitals. Furthermore, shortened hospital lengths of stay have not necessarily been accompanied with a reduced demand for services while a patient is hospitalized and may lead to more intensive hospital visits and correspondingly increased costs to hospital providers.

Per diem rates, other risk-based payment systems and discounts pose major challenges to hospital providers. In order to enter into such contracts, hospitals are required not only to anticipate the cost of rendering specific services to patients, but also to estimate the likelihood and severity of illness or injury within the population which the hospital serves. If payment under a Managed Care Plan contract is insufficient to meet the hospital's costs of caring for the needs of the population it serves, the financial condition of the hospital may erode rapidly and significantly. Often, Managed Care Plan contracts are enforceable for the stated term, regardless of provider losses. Furthermore, Managed Care Plan contracts and insurance laws may require that a hospital continue to provide care for enrollees for a certain period of time irrespective of whether the Managed Care Plan has funds to make payment to the hospital.

HMO and PPO contracts can be terminated by the third-party payor or UMCC at any time without the necessity of showing cause upon prior written notice (which varies commonly between three and six months). Termination could have an adverse effect on the financial performance of UMCC. Typically, these contracts do not guarantee UMCC any minimum volume.

Medical Malpractice Insurance

As with most healthcare providers, UMCC is from time to time a defendant in various malpractice actions and, therefore, is at risk that its exposure will exceed coverage limits, or that punitive damages, for which no insurance coverage is available, will be awarded.

The Master Indenture requires that UMCC maintain prescribed levels of professional liability and property hazard insurance and UMCC is currently complying with such requirements. UMCC believes that its present insurance coverage limits are sufficient to cover any reasonably anticipated malpractice or property damage exposure. No assurance can be given, however, that UMCC will always be able to procure or maintain such levels of insurance in the future.

Physician and Registered Nurse Recruitment

The ability of UMCC to generate revenues could be adversely affected should it be unable to attract a sufficient number of qualified physicians, registered nurses, or other healthcare professionals. Healthcare providers depend on qualified nurses to provide quality service to patients. There is currently a nationwide and local Arizona shortage of qualified nurses. In response to the shortage of qualified nurses, healthcare providers have increased and could continue to increase wages and benefits to recruit or retain nurses and have had to hire more expensive contract nurses. The shortage could also limit the operations of healthcare providers by limiting the number of patient beds available.

State Reimbursement and Regulatory Programs

Other regulatory programs which may have a significant effect on UMCC are changes in the governmental requirements concerning how patients are treated. These regulations are embodied in patients' bills of rights and similar programs being promulgated with greater frequency, and changes in licensure requirements. All of these programs can increase the cost of doing business and consequently adversely affect the financial condition of UMCC.

Inadequate Payments and Uncompensated Care

While future changes in Medicare, Medicaid and private payor programs are unknown, certain changes appear likely, and their consequences could include a decline in payment from third-party payors, increased requirements on hospitals to treat certain patients at reduced payment rates or without payment and/or increases in the degree of financial risk which UMCC will face. The impact of these or similar changes on the operations of UMCC cannot be determined with certainty at this time.

UMCC is also at risk for the provision of hospital services on an uncompensated basis. Consistent with its status as a tax-exempt 501(c)(3) organization, UMCC generally pursues a policy of providing care to the poor and indigent without regard to ability to pay. Governmental agencies may also compel the provision of uncompensated care. As a result, UMCC may be required to provide services for which it receives reimbursement below cost, or for which it may receive no reimbursement, from the patient or third party payors. In 2004, UMCC adopted a program for the under and uninsured. Under the program, eligible patients are obligated to pay UMCC no more than the amount UMCC is reimbursed by the Medicare program (Medicaid for transplant services) resulting in substantial discounts to those in need. As part of this program patients also apply for and receive their care based on their individual circumstances. While UMCC provides care to the poor and indigent in a prudent manner, the expansion of such policy could have an adverse financial effect on UMCC.

Not-for-Profit Healthcare Environment

UMCC is a not-for-profit corporation, exempt from federal income taxation as organizations described in the Code. As a not-for-profit tax-exempt organization, UMCC is subject to federal, state and local laws, regulations, rulings and court decisions relating to its organizations and operations, including its operation for charitable purposes. At the same time, UMCC conducts large-scale complex business transactions and UMCC is a major employer in its geographic area. There can often be a tension between the rules designed to regulate a wide range of charitable organizations and the day-to-day operations of a complex healthcare organization.

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

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

Internal Revenue Service Examination of Compensation Practices. In August 2004, the IRS initiated an enforcement effort to identify and halt abuses by tax-exempt organizations that pay excessive compensation and benefits to their officers and other insiders. Nearly 2,000 charities and foundations were contacted by the IRS regarding their compensation practices and procedures. UMCC has not been contacted by the IRS in connection with this IRS initiative.

IRS Interim Report on Tax-Exempt Hospitals and Community Benefit. In May 2006, the IRS initiated its Hospital Compliance Project to study tax-exempt hospitals and community benefit as well as to determine how these hospitals establish and report executive compensation. The IRS sent compliance questionnaires to hundreds of tax-

exempt hospitals across the country. UMCC has not been contacted by the IRS in connection with the IRS Hospital Compliance Project. See "BONDHOLDERS' RISK-Future Federal Legislation" herein.

The IRS released its interim report in July 2007. The IRS interim report summarizing responses from almost 500 tax-exempt hospitals to the May 2006 questionnaire about how they provide and report benefits to the community. The report determined that a lack of uniformity in definitions and reporting, including those regarding uncompensated care and various types of community benefit, made it difficult for the IRS to assess whether a hospital is in compliance with current law. One recommendation in the interim report was the creation of new schedules as part of a redesigned Form 990 (Return of Organization Exempt from Income Tax) on which hospitals would report how they benefit the community, as well as information on billing and collection practices and certain other activities. Hospitals will be required to submit additional information when filing their returns for the 2008 tax year. As a result of the increased scrutiny of community benefit activity by the IRS resulting, in part, from the new reporting requirement, tax-exempt hospitals may be required to increase the resources spent on qualifying activities. See "- Nonprofit Healthcare Environment – Form 990 and Instructions" below.

Litigation Relating to Billing and Collection Practices. Lawsuits have been filed in both federal and state courts alleging, among other things, that defendant hospitals have failed to fulfill their obligations to provide charity care to uninsured patients and have overcharged uninsured patients. As of the date of this Official Statement no lawsuits have been filed against UMCC in federal or Arizona state courts.

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

Form 990. On June 14, 2007, the IRS released for comment a Discussion Draft of a redesigned Form 990. The Form 990 is the annual information return filed by tax-exempt organizations, including non-profit exempt healthcare organizations. The IRS released the final 2008 Form 990 on December 20, 2007. On April 7, 2008, the IRS released the draft Instructions accompanying this new Form 990. The new Form 990 applies to tax years beginning on or after January 1, 2008.

As a result of this new Form 990, healthcare organizations will have significantly increased compliance and reporting obligations, particularly relating to community benefit, collection and billing practices and charity care. These specific reporting obligations generally are set forth in a new schedule to the return (Schedule H) and apply for tax years beginning on or after January 1, 2009.

Nonprofit healthcare organizations also will become subject to additional reporting for tax-exempt bonds, the most significant of which will be required for tax years beginning on or after January 1, 2009. These reporting and recordkeeping requirements go beyond what many hospitals have done historically and will require substantial additional efforts on the part of hospitals with outstanding tax-exempt bonds. A new schedule to the return (Schedule K) is intended to address what the IRS believes is significant noncompliance with recordkeeping and record retention requirements. These concerns were reinforced, in the IRS's view, by the results of a bond questionnaire distributed to select hospitals in September 2007, the results of which released in April 2008. Schedule K also focuses on the investment of bond proceeds that could violate the arbitrage rebate requirements and the private use of bond-financed facilities.

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

RAC. The Balanced Budget Act of 2003 included provisions creating a 3-year demonstration program using Recovery Audit Contractors ("RACs") to detect and correct improper payments in the Medicare fee-for-service program. The RAC demonstration program was designed to determine whether the use of RACs would be a cost-effective means of adding resources to ensure correct payment were being made to providers and suppliers and,

therefore, protect the Medicare Trust Fund. The Tax Relief and Health Care Act of 2006 makes the RAC program permanent and requires the Secretary of DHHS to expand the program to all 50 states by no later than 2010. As implemented by CMS, RACs are required to identify both overpayments and underpayments and are paid on a contingency fee basis. It is unknown what, if any, future impact such reviews will have on the revenues of UMCC.

Licensing, Surveys, Accreditations and Audits

On a regular basis, healthcare facilities, including those of UMCC, are subject to numerous legal, regulatory, professional and private licensing, certification and accreditation requirements. Those requirements include, but are not limited to, requirements relating to Medicare and Medicaid participation and payment, state licensing agencies, private payors, the Joint Commission and other federal, state and local government agencies. Renewal and continuance of certain of these licenses, certifications and accreditations are based on inspections, surveys, audits, investigations or other reviews, some of which may require or include affirmative action or response by UMCC. These activities are generally conducted in the normal course of business of healthcare facilities. Nevertheless, an adverse result could be the cause of loss or reduction in a facility's scope of licensure, certification or accreditation or reduce payments received. UMCC currently expects to renew or maintain all currently held licenses, certifications or accreditations. There can be no assurance that the requirements of present or future laws, regulations, certifications, and licenses will not materially and adversely affect the operations of UMCC.

The IRS and State, county and local taxing authorities audit and investigate hospital operations. These audits may result in disputes about issues ranging from sales tax collections to qualifications of a hospital's exemption from property or income taxation. The IRS has been undertaking audits and reviews of the operations of tax-exempt hospitals with respect to their generation of unrelated business taxable income or relating to inurement of net income or profit to non-50l(c)(3) organizations. In some cases, the tax-exempt status of hospitals has been questioned as a result of activities deemed to violate the tax laws or other statutes. In addition, the OIG has been undertaking audits and reviews of Medicare billing practices. In some cases, hospitals have incurred substantial liabilities including interest and penalties as a result of the findings of such audits.

UMCC is subject to regulation, certification and licensure 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 existing laws, regulations and standards for certification, licensure or accreditation or of any future changes in such laws, regulations and standards.

Antitrust

Antitrust actions against healthcare providers have become increasingly common in recent years. Antitrust liability can arise in a number of different contexts, including medical staff privilege disputes, third-party payor contracting, joint ventures and affiliations between healthcare providers, and mergers and acquisitions by healthcare providers. Actions can be brought by federal and state enforcement agencies seeking criminal and civil penalties and, in some instances, by private plaintiffs seeking damages for harm from allegedly anticompetitive behavior.

Judicial decisions have permitted physicians who are subject to disciplinary or other adverse actions by a hospital at which they practice, including denial or revocation of medical staff privileges, to seek treble damages from the hospital under the federal antitrust laws. The Federal Health Care Quality Improvement Act of 1986 provides immunity from liability for discipline of physicians by hospitals under certain circumstances, but courts have differed over the nature and scope of this immunity. In addition, hospitals occasionally indemnify medical staff members who incur costs as defendants in lawsuits involving medical staff privilege decisions. Court decisions have also permitted recovery by competitors claiming harm from a hospital's use of its market power to obtain unfair competitive advantage in expanding into ancillary healthcare businesses. Antitrust liability in any of these contexts can be substantial, depending upon the facts and circumstances involved.

Environmental Laws and Regulations

Healthcare providers are subject to a wide variety of federal, state and local environmental and occupational health and safety laws and regulations. Among the types of regulatory requirements faced by healthcare providers are air and water quality control requirements applicable to asbestos, polychlorinated biphenyls, and radioactive substances; requirements for providing notice to employees and members of the public about

hazardous materials handled by or located at a healthcare facility; and requirements for training employees in the proper handling and management of hazardous materials and wastes.

In their role as owners and/or operators of properties or facilities, hospitals may be subject to liability for investigating and remedying any hazardous substances located on the property, including any such substances that migrate off the property. Typical healthcare provider operations include, without limitation, the handling, use, storage, transportation, disposal and/or discharge of medical and/or other hazardous materials, wastes, pollutants or contaminants. As a result, health care provider operations are particularly susceptible to the risks associated with compliance with such laws and regulations. Failure to comply may result in damage to individuals, property or the environment; may interrupt operations and/or increase their cost; may result in legal liability, damages, injunctions or fines; and may result in investigations, administrative proceedings, penalties or other government agency actions. At the present time, UMCC is not aware of any pending or threatened environmental claim, investigation or enforcement action which, if determined adversely to UMCC, would have material adverse consequences.

Tax-Exempt Status and Other Tax Matters

Maintenance of the Tax-Exempt Status of UMCC. The tax-exempt status of the Series 2009 Bonds presently depends upon maintenance by UMCC of its status as an organization described in section 501(c)(3) of the Code. The maintenance of such status is contingent on compliance with general rules promulgated in the Code and related regulations regarding the organization and operation of tax-exempt entities, including their operation for charitable and other permissible purposes and their avoidance of transactions that may cause their earnings or assets to inure to the benefit of private individuals. As these general principles were developed primarily for public charities that do not conduct large-scale technical operations and business activities, they often do not adequately address the myriad of operations and transactions entered into by a modern health care organization. Although traditional activities of health care providers, such as medical office building leases, have been the subject of interpretations by the IRS in the form of Private Letter Rulings, many activities or categories of activities have not been fully addressed in any official opinion, interpretation or policy of the IRS.

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

The IRS has periodically conducted audit and other enforcement activity regarding tax-exempt health care organizations. The IRS conducts special audits of large tax-exempt health care organizations with at least $500 million in assets or $1 billion in gross receipts. Such audits are conducted by teams of revenue agents, often take years to complete and require the expenditure of significant staff time by both the IRS and taxpayers. These audits examine a wide range of possible issues, including tax-exempt bond financing, financing of partnerships and joint ventures, retirement plans and employee benefits, employment taxes, political contributions and other matters.

If the IRS were to find that UMCC has participated in activities in violation of certain regulations or rulings, the tax-exempt status of such entity could be in jeopardy. Although the IRS has not frequently revoked the 501(c)(3) tax-exempt status of nonprofit health care corporations, it could do so in the future. Loss of tax-exempt status by UMCC potentially could result in loss of tax exemption of the Series 2009 Bonds and of other tax-exempt debt of UMCC and defaults in covenants regarding the Series 2009 Bonds and other related tax-exempt debt and obligations likely would result. Loss of tax-exempt status also could result in substantial tax liabilities on income of UMCC. For these reasons, loss of tax-exempt status of UMCC would have a material adverse effect on the financial condition of UMCC.

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

In lieu of revocation of exempt status, the IRS may impose penalty excise taxes on certain "excess benefit transactions" involving 501(c)(3) organizations and "disqualified persons." An excess benefit transaction is one in which a disqualified person or entity receives more than fair market value from the exempt organization or pays the

exempt organization less than fair market value for property or services, or shares the net revenues of the tax-exempt entity. A disqualified person is a person (or an entity) who is in a position to exercise substantial influence over the affairs of the exempt organization during the five years preceding an excess benefit transaction. The statute imposes excise taxes on the disqualified person and any "organization manager" who knowingly participates in an excess benefit transaction. These rules do not penalize the exempt organization itself, so there would be no direct impact on UMCC or the tax status of the Series 2009 Bonds if an excess benefit transaction were subject to IRS enforcement, pursuant to these "intermediate sanctions" rules.

State and Local Tax Exemption. Until recently, states have not been as active as the IRS in scrutinizing the income tax exemption of health care organizations. It is likely, however, that the loss by UMCC of federal tax exemption would also lead to a challenge to its state tax-exemption. Depending on the circumstances, such event could be material and adverse.

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

It is not possible to predict the scope or effect of future legislative or regulatory actions with respect to taxation of nonprofit corporations. There can be no assurance that future changes in the laws and regulations of state or local governments will not materially adversely affect the financial condition of UMCC by requiring payment of income, local property or other taxes.

Maintenance of Tax-Exempt Status of Interest on the Series 2009 Bonds. The Code imposes a number of requirements that must be satisfied for interest on state and local obligations, such as the Series 2009 Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds, limitations on the investment earnings of bond proceeds prior to expenditure, a requirement that certain investment earnings on bond proceeds be paid periodically to the United States Treasury, and a requirement that UMCC file an information report with the IRS. UMCC has covenanted in the Bond Indenture that they will comply with such requirements. Future failure by UMCC to comply with the requirements stated in the Code and related regulations, rulings and policies may result in the treatment of interest on the Series 2009 Bonds as taxable, retroactively to the date of issuance. UMCC has covenanted in the Bond Indenture that it will not take any action or refrain from taking any action that would cause interest on the Series 2009 Bonds to be included in gross income for federal income tax purposes.

IRS officials have recently indicated that more resources will be invested in audits of tax-exempt bonds in the charitable organization sector. The Series 2009 Bonds may be, from time to time, subject to audits by the IRS. UMCC believes that the Series 2009 Bonds properly comply with the tax laws. In addition, Bond Counsel will render an opinion with respect to the tax-exempt status of the Series 2009 Bonds, as described under the caption "TAX MATTERS." UMCC has not sought to obtain a private letter ruling from the IRS with respect to the Series 2009 Bonds, and the opinion of Bond Counsel is not binding on the IRS. There is no assurance that an IRS examination of the Series 2009 Bonds will not adversely affect the market value of the Series 2009 Bonds. See "TAX MATTERS" herein.

The IRS has also added a new Schedule H to IRS Form 990 – Return of Organizations Exempt From Income Tax, on which hospitals and health systems will be asked to report how they provide community benefit and to specify certain billing and collection practices. The 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. See "- Nonprofit Healthcare Environment – Form 990 and Instructions" herein.

There can be no assurance that responses by UMCC to an IRS examination or questionnaire, or Form 990, will not lead to an IRS review that could adversely affect the tax-exempt status or the market value of the Series 2009 Bonds or of other outstanding tax-exempt indebtedness of UMCC. Additionally, the Series 2009 Bonds or other tax-exempt obligations issued for the benefit of UMCC, may be, from time to time, subject to examinations by the IRS.

Limitations on Contractual and Other Arrangements Imposed by the Internal Revenue Code. As tax-exempt organizations, UMCC is limited with respect to its use of practice income guarantees, reduced rent on medical office space, low interest loans, joint venture programs and other means of recruiting and retaining physicians. Uncertainty in this area has been reduced somewhat by the issuance by the IRS of guidelines on permissible physician recruitment practices. The IRS scrutinizes a broad variety of contractual relationships commonly entered into by hospitals and has issued a detailed audit guide suggesting that field agents scrutinize numerous activities of the hospitals in an effort to determine whether any action should be taken with respect to limitations on or revocation of their tax-exempt status or assessment of additional tax. Any suspension, limitation, or revocation of any of the member's tax-exempt status or assessment of significant tax liability would have a materially adverse effect on UMCC and might lead to loss of tax exemption of interest on the Series 2009 Bonds.

Trading Market for the Series 2009 Bonds

There can be no assurance that there will be a secondary market for the purchase or sale of the Series 2009 Bonds. From time to time there may be no market for them depending upon prevailing market conditions, including the financial condition or market position of firms who may constitute the secondary market, the evaluation of UMCC's capabilities and the financial condition and results of operations of UMCC.

Bankruptcy

The rights and remedies of Bondholders are subject to various provisions of the United States Bankruptcy Code. A filing under the United States Bankruptcy Code would operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against UMCC, and its property, and as an automatic stay of any act or proceeding to enforce the security interest in Gross Revenues or other liens upon its property.

UMCC may file a plan for the adjustment of its debts in any such proceeding which could include provisions modifying or altering the rights of creditors generally, or any class of them, secured or unsecured. The plan, when confirmed by the court, binds all creditors who had notice or knowledge of the plan and discharges all claims against the debtor provided for in the plan. No plan may be confirmed unless certain conditions are met, among which are that the plan is in the best interests of creditors, is feasible and has been accepted by each class of claims impaired thereunder. Each class of claims has accepted the plan if at least two-thirds in dollar amount and more than one-half in number of the allowed claims of the class that are voted with respect to the plan are cast in its favor. Even if the plan is not so accepted, it may be confirmed if the court finds that the plan is fair and equitable with respect to each class of nonaccepting creditors impaired thereunder and does not discriminate unfairly.

Enforceability of Security Interest in Gross Revenues

The Bond Indenture provides that UMCC shall make payments sufficient to pay the Bonds and the interest thereon as the same become due. The obligation of UMCC to make such payments, and pay other obligations secured by the Notes, is secured by a security interest granted by UMCC to the Master Trustee in the Gross Revenues.

To the extent that Gross Revenues are derived from payments by the federal government under the Medicare or Medicaid program (including AHCCCS), any right to receive such payments directly may be unenforceable. The Social Security Act and state regulations prohibit anyone other than the individual receiving care or the service provider from collecting Medicare and Medicaid (including AHCCCS) payments directly from the federal or state government. In addition, Medicare and Medicaid (including AHCCCS) receivables may be subject to provisions of the Assignment of Claims Act of 1940 which restricts the ability of a secured party to collect accounts directly from government agencies. With respect to receivables and revenues not subject to the security interest, or where such security interest was unenforceable, the Master Trustee would occupy the position of an unsecured creditor. Counsel to UMCC has not provided an opinion with regard to the enforceability of the security interest on Gross Revenues of UMCC, where such Gross Revenues are derived from the Medicare and Medicaid programs (including AHCCCS).

In the event of bankruptcy of UMCC, transfers of property made by UMCC at a time that it was insolvent in payment of or to secure an antecedent debt, including the payment of debt or the transfer of any collateral, including receivables and Gross Revenues on or after the date which is 90 days (or, in some circumstances, one year) prior to the commencement of the case under the Bankruptcy Code may be subject to avoidance as preferential

transfers. Under certain circumstances a court may have the power to direct the use of Gross Revenues to meet expenses of UMCC before paying debt service on the Series 2009 Bonds. In addition, Gross Revenues or other items of collateral acquired by UMCC after the commencement of a case under the Bankruptcy Code may not be subject to the security interest created by the Master Indenture.

The value of the security interest in the Gross Revenues could be diluted by the incurrence of additional Indebtedness (as defined in the Master Indenture) secured equally and ratably with (or in certain cases senior or subordinate to) the Series 2009 Bonds as to the security interest in the Gross Revenues.

The security interest in the Gross Revenues securing the Notes may be further limited by a number of factors, including: (i) rights of third parties in the Gross Revenues converted to cash and not in the possession of the Master Trustee; (ii) statutory liens; (iii) rights arising in favor of the United States or any agency thereof; (iv) present or future prohibitions against assignment of amounts due under the Medicare or AHCCCS programs contained in federal or State law; (v) constructive trusts, equitable liens or other rights impressed or conferred by any state or federal court in the exercise of its equitable jurisdiction; (vi) federal bankruptcy laws or State laws respecting bankruptcy, insolvency and creditors' rights; (vii) claims that might arise if appropriate financing or continuation statements are not filed in accordance with the Uniform Commercial Code of the State as from time to time in effect; (viii) state fraudulent conveyance laws; (ix) rights of parties with prior perfected security interest, including Permitted Encumbrances; and (x) the inability of the Master Trustee to perfect a security interest in those components of Gross Revenues that can be perfected only by possession. Under the Master Indenture, the Members of the Obligated Group retain possession of the Gross Revenues.

Matters Relating to Security

The remedies available to the Bond Trustee, the Master Trustee or the registered owners of the Series 2009 Bonds upon an Event of Default under the Trust Indenture or the Master Indenture, are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including, specifically, the United States Bankruptcy Code, the remedies provided in the Trust Indenture or the Master Indenture may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2009 Bonds and the delivery of the Supplemental Bond Indenture and the Supplemental Master Indenture No. Nine will be qualified as to the enforceability of the various legal instruments by limitations imposed by general principles of equity and by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally. The enforceability of the Trust Indenture, the Master Indenture, the Series 2009 Bonds and the Series 2009 Note is subject to bankruptcy, insolvency, fraudulent conveyance, moratorium, reorganization and other state and federal laws affecting the enforcement of creditors' rights and to general principles of equity. A claim for payment of the principal of or interest on the Series 2009 Bonds could be made subject to any statutes that may be constitutionally enacted by the United States Congress or the state legislatures affecting the time and manner of payment of debt or imposing other constraints upon enforcement of debt obligations.

Certain amendments to the Trust Indenture and the Master Indenture may be made with the consent of the owners of a majority of the aggregate principal amount of the Outstanding Bonds or the Notes, respectively. Such amendments may adversely affect the security of the Bondholders, and such majorities of owners may be composed wholly or partially of the owners of other Bonds or other Notes. In addition, upon compliance with certain conditions set forth in the Master Indenture, amendments to certain of the operational, procedural or financial covenants set forth in the Master Indenture may be effected without consent of the Bondholders. Such amendments may adversely affect the security for the Series 2009 Bonds.

Currently, UMCC is the only member of the Obligated Group. If in the future additional members are added to the Obligated Group, such members may not be required to make any payment, loan or other transfer of moneys or assets to provide for the payment of any obligation, or portion thereof, the proceeds of which were not loaned or otherwise disbursed to such member to the extent that such transfer would render the member insolvent or which would conflict with, not be permitted by or which would be subject to recovery for the benefit of other creditors of such member under applicable laws. There is no clear precedent in the law as to whether such transfers from a member in order to pay debt service on the Notes may be voided by a trustee in bankruptcy in the event of bankruptcy of the member, or by third party creditors in an action brought pursuant to Arizona fraudulent conveyances statutes.

There exists some common law authority and authority under some state statutes for the ability of some courts to terminate the existence of a nonprofit corporation or to undertake supervision of its affairs, on various grounds. In at least one instance, an attorney general obtained a temporary injunction enjoining a hospital, constructed and maintained in large part with private contributions, from transferring any of its revenues or assets or making any payments to the out-of-state nonprofit corporation with which it was affiliated under a master trust indenture and master notes entered into in connection with a bond financing. The hospital was not to receive any of the proceeds of the bond issue. Ultimately, the hospital was removed as a party to the master trust indenture and the litigation was withdrawn by order of the court.

Lease and Conveyance Agreement

The Hospital facility is owned by UMCC and located on land owned by the Arizona Board of Regents (the "***Regents***") and leased to UMCC pursuant to the Lease and Conveyance Agreement. In the event UMCC defaults on its obligations under the Lease and Conveyance Agreement, the Regents may exercise remedies thereunder including terminating the Lease and Conveyance Agreement and conveyance to the Regents of all property, inclusive of real property, personal property and cash of UMCC. In the event Notes under the Master Indenture are outstanding, such remedies are subject to certain conditions, including: the payment or defeasance of Notes; substitution of another entity for UMCC; or assumption by the Regents of the obligations represented by the Notes but payable solely from net revenues of the Hospital. Upon an event of default under the Lease and Conveyance Agreement, holders of the Series 2009 Bonds may be adversely affected by virtue of having the Series 2009 Bonds accelerated and being paid a price of par in advance of maturity, substitution of an obligor other than UMCC, or by having their security limited (as a result of the Regents assuming the Notes) solely to revenues of the Hospital operations, net of expenses. See "APPENDIX A" under the caption "OTHER INFORMATION - The Lease and Conveyance Agreement - Restrictions on Remedies."

Arizona Immigration Law

Arizona Revised Statutes Section 23-211 *et seq,* enacted in 2007 and amended in 2008, prohibits all employers from knowingly or intentionally employing after December 31, 2007, any person not authorized under federal law to work in the United States. If any employer is found to have intentionally employed an unauthorized alien, then all licenses necessary for the employer to operate at the location where the alien was employed are required to be suspended for a minimum of ten days. If the employer violates the statute by intentionally employing an unauthorized alien within five years after first being found to have intentionally employed an unauthorized alien, then all licenses necessary for the employer to operate at the location of the illegal employment must be permanently revoked. An employer can create a rebuttable presumption that it did not intentionally or knowingly employ an unauthorized alien if it verifies the individual's employment authorization through the federal "E-Verify" program.

UMCC has clear policies against employment of unauthorized aliens, and in addition to checking immigration documentation as already required by federal law, has initiated verification of employment status through the "E-Verify" program for all individuals hired since January 1, 2008. If, however, UMCC were found to have knowingly or intentionally employed unauthorized aliens in violation of the statute, the consequences could have a material adverse effect on UMCC.

Arizona Conflict of Interest Law

The provisions of Arizona Revised Statutes Section 38-511, as amended, provide that public agencies, including UMCC, may, within three years after its execution, cancel any contract, without penalty or further obligation, made by the public agency if any person significantly involved in the initiating, negotiating, securing, drafting or creating of the contract on behalf of the public agency is, at any time while the contract or any extension thereof is in effect, an employee of any other party to the contract in any capacity or a consultant to any other party of the contract with respect to the subject matter thereof. The cancellation becomes effective when written notice from the governing body of the public agency is received by all other parties to the contract unless the notice specifies a later time. UMCC is a party to several contracts which are material to the payment of the Series 2009 Bonds, including the Bond Indenture and the Master Indenture. Exercise of a remedy under A.R.S. Section 38-511, as amended, would adversely affect the holders of the Series 2009 Bonds.

Rate Increases

Under existing Arizona law, healthcare institutions are required to file proposed increases in rates and charges with the Arizona Department of Health Services ("***ADHS***"). No increase may become effective until ADHS review is completed or 60 days have elapsed, although ADHS is not empowered to prevent an increase. Various legislative and referendum proposals have been made in the past and may be made in the future to subject healthcare providers, including UMCC, to rate regulations. Enactment of such proposals could adversely affect UMCC.

Competition

Generally, other hospitals and health facilities in the service area served by UMCC provide similar services to those offered by and are the major source of competition. Competition from a wide variety of potential sources, including but not limited to, other hospitals, inpatient and outpatient health care facilities, clinics, physicians and others, may increasingly and adversely affect the utilization and/or revenues of UMCC. In addition, nontraditional competitors such as physician management companies, disease management companies and outpatient service providers could have the same effect. Certain new competitors, such as home health and infusion provides, and certain niche providers, such as specialized cardiology, dialysis or oncology companies, specifically target hospital patients as their prime source of revenue growth. Furthermore, because existing and potential competitors may not be subject to various regulations and restrictions, applicable to UMCC, these competitors may be more flexible in their ability to adapt to competitive opportunities and risks. If these competitors and any future competitors not currently anticipated or prevalent are successful, some of the most profitable aspects of hospital operations may be stripped away and/or overall hospital utilization may decline.

Additionally, mergers or affiliations of existing competitors may create larger, more viable entities that may be more formidable competitors than the original constituent entities. While the effect of such actions is uncertain, they can be expected to increase competition in the healthcare field in Arizona generally, and the utilization and revenues of UMCC could be adversely affected thereby.

Arizona currently has no certificate of need legislation related to hospitals. The absence of the requirement that a healthcare provider obtain a certificate of need or obtain similar approval before undertaking significant projects has contributed to increased competition among healthcare providers.

The ability to recruit and retain highly qualified physicians on a hospital's medical staff is one of the most significant factors in the competitive position of a hospital. Also, management's ability to negotiate service contracts with purchasers of group healthcare services is another major factor in the competitive position of a hospital.

Investments

Investment income has during certain fiscal years constituted a significant portion of the net income of UMCC. No assurance can be given that the investments of UMCC will produce positive returns or that losses on investments will not occur in the future. See "- Impact of Disruptions in the Credit Markets and General Economic Factors".

Construction Risks

Construction projects, such as the facilities to be financed with the Series 2009 Bonds, are subject to a variety of risks, including but not limited to delays in issuance of required building permits or other necessary approvals or permits, strikes, shortages of materials and adverse weather conditions. Such events could delay occupancy. Cost overruns may occur due to change orders, delays in the construction schedule, scarcity of building materials and other factors. Cost overruns could cause the costs to exceed available funds.

General Factors Affecting UMCC's Revenues

The following factors, among others, may unfavorably affect the operations of healthcare facilities, including those of UMCC, to an extent and in a manner that cannot be determined at this time:

1. Employee strikes and other adverse actions that could result in a substantial reduction in revenues with corresponding decreases in costs. Hospitals and their employees fall within the scope of, and are subject to, the National Labor Relations Act. Accordingly, labor relationships with hospital and nursing home employees are regulated by the federal government. Employees may bargain collectively and strike;

2. Reduced need for hospitalization or other services arising from future medical and scientific advances;

3. Reduced demand for the services of UMCC that might result from decreases in population of the service area of UMCC;

4. Increased unemployment or other adverse economic conditions in the service area of UMCC which could increase the proportion of patients who are unable to pay fully for the cost of their care. In addition, increased unemployment caused by a general downturn in the economy of UMCC's service area or the State or by the closing of operation of one or more major employers in such service area may result in a loss of health insurance benefits for a portion of UMCC's patients;

5. Adoption of legislation which would establish a national healthcare program;

6. Cost and availability of energy;

7. Potential depletion of the Medicare trust fund;

8. The occurrence of natural disasters, including floods and earthquakes, may damage the facilities of UMCC, interrupt utility service to the facilities, or otherwise impair the operation of UMCC and the generation of revenues from the facilities. The facilities of UMCC are covered by general property insurance in an amount which management considers to be sufficient to provide for the replacement of such facilities in the event of a natural disaster;

9. Other risk factors may also affect the operations of UMCC (i) the cost and availability of insurance, such as workers' compensation, fire and general comprehensive liability; (ii) uninsured acts of God; (iii) increased costs and possible liability exposure arising out of potential environmental hazards; (iv) imposition of wage and price controls for the healthcare industry; and (v) acts of terrorism; and

10. Developments adversely affecting the Federal or state tax-exemption of municipal bonds.

INDEPENDENT AUDITORS

The financial statements of UMCC as of June 30, 2008, included in Appendix B to this Official Statement, have been audited by McGladrey & Pullen, LLP, independent auditors, as stated in their report appearing herein.

UNDERWRITING

The Series 2009 Bonds are being purchased by Merrill Lynch, Pierce, Fenner & Smith Incorporated (the "***Underwriter***") at an aggregate underwriting discount of approximately $577,037 from the initial public offering prices set forth on the cover page.

The Bond Purchase Agreement provides that the Underwriter will purchase all the Series 2009 Bonds if any are purchased. The Underwriter may offer and sell the Series 2009 Bonds to certain dealers (including dealers depositing Series 2009 Bonds into unit investment trusts) and others at prices lower than the public offering prices stated on the cover page hereof. The initial public offering prices set forth on the cover page may be changed by the Underwriter.

CONTINUING DISCLOSURE

Rule 15c2-12

Pursuant to the terms of a Continuing Disclosure Agreement (the "***Continuing Disclosure Agreement***") to be entered into concurrently with the issuance of the Series 2009 Bonds, the UMCC will agree that it will provide, as herein described, certain financial information and operating data for each of its fiscal years, commencing with the fiscal year ended June 30, 2009, in accordance with the requirements of Rule 15c2-12 (the "***Rule***") of the Securities and Exchange Commission under the Securities and Exchange Act of 1934, as amended. See "APPENDIX E - FORM OF CONTINUING DISCLOSURE AGREEMENT".

Failure by UMCC to comply with the provisions of the Continuing Disclosure Agreement will not constitute an event of default under the Master Indenture or the Bond Indenture. Failure by UMCC to comply with the provisions of the Continuing Disclosure Agreement are required to be reported in accordance with the Rule and are required to be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Series 2009 Bonds in the secondary market. Consequently, any such failure may adversely affect the transferability and liquidity of the Series 2009 Bonds and their market price.

Quarterly Disclosure

UMCC has covenanted in the Continuing Disclosure Agreement to provide certain utilization reports and financial statements on a quarterly and an annual basis to rating agencies and national repositories established by the Rule.

RATINGS

Moody's Investors Service, Inc. ("***Moody's***") and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("***S&P***") have assigned ratings of "Baal" and "BBB+", respectively, to the Series 2009 Bonds. Any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same. Certain information and materials not included in this Official Statement were furnished to such rating agencies by UMCC. Generally, rating agencies base their ratings on the information and materials so furnished and on investigations, studies and assumptions made by the rating agencies. There is no assurance that a particular rating will be maintained for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the rating agency originally establishing the rating, circumstances so warrant. Neither the Underwriter nor UMCC have undertaken any responsibility either to bring to the attention of the owners of the Series 2009 Bonds any proposed revision or withdrawal of the ratings of the Series 2009 Bonds or to oppose any such proposed revision or withdrawal. Any such change in or withdrawal of any of such ratings, or other actions by a rating agency to its rating on the Series 2009 Bonds, could have an adverse effect on the market price of the Series 2009 Bonds.

TAX MATTERS

In the opinion of Squire, Sanders & Dempsey L.L.P., Bond Counsel, under existing law: (i) interest on the Series 2009 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code, and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and (ii) interest on the Series 2009 Bonds is exempt from Arizona state income tax, so long as that interest is excluded from gross income for federal income tax purposes. Bond Counsel expresses no opinion as to any other tax consequences regarding the Series 2009 Bonds.

The opinion on tax matters will be based on and will assume the accuracy of certain representations and certifications, and continuing compliance with certain covenants, of UMCC contained in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the Series 2009 Bonds are and will remain obligations the interest on which is excluded from gross income for federal income tax purposes. In addition, Bond Counsel has relied on, among other things, the opinion of Lewis and Roca LLP, counsel to UMCC, regarding the current status of UMCC as an organization described in Section 501(c)(3) of the Code, which opinion is subject to a number of qualifications and limitations. Bond Counsel has not given any opinion or assurance concerning Section 513(a) of the Code or the effect of any future activities of UMCC. Failure of UMCC to maintain its status as an organization described in Section 501(c)(3) of the Code, or to operate the facilities financed by the

Series 2009 Bonds in a manner that is substantially related to UMCC's charitable purpose under Section 513(a) of the Code, may cause interest on the Series 2009 Bonds to be included in gross income retroactively to the date of the issuance of the Series 2009 Bonds. Bond Counsel will not independently verify the accuracy of UMCC's certifications and representations or the continuing compliance with UMCC's covenants and will not independently verify the accuracy of the opinion of UMCC's counsel.

The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel's legal judgment as to exclusion of interest on the Series 2009 Bonds from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the IRS or any court. Bond Counsel expresses no opinion about (i) the effect of future changes in the Code and the applicable regulations under the Code or (ii) the interpretation and the enforcement of the Code or those regulations by the IRS.

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excluded from gross income for federal income tax purposes, some of which require future or continued compliance after issuance of the obligations. Noncompliance with these requirements by UMCC may cause loss of such status and result in the interest on the Series 2009 Bonds being included in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2009 Bonds. UMCC has covenanted to take the actions required of it for the interest on the Series 2009 Bonds to be and to remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion. After the date of issuance of the Series 2009 Bonds, Bond Counsel will not undertake to determine (or to so inform any person) whether any actions taken or not taken, or any events occurring or not occurring, or any other matters coming to Bond Counsel's attention, may adversely affect the exclusion from gross income for federal income tax purposes of interest on the Series 2009 Bonds or the market value of the Series 2009 Bonds.

Although a portion of the interest on certain tax-exempt obligations earned by certain corporations may be included in the calculation of adjusted current earnings for purposes of the federal corporate alternative minimum tax, interest on certain tax-exempt obligations issued in 2009 and 2010, including the Series 2009 Bonds, is excluded from that calculation. Interest on the Series 2009 Bonds may be subject to a federal branch profits tax imposed on certain foreign corporations doing business in the United States and to a federal tax imposed on excess net passive income of certain S corporations. Under the Code, the exclusion of interest from gross income for federal income tax purposes may have certain adverse federal income tax consequences on items of income, deduction or credit for certain taxpayers, including financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those that are deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. The applicability and extent of these and other tax consequences will depend upon the particular tax status or other tax items of the owner of the Series 2009 Bonds. Bond Counsel will express no opinion regarding those consequences.

Payments of interest on tax-exempt obligations, including the Series 2009 Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If a Series 2009 Bond owner is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress, and legislation affecting the exemption of bonds or interest thereon for purposes of State of Arizona taxation may also be considered by the Arizona Legislature. Court proceedings may also be filed the outcome of which could modify the tax treatment of obligations such as the Series 2009 Bonds. There can be no assurance that legislation enacted or proposed or actions by a court after the date of issuance of the Series 2009 Bonds will not have an adverse effect on the tax status of interest on the Series 2009 Bonds or the market value of the Series 2009 Bonds.

Prospective purchasers of the Series 2009 Bonds should consult their own tax advisers regarding pending or proposed federal and state tax legislation and court proceedings, and prospective purchasers of the Series 2009 Bonds at other than their original issuance at the respective prices indicated on the cover of this Official Statement should also consult their own tax advisers regarding other tax considerations such as the consequences of market discount, as to all of which Bond Counsel expresses no opinion.

Bond Counsel's engagement with respect to the Series 2009 Bonds ends with the issuance of the Series 2009 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend UMCC or the owners of the

Series 2009 Bonds regarding the tax status of interest on the Series 2009 Bonds in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Series 2009 Bonds, under current IRS procedures, the IRS will treat UMCC as the taxpayer and the beneficial owners of the Series 2009 Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including but not limited to selection of the Series 2009 Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market value of the Series 2009 Bonds.

Original Issue Discount and Original Issue Premium

Certain of the Series 2009 Bonds ("***Discount Bonds***"), as indicated on the cover of this Official Statement, were offered and sold to the public at an original issue discount ("***OID***"). OID is the excess of the stated redemption price at maturity (the principal amount) over the "issue price" of a Discount Bond. The issue price of a Discount Bond is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of the Discount Bonds of the same maturity is sold pursuant to that offering. For federal income tax purposes, OID accrues to the owner of a Discount Bond over the period to maturity based on the constant yield method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). The portion of OID that accrues during the period of ownership of a Discount Bond (i) is interest excluded from the owner's gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as other interest on the Series 2009 Bonds, and (ii) is added to the owner's tax basis for purposes of determining gain or loss on the maturity, redemption, prior sale or other disposition of that Discount Bond. A purchaser of a Discount Bond in the initial public offering at the price for that Discount Bond stated on the cover of this Official Statement who holds that Discount Bond to maturity will realize no gain or loss upon the retirement of that Discount Bond.

Certain of the Series 2009 Bonds ("***Premium Bonds***"), as indicated on the cover of this Official Statement, were offered and sold to the public at a price in excess of their stated redemption price (the principal amount) at maturity. That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Bond, based on the yield to maturity of that Premium Bond (or, in the case of a Premium Bond callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium Bond), compounded semiannually. No portion of that bond premium is deductible by the owner of a Premium Bond. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Bond, the owner's tax basis in the Premium Bond is reduced by the amount of bond premium that accrues during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Bond for an amount equal to or less than the amount paid by the owner for that Premium Bond. A purchaser of a Premium Bond in the initial public offering at the price for that Premium Bond stated on the cover of this Official Statement who holds that Premium Bond to maturity (or, in the case of a callable Premium Bond, to its earlier call date that results in the lowest yield on that Premium Bond) will realize no gain or loss upon the retirement of that Premium Bond.

Owners of Discount Bonds and Premium Bonds should consult their own tax advisers as to the determination for federal income tax purposes of the amount of OID or bond premium properly accruable or amortizable in any period with respect to the Discount Bonds or Premium Bonds and as to other federal tax consequences and the treatment of OID and bond premium for purposes of state and local taxes on, or based on, income.

ABSENCE OF LITIGATION

To the knowledge of the appropriate officers of UMCC, there is not pending or threatened any litigation seeking to enjoin the issuance or delivery of the Series 2009 Bonds or questioning or affecting the validity of the Series 2009 Bonds, the Series 2009 Note or the other proceedings relating to the Series 2009 Bonds and authority under which they are to be issued and secured. Neither the creation, organization or existence of UMCC, the validity of the Lease and Conveyance Agreement, nor the title of the present members or other officers of UMCC to their respective offices, is being challenged or questioned.

To the knowledge of the appropriate officers of UMCC, there is not pending or threatened any litigation which would materially and adversely affect the financial position or operations of UMCC. See "APPENDIX A – OTHER INFORMATION - Litigation".

LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the Series 2009 Bonds are subject to the legal opinion of Squire, Sanders & Dempsey L.L.P., Bond Counsel, whose legal opinion will be delivered with the Series 2009 Bonds.

The proposed form of the legal opinion of Bond Counsel is set forth as "APPENDIX D". The legal opinion to be delivered may vary from that text if necessary to reflect facts and law on the date of delivery. The opinion will speak only as of its date, and subsequent distributions of it by recirculation of this Official Statement or otherwise shall create no implication that Bond Counsel has reviewed or expresses any opinion concerning any of the matters referred to in the opinion subsequent to its date. In rendering its opinion, Bond Counsel will rely upon certificates and representations of facts to be contained in the transcript of proceedings which Bond Counsel will not have independently verified.

In its capacity as Bond Counsel, the firm has participated in the preparation of, and has reviewed those portions of, this Official Statement pertaining to the Series 2009 Bonds, the Bond Indenture, the Master Indenture and the tax-exempt status of interest on the Series 2009 Bonds including the materials contained under the captions "THE SERIES 2009 BONDS," "SECURITY FOR THE SERIES 2009 BONDS", "TAX MATTERS" and in "APPENDIX A - OTHER INFORMATION – The Act – Selected Provision Of The Act." Bond Counsel has not verified, is not passing on, and does not assume any responsibility for, the accuracy, completeness or fairness of any other information in this Official Statement or any other information pertaining to the Series 2009 Bonds or UMCC that may be made available to the prospective purchasers of the Series 2009 Bonds or to others or that is incorporated by reference.

Certain legal matters will be passed upon for UMCC by its counsel, Lewis and Roca LLP, Tucson, Arizona, and for the Underwriter by its counsel Fulbright & Jaworski L.L.P., Dallas, Texas.

MISCELLANEOUS

The references herein and in the Appendices hereto to the Series 2009 Bonds, the Master Indenture, the Supplemental Indenture Number Nine, the Series 2009 Note, the Bond Indenture and the Lease and Conveyance Agreement are brief outlines of certain provisions thereof. Such outlines do not purport to be complete. Reference is hereby made to the complete forms of such documents for further information, copies of which are available as set forth under "INTRODUCTION" herein.

The agreement of UMCC with the Holders of the Series 2009 Bonds is fully set forth in the Bond Indenture and neither any advertisements of the Series 2009 Bonds nor this Official Statement is to be construed as constituting an agreement by UMCC, or any future member of the Obligated Group, with the Holders of the Series 2009 Bonds.

The attached Appendices are integral parts of this Official Statement and should be read together with all of the foregoing statements. All estimates, assumptions and other statements in this Official Statement involving matters of opinion whether or not expressly so stated are intended as such and not as representations of fact.

This Official Statement has been approved and its distribution authorized by UMCC.

UNIVERSITY MEDICAL CENTER CORPORATION

By: */s/ Kevin J. Burns*
Kevin J. Burns
Chief Financial Officer

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APPENDIX A

Certain Information Concerning University Medical Center

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UNIVERSITY MEDICAL CENTER CORPORATION

OVERVIEW

University Medical Center Corporation ("***UMCC***") operates University Medical Center (the "***Hospital***"), an academic medical center located in Tucson, Arizona, serving the Tucson community, the University of Arizona Colleges of Medicine, Nursing, Pharmacy, and Public Health and the School of Health-Related Professions (the "***Health Colleges***"). UMCC is presently licensed to operate 355 beds, of which 351 are operational. The Hospital is Southern Arizona's Sole Level I Trauma Center, having accepted this role effective July 1, 2003, and is Arizona's only academic medical center, supporting the growing teaching mission of the University of Arizona's (the "***University***") medical programs.

The Hospital was originally constructed and operated as part of the University of Arizona and is located, together with the principal facilities of the Health Colleges, on the campus of what is known as the Arizona Health Sciences Center ("***AHSC***"). The Arizona Board of Regents leased the land beneath the Hospital and transferred the other Hospital assets and operations to UMCC in November 1984 under the terms of a Lease and Conveyance Agreement, as authorized by Section 15-1637, the Arizona Revised Statutes, as amended (the "***Act***"), see "-The Lease and Conveyance Agreement" and "-The Act" herein, and entered into an Educational Agreement, see "-Medical Education" below. These changes were prompted by concerns that with continued governmental operation, the Hospital would not be able to effectively respond to changes in the healthcare industry and that, as a result, the Arizona legislature would be called upon to appropriate public monies to fund Hospital deficits at unacceptable levels. For discussion of remedies available to the Board of Regents upon a default by UMCC under the Lease and Conveyance Agreement, see "OTHER INFORMATION – The Lease and Conveyance Agreement – Default," "-Remedies" and "-Restrictions" below.

The University is a land-grant university established in 1885 and governed by the Arizona Board of Regents, an agency of the State of Arizona. With an enrollment of approximately 38,000 full-time and part-time students for the fall 2008 academic term, the University maintains a broad range of undergraduate and post-graduate degree programs. Among American colleges and universities, the University is a major recipient of privately sponsored research funds, a significant portion of which are directed to healthcare and biological research. As of June 30, 2008, 425 Hospital medical staff physicians are members of the full-time faculty of the University's College of Medicine (the "***College of Medicine***") and provide clinical services through an incorporated faculty practice plan, University Physicians Healthcare ("***UPH***"). As of June 30, 2008, 219 community physicians who are not members of the full-time faculty of the College of Medicine have privileges at the Hospital.

UMCC has two controlled affiliates, University Medical Center Foundation (the "***Foundation***") and UMCC Insurance Funding Limited (the "***Captive***"). UMCC holds a 56% ownership percentage in SRS Leasing, LLC ("***SRS Leasing***") and a 50% ownership percentage in University Medical Imaging, LLC ("***UMI***").

In addition to the Hospital, UMCC operates five satellite physician offices in the Tucson area staffed by 30 physicians in its employ.

UMCC, subject to the terms of the Lease and Conveyance Agreement may issue bonds and incur debt without constitutional or statutory restrictions generally imposed on governmental bodies in the state of Arizona (the "***State***"), and is not subject to fiscal or budgetary restrictions, employment rules or procurement procedures generally imposed on or required of such bodies.

UMCC alone is responsible for the payment of principal, redemption premium if any, and interest on the Series 2009 Bonds ("***Bond Debt Service***"). Neither the State, the Arizona Board of Regents, the University nor any of their affiliates is obligated to pay Bond Debt Service. None of the UMCC controlled affiliates has any obligation with respect to Bond Debt Service. For the fiscal year ended June 30, 2008, UMCC accounted for 100% of net patient service revenues and 102% of the excess of revenue over expenses before capital fundraising and grant income generated by UMCC and its controlled affiliates.

ORGANIZATION

UMCC was incorporated in July 1984, with the approval of the Arizona Board of Regents, as a not-for-profit corporation under Arizona law to operate the Hospital as authorized by the Act. UMCC has been determined

to be an exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1986. UMCC is governed by a 21 member Board of Directors (the "***Board of Directors***") appointed by the Arizona Board of Regents. One member of the Board of Directors is an elected member and representative of the organized medical staff of the Hospital and is appointed for a two-year term. The President of the University, the Vice President of Health Sciences of the University and the Chief Executive Officer of UMCC serve as ex-officio voting members of the Board of Directors. The remaining members of the Board of Directors are appointed for staggered four-year terms. Presently, one member of the Board of Directors is a member of the Arizona Board of Regents. Members of the Board of Directors may be removed from office at any time, with or without cause, by the Arizona Board of Regents.

Board of Directors

Listed below are the names, offices, principal occupations, date of election to the Board of Directors and the date upon which each member's current term expires.

Board Member	Affiliation	Initially Appointed	Current Term Expires
Laura T. Almquist	Retired, Tucson Community Foundation Associate Director/Grants	August 1985	October 2011
John M. Bernal	Deputy County Administrator, Pima County Public Works	January 2008	October 2011
Fred Boice	Boice Financial Company (member – Arizona Board of Regents)	February 2002	March 2010
Leo J. Brennan	Owner, CareCo Senior Services	October 2001	October 2009
Esther N. Capin	Retired, Mental Health Counselor	August 1984	October 2012
Dr. William Crist	VP of Health Science Affairs at the University	November 2008	N/A
Katie N. Dusenberry	Retired, Owner of Horizon Moving Systems	August 1985	October 2009
Judy Gignac, ***Chair***	Bella Vista Ranches	August 1997	October 2009
Edmund L. Jenkins, ***Secretary***	Retired, Chairman of Financial Accounting Standards Board	August 2004	October 2012
David Labiner, M.D.	Professor, Department of Neurology University of Arizona College of Medicine	February 2007	January 2010
Daniel N. Lewis	Vice Chair, Tribal Financial Advisors	January 2008	October 2011
Jamie Matanovich, Ph. D.	Psychologist, Roosevelt School District	August 1985	October 2009
Matthew H. Miller, ***Vice Chair***	Senior Wealth Manager, JPMorgan Chase Private Wealth Management	October 1998	October 2010
Gary E. Munk	Real Estate Broker, Gary Munk Real Estate & Investments	October 1999	October 2011
Bruce J. Nordstrom, CPA, ***Past Chair***	Partner, Nordstrom & Associates, CPAs	October 1998	October 2010
Gregory A. Pivirotto	President and Chief Executive Officer, UMCC	March 1994	N/A
Roberto C. Ruiz	President, Ruiz Engineering	December 1987	October 2010
Robert Shelton, Ph.D.	President, University of Arizona	July 2008	N/A
N. Philip Strause, III, M.D.	Retired, Pediatrician	October 1992	October 2012
Douglas J. Wall	Retired Attorney, Mangun, Wall, Stoops & Warden	May 1994	October 2012
Ben F. Williams, Jr.	Retired Attorney, Law Office of Ben F. Williams, Jr.	January 1989	October 2010

The Board of Directors generally meets once a month and maintains a number of committees, which include: the Executive Committee, Audit and Compliance Committee, Strategic Planning Committee, Investment Committee, Management Development and Compensation Committee, Pension Plan Trustee Committee, Expedited Clinical Privileges Committee, Governance Committee, Independent Board Member Committee and a Joint Conference Committee, which functions as a liaison between the Board of Directors and the medical staff of the Hospital.

Conflicts of Interest

The Board of Directors has adopted written conflict of interest policies which establish procedures for the identification and disclosure of conflicts of interest. Under these policies, conflicted directors, officers and employees are to refrain from participating in any decision or action by UMCC involving the conflict. Directors and members of senior management of UMCC are required annually to review UMCC's conflict of interest policy and complete and sign a conflict of interest questionnaire.

Management

Listed below are the senior management personnel of UMCC.

Gregory A. Pivirotto, CPA, 56, is the President and Chief Executive Officer of UMCC and a member of the Board of Directors. Mr. Pivirotto has served as Chief Executive Officer since April 1, 1994. Prior to this, Mr. Pivirotto served as Senior Vice President and Chief Financial Officer of UMCC for approximately 6 years. Mr. Pivirotto is a Certified Public Accountant in Arizona and Pennsylvania. Mr. Pivirotto received a Bachelor of Business Administration degree from the University of Notre Dame in 1975. Mr. Pivirotto spent eleven years in the employ of Arthur Andersen LLP ("***Arthur Andersen***") in its Chicago, Pittsburgh and Tucson offices. With Arthur Andersen, Mr. Pivirotto was involved in the delivery of accounting and consulting services to clients in industries which included banking, manufacturing, mining, and healthcare. During the last three years of his employment with Arthur Andersen, Mr. Pivirotto maintained a client relationship with UMCC in his role as Senior Audit Manager. Mr. Pivirotto is a member of the American Institute and Arizona Society of Certified Public Accountants. He serves on the Board of Directors of Unisource Energy Corporation, and is a past Chairman of the Arizona Hospital and Healthcare Association as well as a past Chairman of the Tucson Healthcare Council. He has also served on the Board of Directors of the Donor Network of Arizona and the University Healthcare Consortium.

Kevin J. Burns, CPA, 50, became the Chief Financial Officer of UMCC in June 2002. Prior to this, Mr. Burns was with Arthur Andersen, serving as the Partner in charge of Arthur Andersen's Desert Southwest Healthcare Practice, which served healthcare organizations in Arizona, New Mexico and Nevada. During his 17 years with Arthur Andersen, Mr. Burns was responsible for the delivery of accounting and consulting services to a broad range of healthcare organizations ranging from multi-hospital systems to stand alone urban and rural healthcare providers, commercial insurance carriers, pharmacy benefit managers, and government agencies involved in the delivery or oversight of healthcare programs. While at Arthur Andersen, Mr. Burns also served organizations, both public and private, in various industries including commercial retail, real estate, homebuilding, and heavy construction, agriculture, education, and manufacturing. From 1981 to 1985, Mr. Burns worked in the finance department of Lasma Corporation, a Scottsdale, Arizona based Arabian horse breeding, training, and marketing organization with operations throughout the United States. Mr. Burns received his Bachelor of Science Degree in Accounting from Arizona State University in 1981 and has been a Certified Public Accountant in Arizona since 1984. Mr. Burns has served on a number of boards of not-for-profit organizations. He is past President of TERROS, a not-for-profit community-based organization providing behavioral health, prevention, education and treatment services in the Phoenix area, and the Arizona Chapter of the Healthcare Financial Management Association ("***HFMA***"). He is presently on the boards of the Children's Clinics for Rehabilitative Services and Arizona Family Care Associates.

Martha G. Enriquez, RN, MS, 56, is Vice President of Patient Care Services and Chief Nursing Officer of UMCC and has served in this position since 1996. Ms. Enriquez is a registered nurse in Arizona. Ms. Enriquez received a Bachelor of Science in Nursing degree in 1973, a certificate as a Neonatal Nurse Practitioner in 1975, a Master of Science in Nursing degree in 1978, and completed course work for a Ph.D. in Nursing in 1994. Ms. Enriquez has spent the last 28 years in management and hospital administrative positions. Throughout her professional career, Ms. Enriquez has worked as a staff nurse, a neonatal nurse practitioner, a nursing educator, a

clinical nurse specialist, a manager, a director of nursing, and a hospital administrator. Ms. Enriquez is a member of the American Nurses Association, the American Organization of Nurse Executives, and Sigma Theta Tau International Nursing Honorary Society. Ms. Enriquez is a past President of the Arizona Organization of Nurse Executives, past Chairperson of the Tucson Nurses Week Foundation, and Chair of the Tucson Nurse Executive Group. Additionally, Ms. Enriquez was appointed by the Governor of Arizona to a statewide Task Force on the Nursing Shortage and is a past member of the Chief Nurse Officer Steering Committee for the University HealthSystem Consortium. In 2004, Ms. Enriquez received a Nursing Excellence award from the Nurse Week for the Mountain Region for Advancing the Nursing Profession. She was also a finalist for the Nurse of the Year Award in Leadership from the March of Dimes and she was named as one of Tucson's 12 Women on the Move by the YWCA. In 2005, Ms. Enriquez was named the "Distinguished Nurse of the Year" for the State of Arizona by the March of Dimes. Under Ms. Enriquez' Leadership, UMCC was named Arizona's first Magnet Hospital in 2003, and earned magnet re-designation in May 2008 for another 4 years.

Judy Dye, MA, 58, is the Vice President for UMCC Professional Services. Ms. Dye is a registered Medical Technologist. Ms. Dye received a Bachelor of Science degree in Medical Technology from the University of Arizona and a Master of Arts from the University of Phoenix in Management and Organizational Behavior. Ms. Dye has worked at UMCC since 1973, beginning in the laboratory and moving into management positions in pathology, radiation oncology, imaging services, and diagnostic and therapeutic services before her present administrative position. In the role of Vice President, Ms. Dye is responsible for the strategic planning, development, and growth of the Hospital's Cardiovascular Disease and Transplant Programs. In addition, Ms. Dye oversees all of the Ancillary Departments-Radiology, Therapy, Neurosciences, Endoscopy, Pharmacy, Pathology, Facilities Planning and Bio-Medical Engineering. Currently, Ms. Dye is responsible for the 3-year construction project of UMCC's new bed tower and Diamond Children's Medical Center. Ms. Dye serves as Board Chair of the American Red Cross Blood Services – Arizona Region and Board Chair of the Ronald McDonald House. Additionally, Ms. Dye is a Board member of the American Red Cross Southern Arizona Chapter, the American Diabetes Association of Arizona, the Wellness Council of Arizona and serves on the Advisory Board for Southern Arizona Junior Achievement.

Kent D. Rollins, MEd, 64, has served as President of the Foundation since July 2001. Mr. Rollins holds a Master's degree in Educational Administration from the University of Arizona and a Bachelor of Science degree from State University of New York, College at Oswego. Mr. Rollins was with the University of Arizona from 1972 to 2001, as Assistant Dean of Students and Director of Student Activities, President of the Arizona Alumni Association and Director of Alumni. Mr. Rollins is past Chair of the Council for Advancement and Support of Education, and is a charter member and past President of the Council of Alumni Association Executives. Previously, Mr. Rollins served as consultant to several university alumni associations, and on advisory boards for MBNA America and Z University, an Internet portal provider. Locally, Mr. Rollins is a former member of the Tucson Unified School District's 4th R Board of Directors. He currently serves on the Tolson Elementary School Site Council, the Doolen Middle School Site Council, is a member of the Tucson and Phoenix Steering Committees for the Leave A Legacy Program and Secretary/Treasurer of the Credit Union Service Organization for the Arizona State Savings and Credit Union. In addition, Mr. Rollins serves on the board of Arizona Family Care Associates in Sierra Vista, Arizona. Previously, Mr. Rollins served as President of the Tucson Parks Foundation, Chair of the Board of Lifeskills Incorporated, Director of the UA Foundation, a Trustee of the John and Helen Murphy Foundation, a member of the Wells Fargo Teacher Partner Grants Committee, and a Director of the Metropolitan YMCA.

Adaline Klemmedson, MPA, 56, is Vice President for Administrative and Corporate Relations of UMCC. She has been associated with UMCC for 14 years. She received her undergraduate degree from the University of Arizona College of Education in 1974 and her Masters of Public Administration degree from the University of Southern California in 1983. She has been a part of the Arizona Health Sciences Center for 19 years, having been employed by the University of Arizona College of Medicine prior to joining UMCC. Her areas of responsibility include oversight of UMCC's three primary care physician medical offices (Pantano, North Hills and Green Valley), and an orthopedic surgery office, marketing, corporate and government relations and community and volunteer services. Through her extensive community involvement she serves on numerous boards and working committees including: Past Chair and Board Member, United Way of Tucson & Southern Arizona; Vice Chair, Angel Charity for Children; Past Chair of Pima County and State of Arizona Medical Society Alliance; American Heart Association (Tucson chapter), and many other community and professional organizations. She has also won

recognition in numerous areas, including: elected exceptional woman of the year by the Businesswoman's Exposition in 1995; 1999 Greater Tucson Leadership Kurth Award for demonstrated involvement and leadership in effecting positive change in the quality of life in southern Arizona, and 1997 Pima County Medical Society Alliance Marilyn Haass Award for outstanding service in the medical community.

James W. Richardson, J.D., 64, has served as In-House Counsel for UMCC since March 1991. Mr. Richardson received an undergraduate degree from Valparaiso University (1967) and received a J.D. degree from the University of Arkansas at Little Rock (1979). Mr. Richardson previously worked for the Transamerica Insurance Company (claims manager), the former Johnson & Higgins (assistant vice president), and Samaritan Health Services (Administrator of Risk Management). Mr. Richardson has substantial experience in property and casualty insurance, captive insurance companies, litigation management, healthcare risk management and healthcare law. Mr. Richardson is also a retired Lt. Colonel from the United States Air Force Reserve, where he served as a Judge Advocate General. Mr. Richardson is a member of the State Bar of Arizona, the Pima County Bar Association, the American Healthcare Lawyers Association and the Christian Legal Society.

Karen D. Mlawsky, 44, became the Vice President for Oncology Services in August 2006. Ms. Mlawsky received her Bachelor of Science degree in Business Administration from the University of Arizona in 1987 with a dual major of Accounting and Management Information Systems. She earned her Certified Public Accountant designation in Arizona in 1994. Prior to joining UMCC, Ms. Mlawsky was the Executive Director of The Ohio State University Hospital East ("***UH East***"), one of five hospitals that comprise the Ohio State University ("***OSU***") Health System, (2004-2006). In addition to her role as Executive Director, Ms. Mlawsky was the Chief Administrative Officer for the Imaging Signature Service line, where she was responsible for providing strategic planning and administrative leadership for imaging services throughout OSU Medical Center. Prior to assuming these roles in February 2004, Ms. Mlawsky was the UH East's Associate Executive Director (2003-2004) and the Chief Financial Officer (1999-2003). Ms. Mlawsky returned to UMCC in 2006 after leaving in 1993 when she served as an Assistant Director of Budgets and as the Controller in the financial services department. Ms. Mlawsky has served on the Board of Trustees for the Ohio Business Week Foundation since 2002 and was the Vice President of Finance for the Foundation. She has also been a member of the American College of Healthcare Executives, the Healthcare Financial Management Association and the American Heart Association.

John A. Marques, SPHHR, 56 joined UMCC in January 2007 as Vice President and Chief Human Resources Officer. In his role at UMCC, Mr. Marques is responsible for all human resource functions including talent acquisition and retention, benefit planning and administration, compensation, training and development, human resources systems and employee health. Prior to UMCC, Mr. Marques was Vice President, Human Resources from 1992 to 2006 with Crosstown Traders Inc, based in Tucson, Arizona. From 1976 to 1992 Mr. Marques held human resources leadership positions in the specialty retailing, technology and consumer packaged goods industries. Mr. Marques earned a Bachelors Degree in Speech Communication from Emerson College, Boston, Massachusetts in 1974 and a Master of Science Degree in Organizational Communication from Purdue University, West Lafayette, Indiana in 1976. Mr. Marques received the Senior Professional in Human Resources certification from the Human Resources Certification Institute in 1998. Mr. Marques has been involved in a number of community service groups such as the United Way of Tucson, the American Cancer Society and is a founding board member of Linkages, a non-profit organization dedicated to assisting individuals with disabilities in finding meaningful employment.

Vicki Began, RN, MN, 48, is Vice President of Women and Children's Services at UMCC and has served in this position since April 2007. Ms. Began is a registered nurse in Arizona. Ms. Began received a Bachelor of Science in Nursing degree in 1982 and a Master of Nursing Administration with Management Specialization in 1994. Ms. Began has spent the last 18 years in management and hospital administrative positions. Throughout her professional career, Ms. Began has worked as a staff nurse, a public health nurse, a nurse manager, a director of nursing and a hospital administrator. Ms. Began is a member of the American Nurses Association, the American Organization of Nurse Executives, Association of Women's Health for Obstetrics and Neonatal Nursing and Sigma Theta Tau International Nursing Honorary Society. Ms. Began is on the board of directors for Casa de los Niños, a local Crisis Nursery in Tucson and currently is serving as the Board President. In addition, Ms. Began is a board member of Children's Clinics for Rehabilitative Services and the Arizona Perinatal Trust, a statewide organization. Ms. Began led the implementation for the Safe Baby (Safe Haven) program in Southern Arizona, in 2000. In 1999, Ms. Began was named Casa de los Niños Board Member of the Year. In 2007, Ms. Began was named the

"Distinguished Nurse of the Year" for the State of Arizona by the March of Dimes and served as the Chair for the 2008 March of Dimes Nurses of the Year Awards Gala. Ms. Began is directly involved in the oversight of the construction and program growth of the Diamond Children's Medical Center at UMCC.

Ann M. McGrath, MBA, 46, became the Vice President of Strategic Planning and Operational Improvement in September 2008, and also served as the interim Vice President of Emergency, Trauma and Perioperative Services. Ms. McGrath joined UMCC in 2002 as the Director of UMC Consulting. Prior to joining UMCC, Ms. McGrath was a Principal with Arthur Andersen, serving healthcare organizations in Arizona, New Mexico, Nevada and California. During her 18 years with Arthur Andersen, Ms. McGrath was responsible for the delivery of accounting and consulting services to a broad range of healthcare organizations including multi-facility acute, post-acute and rehabilitation systems, stand alone urban and rural healthcare providers, commercial insurance carriers, continuing care retirement centers, and government agencies involved in the delivery or oversight of healthcare programs. While at Arthur Andersen, Ms. McGrath's clients also included public and private entities in the real estate, homebuilding, oil and gas, and manufacturing industries. Ms. McGrath received her Bachelor of Science Degree in Accounting from the University of Arizona in 1984 and her Masters in Business Administration from the University of Phoenix in 2008. Ms. McGrath is a past Board Member of Women's Certified Public Accountants of Phoenix and a member of the Arizona Chapter of the Healthcare Financial Management Association.

Misty M. Darling, CPA, MBA, 36, was recently promoted to Chief Accounting Officer. Ms. Darling became the Controller of UMCC in 2002, after joining UMCC in 2001 as the Assistant Controller. Ms. Darling is a Certified Public Accountant in the State of California. Prior to joining UMCC, Ms. Darling was a Manager with the Audit and Assurance practice of Arthur Andersen, serving organizations in Arizona, Texas and California. During her four years with Arthur Andersen, Ms. Darling was responsible for the planning and delivery of accounting services to a broad range of private and public organizations in various industries including healthcare, other not-for profits, governmental behavioral health, mortgage, publishing, manufacturing and software. From 1995 to 1998 Ms. Darling worked as a tax preparer with a public accounting firm. Ms. Darling received her Bachelor of Science Degree in Financial Services from St. Mary's College of California in 1994 and her Masters in Business Administration from the University of Phoenix in 2008. Ms. Darling is a member of the American Institute of Certified Public Accountants and the Arizona Society of Certified Public Accountants. Ms. Darling is a past President and current Board Member of Pima Community Access Program, a bridge to healthcare for the uninsured. Ms. Darling is also a member of the Steering Committee for Southern Arizona Health Information Exchange.

Controlled Affiliates and Subsidiaries

The Foundation. In fiscal year 2002, UMCC constituted the Foundation, as a nonprofit tax-exempt charitable foundation to develop philanthropic support for UMCC. As of June 30, 2008, the Foundation's total assets were approximately $28 million.

The Captive. The Captive, organized in 1990 and domiciled in the Cayman Islands, British West Indies, is UMCC's wholly-owned offshore captive insurance company that underwrites and provides primary levels of general and professional liability insurance coverage (see "Other Information – Insurance" herein). As of June 30, 2008, the Captive's total assets were approximately $13.3 million.

UMI. In September 2007, UMCC opened an outpatient imaging center. UMI leases the facility and equipment used in the provision of services to UMCC, which operates the outpatient imaging center. UMI leases the facility from an unrelated third party; UMCC and UPH are each a member of UMI with a 50% ownership percentage. As of June 30, 2008, UMI's total assets were approximately $8.4 million.

SRS Leasing. SRS Leasing is a leasing company which leases the BrainLab technology to UMCC for the provision of radiation oncology services. UMCC holds 56% ownership percentage in SRS Leasing. As of June 30, 2008, SRS Leasing's total assets were approximately $1 million.

FACILITIES

The Hospital

The Hospital is part of the AHSC complex located at 1501 North Campbell Avenue, Tucson, Arizona, on approximately 45 acres northeast of the main campus of the University.

The Hospital, originally completed in 1971 as the Clinical Sciences Building of the AHSC, is a 10-story structure with 9 floors of occupied space and a gross floor area of approximately 500,000 square feet. The Clinical Sciences Building includes the offices and clinics of UPH, which is a nonprofit physicians' group corporation that supports the faculty doctors of the College of Medicine. See "–Medical Staff – UPH" herein.

Separate buildings at the AHSC house the University's Colleges of Nursing, Pharmacy and Public Health. To the north of and connected by walkways to the Hospital is the College of Medicine's Arizona Cancer Center ("***ACC***").

UMCC, since its acquisition of the Hospital in 1984, has undertaken improvements to Hospital facilities and equipment including:

- the construction of a four-story inpatient wing which provided approximately 80,000 square feet of additional floor space, increasing the Hospital's licensed bed capacity from 300 to 355 and providing private patient rooms;
- the construction and outfitting of an expanded inpatient imaging center and an offsite joint venture imaging center;
- expansion of surgical suites and the expansion and relocation of the Emergency Department including a new heliport;
- the construction of a new GI/Endoscopy Clinic and Lab;
- the construction of two parking structures connected to the Hospital by walkways accommodating approximately 1,700 vehicles for staff, patients and visitors;
- expansion and relocation of the Hospital's Pediatric Intensive Care Unit;
- major utility infrastructure improvements, including automatic fire sprinkler systems, smoke detection systems and infant abduction prevention systems;
- development of Protective Environment rooms in a dedicated inpatient unit for Blood and Marrow Transplant care;
- laboratory and pharmacy expansions and renovations and the installation of a Hospital-wide "Pyxis" medication and supply dispensing system;
- major computer, software and other information technology improvements, including electronic physician order entry, a comprehensive wireless network system and an ongoing transition to a mostly paperless environment;
- the acquisition and installation of Novalis "BrainLab" stereotactic radiosurgery and Tomotherapy equipment for the Radiation Oncology Clinic;
- completion of a new Intensive Care Unit ("***ICU***") in January 2004 in order to provide additional critical care space needed for the Hospital's expanded Trauma Services. This added 14 ICU beds, but reduced the number of overall licensed beds from 365 to 355. The unit is licensed under a new

Arizona Department of Health Services ("***ADHS***") category as a step down ICU/Medical-Surgical unit; and

- the upgrade of the medical telemetry monitoring equipment that allows physicians to review their patients' monitored information from remote locations within the Hospital and from physician offices and to quickly respond when immediate clinical intervention is warranted.

Other capital projects recently completed, underway or planned are described under "THE PROJECT" herein.

Other Facilities

UMCC also owns other properties in addition to and apart from the Hospital. These properties are described below and constitute "*Excluded Property*" under, and as defined in, the Master Indenture. As Excluded Property under the Master Indenture, the restrictions in the Master Indenture on liens and sales of Property do not apply to these properties. See Appendix C hereto under the caption "MASTER INDENTURE – Limitation on Liens" and "– Restrictions on Transfer of Property".

- a medical office facility (Pantano) in the southeast Tucson metropolitan area staffed by 6.7 full-time equivalent primary care physicians in the employ of UMCC;

- a medical office facility (North Hills) in the northwest Tucson metropolitan area staffed by 10.5 full-time equivalent primary care physicians in the employ of UMCC;

- an hematology/oncology clinic ("***UMC at Orange Grove***") in the northwest Tucson metropolitan area staffed by 2 Oncologists in the employ of UMCC. The purchase of this clinic in November 2007 included an adjacent 1.1 acre parcel for future development of oncological services for radiation and infusion therapies;

- a building of approximately 40,000 square feet on approximately 6 acres of land approximately 5 miles north and west of the Hospital, which houses portions of UMCC's financial, patient billing, administrative, and information systems services, as well as Home Health and the Foundation;

- approximately 6.7 acres of vacant land in Oro Valley, Arizona, northwest of Tucson (La Reserve), acquired by UMCC as a site for future expansion of satellite outpatient/primary care services;

- a 17 acre campus less than 3 miles north of the Hospital (approximately 6 minutes driving time), that was formerly operated as Tucson General Hospital ("***TGH***"). Referred to as UMC North Medical Park ("***UMC North***"), this property was acquired by UMCC in 2001 pursuant to UMCC's master plan and is projected to be used for outpatient services, clinical research, and administrative support services. A portion of this property was redeveloped into a new center that contains the clinical oncology services of the Arizona Cancer Center as described below (Peter and Paula Fasseas Cancer Center Clinic (the "***Clinic***")). UMCC completed construction of the Clinic at UMC North and began seeing patients in January 2007. The Clinic replaced the existing medical/surgical oncology clinic on the AHSC campus which occupied approximately 10,200 square feet at the ACC previously operated by UMCC. The Clinic provides a more suitable outpatient and healing environment for patients in a comprehensive center that enables UMCC to accommodate increasing patient volumes and better address clinical oncology patient needs, comfort and accessibility at a new facility. The Clinic is approximately 82,000 square feet (gross) and has been designed for predicted growth in outpatient oncology volumes. The design includes medical and surgical oncology treatment areas, a women's cancer treatment center, outpatient bone marrow transplant, infusion services, laboratory, pharmacy and support services as well as office and support space for physicians and other staff. In addition, the design incorporates high-quality amenities and other services for patients such as a boutique and gift shop for oncology patients, a healing garden, and natural light in all of the clinical areas. The building was recognized by *Healthcare Design Magazine* as their "Showcase" cover story in the February 2008 edition of the magazine. The building also won an "Award of Excellence" at the 22nd Annual Design Awards

sponsored by *Modern Healthcare* magazine and it won a "Citation of Merit" Award from the Center for Health Design;

- UMC North is also home to the Ronald McDonald House Charities of Southern Arizona and will be a future site of outpatient services such as Radiation Oncology Clinical Services, a Women's Center for Oncology Services, imaging services and ambulatory surgery services;

- A parking garage and structure, previously used as a theater, located less than 1 mile north of the Hospital. This garage provides approximately 200 additional parking spaces for Hospital staff;

- A 2.27 acre parcel adjacent to the UMC North campus. This parcel currently has 11,614 square feet of building that are currently leased to the Tucson Masonic Lodge. This parcel is intended to be used for future expansion of services provided at UMC North; and

- A building of approximately 2,500 square feet on a residential lot to the north of the Hospital, for which uses are being planned.

Leased Facilities

- UMCC leases approximately 4,000 square feet of medical office space in central Phoenix, Arizona at which the Hospital makes outpatient evaluation, preoperative and postoperative services available to residents of Central and Northern Arizona (including Phoenix) who seek or obtain services at the Hospital, principally those of the Hospital's organ, blood and marrow transplant programs;

- UMCC leases approximately 8,500 square feet for a medical office facility in Green Valley, Arizona south of the Tucson metropolitan area staffed by two full-time primary care physicians, a part-time Cardiologist and part-time Oncologist of UMCC; and

- UMCC leases approximately 3,300 square feet for an outpatient orthopedic clinic (Human Motion Institute) in central Tucson, Arizona. This clinic is staffed by 19 UMCC employees. The physicians at this clinic are employed by UPH.

THE PROJECT

UMCC serves a growing population and has experienced volume increases of 6% in fiscal 2008, 5% in 2007, and 1% in 2006 (based on adjusted patient days).

The following is a summary of UMCC's capital project ("***Project***") expenditures presently intended for funding by the issuance of the Series 2009 Bonds:

(In Thousands)	
Completion of the Diamond Children's Medical Center	$ 23,000
Medical Equipment for Bed Tower	14,000
Reimbursement to UMCC for prior capital expenditures	18,000
Estimated total project	$ 55,000

Inpatient Expansion

UMCC presently maintains 355 licensed beds at the Hospital, with 351 beds in service. See "SERVICES – Inpatient Bed Capacity" herein. Continued market demand, UMCC's sole Level I trauma status, and the planned growth in the number of physicians associated with the University of Arizona's teaching programs, including the recent addition of approximately 20 new surgeons, require UMCC to expand its inpatient capacity.

In 2006, UMCC began construction of a new six-story bed tower (the "***Bed Tower***"). The new space will be approximately 215,000 square feet and allow for the addition of up to 204 new inpatient beds. As part of the expansion, a 16-bed Clinical Decision Unit ("***CDU***") was completed and opened in March 2008. The CDU is used primarily for observation patients and allows inpatient beds previously used for observation patients to be used for inpatients. UMCC's plan is to begin operation of the ED/Trauma unit plus the second and third floors of the Bed Tower on a phased basis upon completion of construction. The 2nd and 3rd floors will add 88 private rooms (40 ICU rooms and 48 medical/surgical rooms). The ED will begin operation in June 2009 with the 2nd and 3rd floors opening in phases beginning in the Fall of 2009.

The top three floors of the Bed Tower will house the Diamond Children's Medical Center ("***DCMC***") that has a total expected cost of approximately $50 million. Approximately $15 million of the cost are expected to be paid by contributions already committed by donors over the next six years; the remaining costs will be paid with proceeds from the Series 2009 Bonds and operating revenues of UMCC. DCMC will hold 116 inpatient pediatric beds, and is expected to open in 2010.

UMCC estimates the cost of the Bed Tower, including completion of DCMC, and related equipment to be approximately $185 million; approximately (i) $120 million has been funded with the proceeds of the Series 2005 Bonds, (ii) $37 million will be funded with the proceeds of the Series 2009 Bonds, (iii) $15 million will be funded with donations, and (iv) the remaining amount will be funded with revenues of UMCC. Major modifications to the Bed Tower from the original Bed Tower described in the official statement for the Series 2005 Bonds relate to the development of the Diamond Children's Medical Center and the addition of a third pediatric floor.

Reimbursement

In addition to the financing of the inpatient expansion, UMCC plans to use approximately $18 million of proceeds from the Series 2009 Bonds as reimbursement for other capital expenditures. This includes reimbursement to UMCC of a portion of the costs incurred in the acquisition of the hematology/oncology clinic, which is now UMC at Orange Grove, the acquisition of the Catalina Theater used for additional offsite parking, hospital renovations and the acquisition of medical equipment. This reimbursement will serve to strengthen the balance sheet and liquidity of UMCC.

SERVICES

Inpatient Bed Capacity

The Hospital is currently licensed at 355 licensed beds as shown below. Actual beds in service are presently 351. Upon completion of the inpatient expansion, UMCC anticipates having approximately 559 licensed beds. UMCC's plan is to phase in the opening of additional beds as patient demand increases. As part of this process, UMCC will transition from the existing facility to the new Bed Tower, with additional beds placed in service as required to accommodate service increases. The Hospital's bed complement is shown below. The number of licensed beds excludes newborn nursery and labor and delivery.

	As of June 30, 2008		With Completion of New Bed Tower (all floors)
Licensure Category	**Licensed Beds**	**Beds In Service**	**Anticipated Licensed Beds**
General Medical/Surgical	173	173	244
Pediatrics	49	49	82
Obstetrics	29	25	29
Psychiatry	8	8	8
Intensive Care Unit:			
Adult	50	50	90
Pediatrics	16	16	40
Neonatal	30	30	66
Total	355	351	559

Note: Unless specifically noted, all tabular data in this Appendix A is derived from internal records of UMCC

Services

UMCC offers a broad range of inpatient ("***IP***") and outpatient services ("***OP***"), which include the following:

Patient Services

Ambulatory Procedure Clinic
Ambulatory Surgery
Artificial Heart Lab
Blood Recovery
Bone Density
Cancer Center Clinic
Cardiac Rehabilitation
Cardiology (diagnostic)
Cardiac Catheterization Lab
Case Management
CT Scanner/MRI
Dialysis
Disease Management
EEG Lab
EKG Lab
Electrophysiology Lab
ECHO
Emergency Services
Endoscopy Lab
Enterostomal Therapy
Epilepsy Monitoring
Food & Nutrition
Green Valley Clinic
Hemophilia
Home Health
Imaging
Immunopathology
Infusion Therapy
Radiotherapy
Level I Trauma
Linear Accelerator
Liver
Lung
Maternal Child
Microbiology
Morgue & Autopsy
Neurology
Neurology (diagnostic)
North Hills Physician Clinic
Nuclear Medicine
Occupational Therapy (IP and OP)
Operating Room
Pacemaker Clinic
Pancreas
Pantano Physician Clinc
Pastoral Care
Patient Care Services
Patient Relations
Perfusion
Perioperative Services
Pharmacy Services
Phoenix Medical Transplant Office
Physical Therapy (IP and OP)
Physician Medial Offices
Post Anesthesia Care
Primary Care
Professional Support
Radiation-Oncology
Radiology
Rehabilitation Services
Serology
Sterile Processing Department
Transfusion Medicine
Ultrasound
Urgent Care
Vascular/Interventional
Virology

Clinical Services

Anesthesiology
Blood Bank
Chemistry
Cytogenics
Emergency Medicine
Hematology
HLA
Immunology
Hemotherapy
Infusion Therapy
Infection Control
Medicine
Laboratory
Obstetrics and Gynecology
Neurology
Orthopedic Surgery
Ophthalmology
Pediatrics
Pathology
Radiation – Oncology
Psychiatry
Respiratory Care
Radiology
Speech Therapy (IP)
Social Work
Transplantation Services -
Surgery
Blood and Marrow, Autologous
Matched, Unrelated Donors,
Allogeneic Heart, Heart/Lung, Kidney

Particular Programs and Services

A number of programs and services offered at the Hospital distinguish the Hospital from others in Southern Arizona. These programs and services, which include those summarized below, draw from and complement the research, educational and patient care activities and missions of the College of Medicine, draw patients from outside the Tucson metropolitan area and in some cases, from outside Arizona, and present opportunities to the Hospital and other components of the AHSC.

Oncology. The UMCC Oncology services teams with the ACC and UPH offer comprehensive multi-disciplinary care to patients in Southern Arizona. ACC is one of approximately 40 comprehensive cancer centers in the nation designated by the National Cancer Institute - the only one in the State. The ACC excels in ground breaking research, internationally renowned physicians providing clinical care and leading community education and outreach programs. In 2007, the ACC ranked 29th nationally in research dollars awarded from the National Cancer Institute of about 736 grantee institutions receiving over $61 million in overall cancer related research funding. In January 2007, the ACC's physicians began seeing patients at the Clinic. This 82,000 square foot facility is a "One Stop" center where patients receive a variety of support services as well as leading edge cancer therapies. The Clinic is designed to provide patients with a beautiful, restful environment for treating the "whole patient". At this facility and at UMCC's main campus patients are offered comprehensive care across many disciplines - from diagnostic capabilities in all the major disease sites, to surgery, radiation and chemotherapy. UMCC radiation oncology offers state of the art technology for meeting all of UMCC's patients needs including stereotactic radiosurgery. UMCC's clinical trials are taking the results of basic research right to the bedside of its patients. UMCC's Oncology services recent program growth is attributable to additional volumes in the Breast Cancer, Skin Cancer and Gastrointestinal Cancer Programs as well as new technologies such as TomoTherapy.

Cardiovascular Services. Cardiovascular Services at UMCC facilities include both medical cardiology and cardiac, thoracic and vascular surgery and are provided in conjunction with the College of Medicine's Departments of Medicine (Section of Cardiology) and Surgery (Section of Cardiovascular and Thoracic Surgery and Vascular Surgery), its Sarver Heart Center and UPH physicians. Services provided at the Hospital to assess and treat cardiovascular conditions include: coronary intensive care, critical care and medical management of heart failure and other cardiomyopathies, electrocardiography, cardiac catheterization, percutaneous closure devices, angioplasty, 3D mapping (for assessment and treatment of difficult heart rhythm disturbances), pacemaker and defibrillator implantation, myocardial (heart muscle) biopsy (for assessment and treatment of serious heart failure) and electrophysiology services for the treatment of arrhythmias (heart rhythm disturbances) in addition to comprehensive cardiac and vascular diagnostic studies such as echo, nuclear stress testing, cardiac MRI and CT.

Areas upon which Cardiothoracic and Vascular Surgery Services at the Hospital focus include coronary artery surgery, including high-risk surgical procedures; heart valve surgery, including all type of prostheses and valves and other specialty valve procedures; ventricular aneurysm surgery; aortic surgery; carotid angioplasty; thoracic surgery including heart, heart-lung, single lung and double lung transplantation; mechanical circulatory support including the use of mechanical heart devices as a bridge to recovery, bridge to transplantation when destination therapy is appropriate and as an alternative to transplantation; lung resection and reduction, comprehensive thoracic and abdominal aortic evaluation, medical management, endovascular, minimally invasive and surgical intervention, and congenital heart surgery in infants and children of all ages.

The Hospital is the only hospital in Southern Arizona offering dedicated pediatric cardiology service and capabilities for heart and heart-lung transplant surgeries and is in the top 25 for Heart and Heart Surgery as reported in US News and World Reports with doctors that are consistently named Best Doctors in America by Best Doctors, Inc.

Pediatric Services. Pediatric services at the Hospital are offered in conjunction with the College of Medicine's Department of Pediatrics, its Steele Memorial Children's Research Center and UPH physicians. These services will be expanded with the addition of the DCMC.

DCMC is designed to provide the most advanced pediatric health care possible while maintaining a comfortable, healing atmosphere for children and their families. The new emergency and trauma center on the first floor will contain a separate pediatric emergency department with its own entrance, waiting room and pediatric

triage area, so that children are treated separately from adults by emergency physicians who specialize in pediatrics. Open 24 hours a day year-round, this new pediatric emergency department will be the only such facility in Southern Arizona.

DCMC will occupy the fourth, fifth and sixth floors of the new tower. A dedicated ground floor entrance leads to an elevator with direct access to the new children's facility. Future plans call for a children's operating room with a children's pre-operative and post-operative area. The total cost for equipping and completing the pediatric inpatient units, emergency room and pediatric entrance of the DCMC medical facility is estimated to be $50 million. These costs are to be funded by a portion of the Series 2009 Bonds, revenues from operations and philanthropy. DCMC is slated to open its doors in 2010.

The Hospital's Neonatal (newborn) Intensive Care Unit serves patients from throughout Southern Arizona and Western New Mexico. A significant number of Neonatal Intensive Care Unit patients are born elsewhere and transported to the Hospital via its Neonatal Intensive Care Transport Team. The Hospital's Neonatal Intensive Care Transport Team is the only team in the State of Arizona and one of only two Federal Aviation Administration approved teams within the United States for the transport of infants with critical heart and lung diseases. Among other things, this team is able to offer Nitric Oxide therapy, which improves oxygen delivery to the organs of critically ill infants in transport. Once transported to the Hospital, these infants may also be treated with extracorporeal membrane oxygenation which provides additional support of blood circulation through complete cardiopulmonary bypass. The Hospital is the only hospital in Southern Arizona that provides these complex therapies to pediatric patients. These therapies have been shown to significantly reduce mortality in infants and children with critical heart and lung disease. The Hospital provides the only solid organ and marrow transplants in Southern Arizona. In addition. UMCC provides the only Level I Trauma services for pediatric patients and is the only provider of pediatric hematology and oncology services in Southern Arizona. UMCC has partnered with Ronald McDonald House Charities to serve parents of hospitalized children with an on-site family room, staffed by volunteers. The family room provides internet access, laundry facilities, kitchen and a living room, all to create a "home like" environment for families of hospitalized children. UMCC offers a family host, similar to a hotel concierge, that helps families navigate their hospital experience and provide support. Ronald McDonald House Charities of Southern Arizona, Inc. has also recently completed the addition of a new Ronald McDonald house on the UMC North Campus.

Like the Neonatal Intensive Care Unit, the Hospital's Pediatric Intensive Care Unit serves patients from Arizona and parts of New Mexico. This unit is the only one in Southern Arizona to provide pediatric patients suffering from heart, lung, kidney and liver disease with a variety of therapies with life saving potential including continuous veno-venous hemofiltration therapy which can be of unique value in treating pediatric patients having certain critical kidney and liver diseases.

In addition to inpatient pediatric services, the Hospital supports a number of pediatric specialty and subspecialty clinics, both in the Tucson area and elsewhere in the State, including the independently operated Tucson based Children's Clinic for Rehabilitative Services ("***CCRS***") which is devoted exclusively to providing primary care to children with special healthcare needs. UMCC, along with another Tucson hospital, co-founded CCRS.

Pediatric services at the Hospital are a component of the Hospital's Women and Children's Services. Women and Children's Services also serves as the clinical environment for a large portion of the College of Medicine's Department of Obstetrics and Gynecology physician faculty. The Hospital is one of only two designated tertiary care centers for high-risk maternity patients in Southern Arizona. Obstetric services at the Hospital provide 24-hour anesthesia coverage and a wide range of fetal monitoring, maternal care, labor, and delivery and post-partum care services. In addition, special care is provided for complicated labors of toxemia, premature labor, diabetics in labor, and patients with cardiac problems in labor.

Transplant Programs. In conjunction with the College of Medicine's Department of Surgery, the Hospital is a comprehensive transplant center that provides heart, lung, liver, pancreas, kidney, and combined multi-organ transplants in addition to blood and marrow transplants at a single facility. UMCC's kidney, liver, lung and pancreas transplant services have been approved for participation as Medicare-approved transplant programs. UMCC has been notified by CMS of a preliminary determination that UMCC's heart and heart-lung transplant

services did not meet requirements for similar participation. CMS is reviewing additional information provided by UMCC supporting UMCC's position that participation should be approved.

The Hospital was one of the first six heart transplant centers in the United States. Initiated in 1979, this Hospital program has now performed more than 800 heart transplants, and has gained international recognition for its innovations in patient care. The Hospital's Artificial Heart Program complements its Cardiothoracic Transplant Program and was the first in the United States to receive Food and Drug Administration approval for the clinical use of an artificial heart as a bridge to cardiac transplantation. In addition to the total artificial heart, a left ventricular assist device or a bi-ventricular assist device (used to assist failing hearts rather than to replace them) may be implanted as a bridge to transplant. Recent work has focused on the use of artificial hearts and left ventricular assist devices as a destination or permanent therapy rather than as a bridge to cardiac transplantation.

The Hospital initiated a kidney transplantation program in March 1991. The kidney program was developed to serve adult and pediatric patients from throughout Arizona who have end-stage renal disease and are maintained on dialysis.

The Hospital is actively seeking ways to increase living kidney donations, as well as expanding the number of kidneys procured from deceased donors. Laparoscopic kidney donor procedures have been in use at the Hospital since 1999. This minimally invasive surgical technique requires a few small incisions to remove the kidney, offering the donor a reduced hospital stay, rapid recovery, less pain and resumption of full activity within a few weeks. Until recently, to be considered as a live donor, blood and tissue type had to be compatible with the recipient. UMCC surgeons now offer a procedure called positive crossmatch transplant that allows patients to receive a kidney from a live donor who has an incompatible blood and tissue type.

The liver transplant program was established at the Hospital in 1991. As of December 2008, 194 livers have been transplanted at the Hospital. This program became inactive in 2002 due to the departure of the program's liver transplant surgeon. Liver transplantation has recently been revitalized with the hiring of two experienced transplant surgeons. UMCC's liver transplant program received CMS (Centers for Medicare Services) approval on October 16, 2008. Pancreas transplantation also is growing in strength with the number of transplants doubling in 2008, compared to the previous year. New programs in islet cell and bowel transplantation also are under development.

As of December 31, 2008, 838 hearts, 51 single lung, 93 double lung, 55 heart-lung, 637 kidney, 194 liver and 21 other multi-organ transplant have been transplanted at the Hospital.

In 1989, the Hospital opened a blood and marrow transplant ("***BMT***") program in conjunction with the University's College of Medicine and the ACC. The program provides multidisciplinary holistic care for cancer patients of all ages. All types of BMT procedures are offered at the Hospital, including: autologous (patient's own cells), allogeneic (family member's cells), unrelated allogeneic (cells from an unrelated person) or cord blood transplants (cells obtained from the umbilical cord of a newborn). The program is the first of its kind in the Southwest, is fully accredited by the Foundation for the Accreditation of Cellular Therapy ("***FACT***") and is a fully accredited transplant center and collection center for the National Marrow Donor Program. The Hospital's BMT program offers Southern Arizona's only dedicated inpatient BMT unit for both adult and pediatric patients. Patient origin data for this program as of January 1, 2005, show that approximately 29% of blood and marrow transplant patients come from the Tucson metropolitan area, 42% come from other areas in Arizona and 29% come from outside the State of Arizona. From its inception through September 2008, the program has performed 2,104 blood and marrow transplants.

Trauma, Emergency Department and Perioperative Services. In fiscal year 2008, the Hospital's Emergency Department (including Trauma Services) cared for approximately 58,000 patients. Emergency medicine and trauma are increasingly important elements of the Hospital's delivery system. Since July 1, 2003, UMCC has been the only Level I Trauma Center in all of Southern Arizona, and one of eight Level I Trauma Centers statewide. Additionally, as of September 1, 2004, the South Eastern Arizona Emergency Medical Services Council implemented a "no diversion" policy for the greater Tucson area. Under this policy, an Emergency Department is no longer permitted to reroute ambulance patients to another facility because of a lack of resources, such as staff or available beds. The effect of these two changes has been to significantly increase the acute admissions to the

Hospital from the Emergency Department. In 2008, approximately 60% of the Hospital's admissions were for patients seen in the Emergency Department. In response to the increased volumes, the Hospital increased its critical care capacity through the addition of 14 ICU beds in early 2004 and is in the process of expanding the emergency department to increase the availability of services.

Tucson's Level I trauma system is one of the most-highly rated systems in the country. The Hospital ranks first among academic Trauma Centers in several key outcomes, including patient survival rates, cost, and lengths of stay. UMCC's Trauma Program provides trauma care to all of Southern Arizona. The Hospital has applied the latest in innovative technology throughout rural Arizona in the form of telemedicine for trauma. UMCC's trauma staff is not only available at UMCC but can be virtually available for emergency consultation for trauma in five emergency departments in Southern Arizona. These include: Bisbee, Benson, Douglas, Nogales, and Sierra Vista. UMCC's trauma center's commitment supports the community through trauma education provided to health care and Emergency Medical Services providers in the region as well as community wide injury prevention initiatives, in addition to provision of patient care.

In fiscal year 2008, Perioperative Services at the Hospital performed over 11,500 surgeries. Of those cases, 3% were trauma patients that proceeded directly to the operating room upon arrival at the Emergency Department. With the population growth in the Hospital's service area and closure of Southern Arizona's second trauma program in 2003, the demand for emergency services, including trauma and perioperative services, is expected to continue to increase. In anticipation of this growth, the Hospital has increased nurse staffing in the Emergency Department and Perioperative Services, and increased physician coverage in trauma services.

Volume Particular Programs and Services

The following table describes inpatient volumes by selected programs at the Hospital during each of the last three years, ended June 30.

Particular Inpatient Programs and Services by Discharge Date

	Fiscal Years Ended June 30,					
	2006		2007		2008	
	Cases	Days	Cases	Days	Cases	Days
Cardiac Services						
Cardiothoracic Surgery	817	6,748	809	7,085	831	7,090
Heart Device Implant[1]	6	375	6	69	6	99
Heart Transplant	49	1,354	50	1,457	51	1,993
Lung Transplant	5	111	14	470	13	465
Cardiology	2,660	10,162	2,578	10,116	2,406	10,427
Total Cardiac Services	3,537	18,750	3,457	19,197	3,307	20,074
Oncology						
Hematology Oncology	670	3,932	967	5,854	643	4,861
Surgical Oncology	829	4,637	807	4,022	1,109	5,787
Bone Marrow Transplant:						
Adult	84	2,218	76	2,017	87	2,080
Pediatrics	33	1,519	46	1,708	28	1,034
Other Oncology	534	3,149	375	2,319	496	2,408
Total Oncology	2,150	15,455	2,271	15,920	2,363	16,170
Abdominal Transplants						
Kidney Tx	59	291	44	282	62	537
Liver Tx	1	6	3	102	11	276
Pancreas-Kidney/Pancreas Tx	1	6	5	37	9	149
Other Services to Transplant Pts.	64	270	49	327	94	747
Total Abd. Transplant Services	125	573	101	748	176	1,709
Pediatrics [2]						
General Pediatrics	2,566	11,432	2,534	11,537	3,531	14,484
NICU	596	8,307	641	8,676	594	9,233
Normal Newborns[3]	1,214	2,270	1,144	2,133	1,082	2,084
Totals Pediatrics	4,376	22,009	4,319	22,346	5,613	26,778
All Others	9,262	45,068	9,658	49,297	8,143	46,374
Totals	19,450	101,855	19,806	107,508	19,602	111,105
Emergency Services [4]						
Trauma Inpatients	1,988	11,206	2,335	11,993	2,500	12,303
Other ED Inpatients	9,117	33,017	9,504	36,785	9,858	37,857
Total Emergency	11,105	44,223	11,839	48,778	12,358	50,160

(1) All patients that received a heart device implant and later received a heart transplant are excluded from these case numbers.
(2) Age under 18, excluding oncology, cardiac, transplants, obstetrics, gynecology and psychiatry.
(3) Data in table includes newborns, DRG 391 or MS-DRG 795 (well babies).
(4) Emergency Service patient days are also included in the categories above.

The following presents outpatient volumes by strategic program at the Hospital during each of the last three years.

Particular Outpatient Program and Services by Discharge Date

	Fiscal Years Ended June 30,		
	2006	**2007**	**2008**
Cardiac Procedures [(1)]			
Electrophysiology Lab	2,907	3,216	3,528
Cardiac Cath Lab	4,766	4,794	4,868
Diagnostic Cardiology	17,325	19,788	17,497
Oncology [(1)]			
Visits to physicians	23,323	25,350	31,439
Infusion Treatments	11,804	17,560	20,372
New Patients	3,083	4,193	5,651
Radiation Oncology [(1)]			
Visits	17,452	16,321	17,925
New Patients	690	660	667
ED/Trauma/OR [(1)]			
Trauma Patient Visits	2,616	2,530	2,588
Emergency Visits	26,431	22,039	20,435
Total ED/Trauma Visits	29,047	24,569	23,023
Urgent Care Visits	21,954	21,737	22,387
Outpatient Surgeries	4,019	3,668	3,850

(1) Includes pediatric patients.

MEDICAL STAFF

Medical Staff Organization

The medical staff of the Hospital is organized under bylaws that have been approved by both the organized medical staff of the Hospital and the Board of Directors. Medical staff appointments are subject to approval by the Board of Directors, as are quality and peer review activities. Medical staff membership at the Hospital is authorized in Active, Associate, and Membership Without Clinical Privileges.

The Active Staff consists of members who participate in the care at the Hospital of a minimum of fifty patients annually, or are members of the voting (full time) clinical faculty of the College of Medicine and whose clinical activities are primarily at the Hospital. The Associate Staff consists of members who do not meet the qualifications for Active Staff membership, but participate in patient care at the Hospital, or anticipate having patients at the Hospital in the near future.

While faculty appointment at the University's College of Medicine is not a requirement for membership on the Hospital's medical staff, the medical staff consists primarily of physicians with full-time or associate appointments to the clinical faculty of the College of Medicine.

UPH

Shortly after the College of Medicine commenced operations, a Medical Service Plan was established as a billing organization for the faculty of the University. Through this Medical Service Plan, a portion of the revenues generated by patient services provided by full-time members of the clinical faculty of the College of Medicine was made available to supplement the academic or teaching salaries received by these members. In 1985, the function of the Medical Service Plan was transferred to University Physicians, Inc., a not-for-profit corporation organized under Arizona general corporation laws that has been determined to be an exempt organization under Section 501(c)(3) of

the Internal Revenue Code of 1986. In 2005, the corporate name of University Physicians, Inc. was changed to UPH.

Paid voting members of the clinical faculty of the College of Medicine, other than those providing services solely at the Veterans Administration hospital and other than those ineligible for UPH membership, are members of UPH and are contractually bound to provide patient care services exclusively through UPH. With approximately 460 physicians, UPH is one of the largest multi-specialty group practices in the State. As of June 30, 2008, of the current UPH membership, 425 physicians (92%) are members of the Hospital's medical staff.

Outpatient clinics operated by UPH at the AHSC and elsewhere, historically have been stable and increasingly important sources of ancillary service revenues to the Hospital. UPH physicians account for a large majority of admissions to the Hospital (93% in fiscal year 2008). A wide range of contractual relationships exists between UMCC and UPH. Under the terms of these contracts UMCC provides, among other things, clerical, nursing, pharmacy, management, data processing, medical record, biomedical engineering and other support services to UPH for certain of its operations. UPH provides UMCC with services which include hospital-based physicians' services for pathology, radiology and anesthesiology and medical directorship and/or administrative services at the Hospital.

UPH and the Board of Supervisors of Pima County, Arizona, have an arrangement by which UPH leases and operates University Physicians Hospital at Kino ("***Kino***"), a community hospital located approximately seven miles southeast of the Hospital, which is owned and was previously operated by Pima County. The lease has a base period of 25 years with the ability to terminate the lease under certain circumstances. The lease calls for UPH to operate Kino as a general acute care hospital. Kino reopened inpatient beds in 2004. Kino currently has 86 inpatient beds and 76 behavioral health beds staffed out of 197 licensed beds. UMCC is not responsible or obligated to support Kino's operations.

Certain Characteristics of the Medical Staff

The composition of the Hospital's Medical Staff is reflected below:

Medical Staff Composition as of June 30, 2008

Specialty	Total Physicians	Average Age	Percent Board Certified	Approximate Percent of 2008 Discharges
Anesthesiology	33	47	73%	0.0%
Emergency Medicine	37	44	76%	0.1%
Family Practice	21	48	95%	3.3%
Medicine	170	49	84%	29.6%
Neurology	18	49	72%	2.3%
OB/GYN	33	50	91%	11.8%
Oncology	41	49	93%	5.4%
Ophthalmology	18	50	78%	0.1%
Orthopedic Surgery	25	48	68%	5.3%
Pathology	17	51	100%	0.0%
Pediatrics	144	47	92%	18.8%
Psychiatry	23	53	65%	1.9%
Radiology	26	56	92%	0.1%
Surgery	68	46	85%	21.3%
Totals	674	49	85%	100.00%

The ten most active admitting physicians in fiscal year 2008 accounted for approximately 29% of the total admissions to the Hospital. The average age of this group is 49 years. As reflected below, due to the Hospital's status as the only Level I Trauma Center in Southern Arizona and other factors, a majority of patients are admitted to the Hospital through its Emergency Department by Emergency Medicine physicians.

Ten Most Active Admitting Physicians as of June 30, 2008

Specialty	Age	Number of Admissions	% of Total
Emergency Medicine	45	859	3.9%
Emergency Medicine	53	779	3.5
Emergency Medicine	35	768	3.5
Emergency Medicine	50	694	3.1
Emergency Medicine	34	669	3.0
Emergency Medicine	39	660	3.0
Emergency Medicine	59	627	2.8
Emergency Medicine	61	514	2.3
General Pediatrics	64	496	2.2
Emergency Medicine	50	479	2.2
All Others		15,678	70.5
Totals		22,223	100.0%

The ten most active attending physicians at discharge in fiscal year 2008 accounted for approximately 22% of the total discharges from the Hospital. The average age of this group is 47 years. Additional detail on these physicians may be seen below.

Ten Most Active Attending Physicians at Discharge as of June 30, 2008

Specialty	Age	Number of Discharges	% of Total
General Surgery	53	682	3.1%
General Surgery	47	677	3.1
Maternal/Fetal	52	610	2.7
Obstetrics and Gynecology	44	516	2.3
General Pediatrics	64	437	2.0
Obstetrics and Gynecology	57	424	1.9
Psychiatry	58	394	1.8
General Pediatrics	31	373	1.7
Internal Medicine	32	371	1.7
Internal Medicine	33	322	1.4
All Others		17,383	78.3
Totals		22,189	100.0%

Physician Recruiting

Physicians with medical staff privileges at the Hospital fall into 3 groups: UMCC employed physicians (30), UPH physicians (425) and physicians in community practice (219). UPH physicians comprise the majority of the medical staff mix at 63%. Community physicians total 32% of medical staff, while UMCC employed physicians represent 5% of the total. Although the number of UPH physicians has increased over the past several years, additional physician staff is needed in specific areas of practice, including orthopedics, anesthesia, ear, nose and throat, neurosurgery and plastic surgery. In response, and among other support provided by UMCC, since fiscal year 2003, UMCC has made available public funds received for trauma services from the State ($3.1 million in 2008 and 2007) for use by UPH and the College of Medicine as salary support and for physician recruitment to provide needed trauma coverage for Southern Arizona. UPH has expanded service locations in the Tucson area by opening new outpatient clinics on Tucson's east and south sides and a clinic in Sierra Vista, 75 miles southeast of metropolitan Tucson.

The following indicates the change in the medical staff membership at the Hospital over the past three years.

Changes In Medical Staff Membership
Beginning of each Calendar Year

	2006	2007	2008
Members of Medical Staff	551	595	674

NURSING STAFF

The Registered Nurse staff turnover rate at the Hospital for the year ended June 30, 2008 is estimated to be 15% compared to the nationwide average of 21% and a statewide average of 18%. Efforts by UMCC to improve patient care, to address nurse shortages and turnover and to reduce reliance upon temporary nurse agencies, have included implementation of a one-to-four nurse to patient ratio (one-to-five at night) on the Hospital medical/surgical units in 2002. Increased collaboration among the Hospital, the University's College of Nursing (the "***College of Nursing***"), Grand Canyon University ("***GCU***") and the Pima Community College Nursing Program, has led to scholarships for students with existing bachelors degrees enrolled in the College of Nursing's 14 month accelerated nursing degree program, scholarships for up to 20 students in the GCU 20 month accelerated BSN program. Recipients of these scholarships undertake a contractual obligation to work at the Hospital for three years after their graduation. UMC also awards stipends to Pima Community College nursing students who might otherwise discontinue their nursing education because of economic issues in exchange for a one year work commitment as an RN for each year a stipend is received. UMCC also maintains programs for ongoing development of professional nursing that are available to Hospital nursing staff and other nurses in the community.

In June 2003, UMCC was awarded the Magnet Recognition for Excellence in Nursing Service. This designation was reconfirmed in May 2008. Magnet status is designated by the American Nurses Credentialing Center and is awarded to approximately 2% of hospitals in the United States. The Magnet status reflects UMCC's commitment to nursing. UMCC was the first hospital in the State to be awarded Magnet status.

EMPLOYEES

As of March 31, 2009 and 2008, UMCC employed approximately 3,541 and 3,289, respectively, full-time equivalent employees in connection with the operation of the Hospital and its physician offices. No labor or collective bargaining agreements are now or have been in existence between UMCC and any labor union. UMCC has never experienced a strike or similar work stoppage. UMCC has established an employee benefit plan which includes medical, dental, and disability insurance, a defined contribution non-contributory pension plan for qualified employees (current fully-funded assets of the plan are approximately $77 million), a 403(b) individual account plan with employer matching, a cafeteria plan and has adopted and implemented short term Management Incentive Plans for senior management personnel. UMCC also has a short term Incentive Plan for all staff, excluding those eligible for the Management Incentive Plan.

UMCC has included labor force development as an area of focus for several years and has expanded relationships with primary, secondary, and higher education institutions with the goal of improving both enrollment and graduation rates for health related educational programs in areas of key staff shortages.

UMCC has established corporate values of Personal responsibility, Respect for self and others, Innovation through teamwork, Dedication to caring, and Excellence in customer service (the "***PRIDE values***"). All UMCC staff are required to attend a five session program – "PRIDE Values in Action." The program gives staff a common values language and shared learning experiences with the objective that all UMCC staff be accountable for these values. Efforts by UMCC to expand career ladders, to implement a "UMC University" for development of staff in supervisory positions, and to support professional development through programs such as the Nursing Education Institute, all are regarded as contributing to positive retention outcomes. Turnover among full time and part time UMCC staff has dropped from over 18.5% in 1997 to 14.3% estimated for fiscal year 2009.

SERVICE AREA

The Hospital provides tertiary healthcare and is a major medical referral center for the State and other southwestern states. The Hospital is one of eight non-federal acute care hospitals in metropolitan Tucson, which consists of the City of Tucson and immediately surrounding areas (hereinafter referred to as "***Metropolitan Tucson***").

The City of Tucson is the second-largest city in Arizona and the only metropolitan area in Pima County, Arizona. Pima County covers 9,184 square miles, including diverse changes in elevation, topography and climate. Several Native American tribal nations have reservation lands in the county which together total 42.1% of Pima County land. According to 2007 population projections by the City of Tucson Department of Urban Planning & Design, it is estimated that the Pima County area has approximately 1,000,000 residents in 2008 and will exceed 1,100,000 by 2012. Tucson is located approximately 60 miles north of the U.S.-Mexico border. Pima County, which accounts for approximately 15% of the State's population, has a cross section of employers with heavy emphasis in services, trade, government, military, mining and manufacturing. Metropolitan Tucson accounts for approximately 54% of the population in Pima County.

The geographic service area from which the Hospital derives its patients may be divided into three categories: its primary service area consisting of Metropolitan Tucson; its secondary service area encompassing the remainder of Pima County; and its third service area – outside of Pima County. The number of Hospital discharges by service area is shown below.

Patient Discharges

	Fiscal Years Ended June 30,		
	2006	**2007**	**2008**
Primary service area (metro Tucson)	15,871	16,267	15,920
Secondary service area (remaining Pima County)	1,285	1,457	1,542
Total Pima County	17,156	17,724	17,462
Outside Pima County	5,075	4,807	4,727
Total	22,231	22,531	22,189

Population Demographic and Economic Profile of the Service Area

The following illustrates population growth for the City of Tucson, Pima County and the State for the years 1970 through 2000.

	1970 Census	**1980 Census**	**1990 Census**	**2000 Census**
City of Tucson	262,933	330,537	424,180	486,699
Pima County	351,667	531,443	700,250	843,746
Arizona	1,775,399	2,716,546	3,665,228	5,130,632

Source: Arizona Department of Economic Security

The following indicates the projected population in Pima County for 2010, 2015 and 2020.

	2010	**2015**	**2020**
Pima County	1,070,723	1,175,967	1,271,912

Source: Arizona Department of Economic Security

Pima County's population is expected to grow by an average of 9% in each of the five-year periods between 2010 and 2020. The age 65-plus population is expected to increase an average of 25% in each of the same five-year periods due to the aging "baby-boomer" population. In addition to the 65-plus population that resides in

Metropolitan Tucson, the area receives a significant number of retired winter visitors. In the winter of 2001 there were more than 300,000 visitors who stayed an average of six months, the majority of whom were over 60 years of age. Although the impact of the recent economic downturn on winter visitors is not yet clear, historically, the winter visitor population has grown and is expected to contribute to the need for expansion of UMCC's services.

Employment data provides an indication of the number of people covered by employer-provided health insurance plans and the ability of the population to pay for healthcare services. The historical unemployment rates for the City of Tucson, Pima County, Arizona and the United States, are identified below. Unemployment rates for both Tucson and Pima County have consistently remained below that of both the State and the United States.

	Rates of Unemployment For the years ended December 31,			As of February 28,
	2006	2007	2008	2009
City of Tucson	4.3%	4.1%	5.3%	6.7%
Pima County [(1)]	3.9	3.7	4.8	6.7
The State	4.1	3.8	4.9	7.4
United States	4.6	4.6	5.8	8.1

Source: Arizona Department of Economic Security, Research Division. U.S. Bureau of Labor Statistics

(1) Figures for Pima County are not seasonally adjusted. All city, state, and federal statistics are seasonally adjusted.

Top Employers

The following table indicates the major employers in southern Arizona, which includes Pima County, as reported in March, 2008.

Company	Type of Business	Total Full-Time Equivalents
Raytheon Missile Systems	Missile Manufacturing	11,539
University of Arizona	Education	10,575
State of Arizona	Government	9,329
Davis-Monthan Air Force Base	Military	7,509
Tucson Unified School District	Education	7,227
Wal-Mart Stores Inc.	Retail	6,715
U.S. Army Intelligence Center and Fort Huachuca	Military	6,463
Pima County	Government	6,235
Freeport-McMoran Copper & Gold Inc.	Mining	5,987
City of Tucson	Government	5,635
Carondelet Health Network	Health Care	4,570
Tohono O'Odham Nation	Tribal Government	4,553
UMCC	Health Care	3,552
U.S. Border Patrol	Government	3,468
Tucson Medical Center HealthCare	Health Care	3,184
Asarco LLC	Mining	2,575
Corrections Corp. of America	Detention Centers	2,468
Pinal County	Government	2,450
Citi	Financial Services	2,400
Sunnyside Unified School District	Education	2,358

Source: *The Star 200 Directory*, published by *The Arizona Daily Star* (March 2009).

The following table presents the County's total average annual employment by industry for the periods indicated.

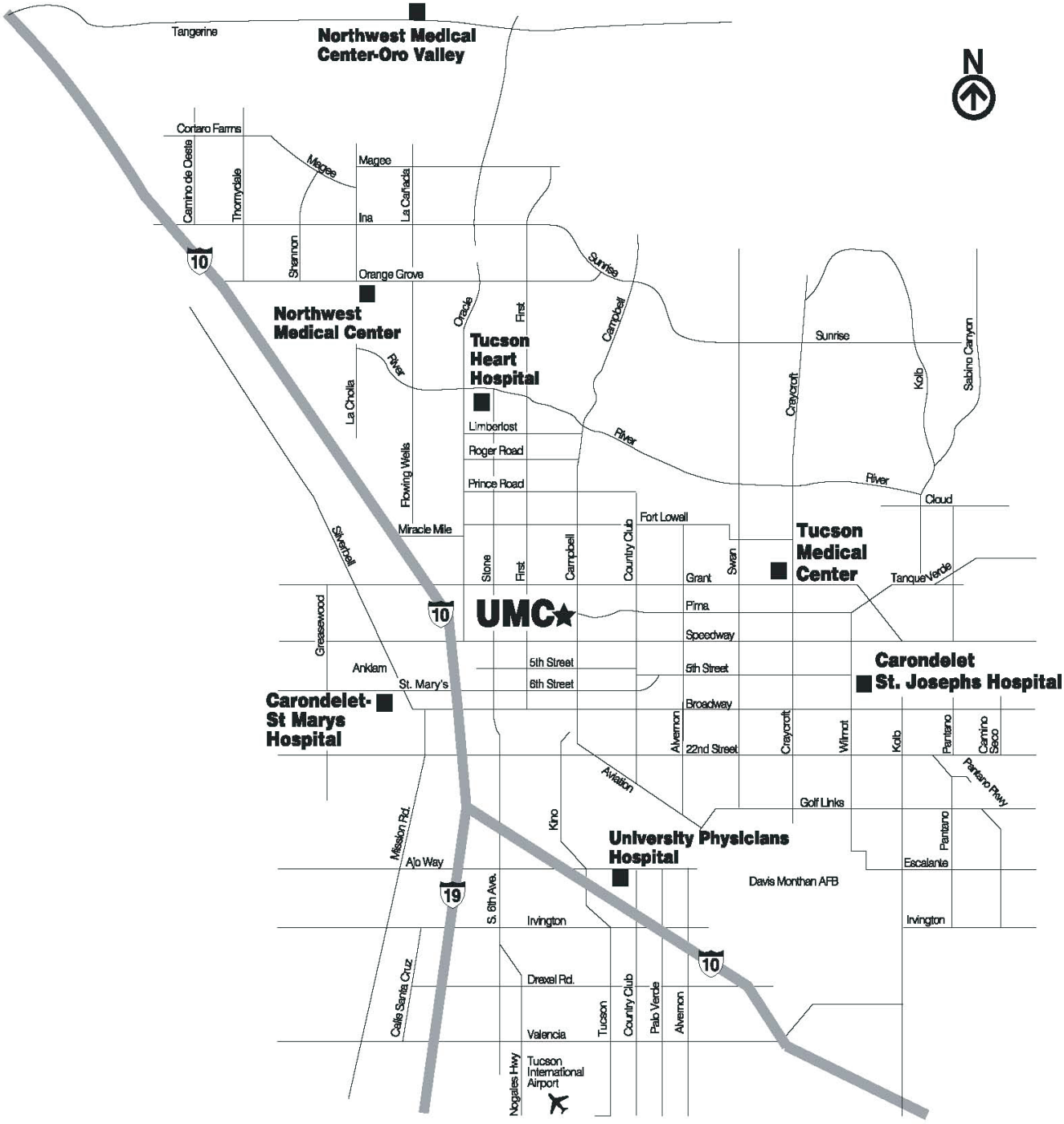
Pima County
Average Annual Employment
Number of Persons Employed 2004-2008

Industry	2004	2005	2006	2007	2008
Goods Producing					
Natural Resources and Mining	1,300	1,400	1,600	1,800	1,900
Construction	24,000	25,700	27,900	26,400	22,600
Manufacturing	28,400	28,300	28,100	27,500	27,300
Service Producing					
Trade, Transportation and Utilities	57,900	59,600	62,700	63,900	61,800
Information	7,600	7,200	6,800	6,000	5,100
Financial Activities	15,900	16,500	17,600	17,800	17,200
Professional and Business Services	43,400	45,900	49,700	52,300	51,700
Education and Health Services	47,800	50,500	52,600	54,200	57,100
Leisure and Hospitality	39,100	39,800	40,600	39,800	40,000
Other Services	14,700	14,700	15,800	15,500	15,700
Government	76,900	77,100	76,300	77,900	80,600
Total Wage and Salary Employment	357,000	366,700	379,700	383,100	381,000

Source: Arizona Department of Commerce

A map of Metropolitan Tucson is presented below, together with the location of the Hospital and other acute care hospitals in the Hospital's primary service area.

Tucson Area Hospitals



SERVICE AREA MARKET SHARE

The following present historical hospital statistics, including the Hospital's market share for its service area as measured by historical patient days by hospital and by the percentage of total discharges including Neonatal Intensive Care Unit ("***NICU***") discharges, but excluding certain newborns from hospitals in the Hospital's primary service area.

Market Share by Patient Days[1]

	Fiscal Years Ended June 30,					
	2006		2007		2008	
	Days	%	Days	%	Days	%
University Medical Center	105,459	19	112,269	19	113,617	19
University Physicians Hospital at Kino	29,402	5	37,016	6	38,092	6
Northwest Medical Center	80,570	14	82,774	14	78,869	13
Northwest Medical Center – Oro Valley	17,676	3	18,530	3	21,599	4
St. Joseph's Hospital[2]	74,529	13	76,667	13	80,857	13
St. Mary's Hospital[2]	93,839	17	96,213	16	91,109	15
Tucson Heart Hospital[2]	11,604	2	13,454	2	14,242	2
Tucson Medical Center	152,762	27	162,590	27	162,936	27
Total	565,841	100	599,513	100	601,321	100

Market Share by Discharges[1]

	Fiscal Years Ended June 30,					
	2006		2007		2008	
	Discharges	%	Discharges	%	Discharges	%
University Medical Center	22,199	17	22,513	16	22,134	16
University Physicians Hospital at Kino	5,197	4	6,595	5	6,775	5
Northwest Medical Center	22,093	17	22,488	16	22,603	16
Northwest Medical Center – Oro Valley	4,403	3	4,557	3	5,572	4
St. Joseph's Hospital[2]	17,934	14	19,269	14	20,052	14
St. Mary's Hospital[2]	16,899	13	17,618	13	16,986	12
Tucson Heart Hospital[2]	3,736	3	4,284	3	4,303	3
Tucson Medical Center	39,462	30	40,994	30	41,312	30
Total	131,923	100	138,318	100	139,737	100

Non-UMC data Source: Information Management Systems, Inc. (an extract from the state's public data set which represents the most recent data available).

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(1) Percentages may not add due to rounding.

(2) St. Joseph's Hospital, St. Mary's Hospital and the Tucson Heart Hospital are all part of the Carondelet Health Network in Tucson, Arizona, which is a member of Ascension Health.

UTILIZATION OF PATIENT CARE SERVICES

Certain data regarding the utilization of the Hospital's inpatient and outpatient care and certain ancillary services for each of the three years ended June 30, 2008 and for the nine month periods ended March 31, 2008 and 2009 are below:

	Fiscal Years Ended June 30,			Nine Months Ended March 31,	
	2006	**2007**	**2008**	**2008**	**2009**
Admissions[(1)]	19,831	20,147	20,497	15,597	15,039
Patient Days[(1)]	101,855	107,508	111,105	82,874	85,923
Average length of stay (days)[(1)]	5.10	5.36	5.48	5.43	5.72
Case Mix Index	1.68	1.72	1.75	1.72	1.74
Emergency/Trauma Visits	40,152	36,408	35,381	26,877	27,080
Urgent Care Visits	21,954	21,737	22,387	17,043	17,545
Surgical Procedures[(2)]					
-Inpatient	5,237	7,027	7,741	5,754	5,867
-Outpatient	4,107	3,668	3,850	2,801	3,067

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(1) Excludes newborns.
(2) Excludes elective surgeries.

SUMMARY OF HISTORIC REVENUE AND EXPENSES

Financial Information

The following table, which was derived from the audited financial statements, includes the condensed combined statements of revenues and expenses of UMCC and controlled affiliates for each of the three years in the period ended June 30, 2008 and the nine month periods ended March 31, 2009 and 2008 (unaudited). The financial statements as of and for the year ended June 30, 2008 were audited by McGladrey & Pullen, LLP, independent auditors, as set forth in their report. The data below for the nine month periods have been provided from the interim unaudited financial statements of UMCC and reflect, in the opinion of management, all adjustments necessary to fairly summarize the results for such periods. The unaudited summary of revenues and expenses for the nine months ended March 31, 2009 should not be regarded as indicative of results for the fiscal year ending June 30, 2009. These summaries should be read in conjunction with the financial statements of UMCC for the fiscal year ended June 30, 2008, and notes thereto included in Appendix B to this Official Statement. In accordance with GAAP, the financial statements in Appendix B include entities in addition to UMCC whose results are combined into the financial statements. Entities other than UMCC are not obligated with respect to the Series 2009 Bonds; however, for the fiscal year ended June 30, 2008, UMCC represents 100% of total net patient service revenues and 102% of the excess of revenue over expenses, before capital fundraising and grant income set forth below. Dollar amounts are in thousands.

	Fiscal years Ended June 30,			Nine Months Ended March 31, (unaudited)	
	2006	2007	2008	2008	2009
Operating Revenues:					
Net patient service revenues	$ 382,429	$ 417,371	$ 473,997	$350,153	$366,005
Other operating revenues	23,608	25,198	24,830	18,527	16,872
Total Operating Revenues	406,037	442,569	498,827	368,680	382,877
Operating Expenses:					
Salaries, wages and employee benefits	188,367	209,136	227,685	169,347	182,599
Supplies, services and other	181,321	193,719	224,876	163,006	174,035
Depreciation and amortization	18,706	20,170	23,722	17,707	17,646
Total Operating Expenses	388,394	423,025	476,283	350,060	374,280
Operating Income	17,643	19,544	22,544	18,620	8,597
Non-Operating Items:					
Nonoperating items	4,368	2,770	3,051	4,309	(12,803)
Capital fundraising and grant income	(10)	8,288	17,126	15,896	735
Total Non-Operating items less unrealized gain/(loss)	4,358	11,058	20,177	20,205	(12,068)
Excess of Revenue over Expenses before unrealized gain/(loss) on investments	22,001	30,602	42,721	38,825	(3,471)
Unrealized gain/(loss) on investments	1,140	6,499	(7,780)	(7,266)	(8,395)
Increase (Decrease) in Net Assets	$23,141	$37,101	$34,941	$31,559	$(11,866)

Sources of Patient Revenue

UMCC derives its patient service revenue primarily from government programs and commercial payors. Government programs include Medicare and the Arizona Health Care Cost Containment System ("***AHCCCS***"), Arizona's alternative to the federal Medicaid program. Commercial payors include commercial insurers and a number of private managed care payors (including health maintenance organizations and preferred provider organizations). Patient service revenue percentages are shown after deductions for contractual adjustments, and are net of allowances estimated for doubtful or uncollectible accounts. For further information on Medicare, AHCCCS and other payors see "BONDHOLDERS RISKS" in this Official Statement.

The following shows the percentage distribution of net patient service revenue by major payor source for the three fiscal years ended June 30, 2008, and for the nine month periods ended March 31, 2008 and 2009.

	Fiscal Years Ended June 30,			Nine Months Ended March 31,	
	2006	2007	2008	2008	2009
Payor Category					
Medicare	31%	33%	31%	31%	32%
HMO/PPO/Commercial	38	37	37	37	38
AHCCCS	25	22	23	22	23
Other Payors*	6	8	9	10	7
Total	100%	100%	100%	100%	100%

*Includes self-pay

Substantially all of the Medicare reimbursement received by UMCC is based on Diagnostic Related Groups ("***DRGs***") for inpatient hospital services and based on the Ambulatory Payment Classification system ("***APC***") for those outpatient services where a fee schedule does not apply. Medicare's DRG payments are composed of two components, a labor component and a non-labor component. In general, the labor component is adjusted for prevailing wages within either the applicable metropolitan statistical area ("***MSA***") or rural area within the state.

AHCCCS is a federal and state supported research and demonstration program. AHCCCS is Arizona's alternative to the Medicaid program and is designed to provide for a portion of the cost of indigent healthcare needs. For the year ended June 30, 2006, UMCC received for outpatient services, a percentage of charges adjusted each year for any rate increase or decrease. During fiscal year 2007, reimbursement from AHCCCS plans for outpatient services to AHCCCS members transitioned to a fixed payment system similar to Medicare's outpatient prospective payment system. For inpatient services, UMCC receives a per diem rate depending on the AHCCCS plan payor and the nature of the services provided. Rates paid to UMCC by AHCCCS and AHCCCS-sponsored health plans are established at levels that do not cover the UMCC's costs. In fiscal year 2009 AHCCCS implemented a rate freeze at the fiscal year 2008 fee structure. Management assumes that UMCC will not see rate increases at any point in fiscal year 2009, and given the current soft economy, and related budget concerns at the State level, further rate reductions are possible and could be significant.

UMCC is active in managed care business development and contracting. At the present time, contractual agreements encompassing a full range of services are in place with the majority of the health maintenance organizations ("***HMO's***") doing business in the Tucson service area. The following summarizes certain elements of UMCC's significant HMO contracts:

Payer	State Enrollment (Approximate) as of June 30, 2008	National Enrollment (Approximate) as of June 30 2008[3]	Contract Termination/ Renewal Date[4]
Aetna	89,496[1]	17.5 million	August 31, 2009, auto- renew
CIGNA Healthcare of Arizona, Inc.	90,307[1]	9 million	December 31, 2009 auto-renew
Affiliates of Health Net, Inc.	192,228[2]	2.1 million	July 31, 2009 auto-renew
BCBS of Arizona, Inc.	706,525[2]	102.9 million	July 31, 2009 auto-renew
United Healthcare of Arizona, Inc.	1,312,618[2]	70 million	July 31, 2009 auto-renew

(1) The State enrollment numbers come from the Arizona Managed Care newsletter dated 8/31/08 Volume XII, No. 7.
(2) The State enrollment numbers come from HealthLeaders-Interstudy, A Decision Resources, Inc. Company, published April 2009.
(3) The national enrollment numbers came from the HealthCare Computer Corp. of America (HCCA).
(4) All agreements have a contractual provision whereby termination without cause can be effected by either party upon advance written notice ranging from 90 to 180 days; no such notices have been given.

At the present time, all UMCC's HMO agreements are structured so as to provide reimbursement to UMCC on the basis of a fixed rate per day of service (per diem), a discount from billed charges, a fixed rate by procedure, or some combination of these methods.

Annual rates of increase are applied to most fixed rates to compensate for inflationary trends in the marketplace. In addition to fixed rate compensation, several HMOs pay additional reimbursement for high-dollar implantable devices and drugs that UMCC provides to their members. This reimbursement is generally paid at a discount from UMCC's billed charges. Also, most commercial and governmental payers provide UMCC with additional "stop loss" reimbursement to compensate for those cases where the costs of treatment greatly exceed the fixed payment rates.

In addition to the agreements with HMOs described above, UMCC has executed numerous preferred provider organization ("***PPOs***") agreements. Agreements with PPOs are, for the most part, structured so as to reimburse the Hospital at a discount from billed charges. Patients are afforded greater freedom of choice in provider selection under PPO arrangements.

The success and growth of UMCC's programs in cardio-thoracic, blood and marrow and renal transplantation, has enabled it to compete for Center of Excellence agreements with certain third party payors and managed care programs, whereby patients undergoing transplants are referred on a regional or national basis to select providers in the network. These agreements are structured so as to provide a package rate, which is inclusive of hospital and professional fees. UMCC currently has executed multiple Center of Excellence contracts.

In addition to the contractual relationships noted, UMCC provides services on a contractual basis to the Indian Health Service, TRICARE (formerly the Civilian Health and Medical Plan of the Uniformed Services – "CHAMPUS"), the Arizona Department of Health Services, and several HMOs contracted with AHCCCS.

Proposition 202

In 2002, voters approved a statewide proposition which provides public funding for trauma services. Ninety percent of the funds raised through Arizona Proposition 202, the "Indian Gaming Initiative," is to be used for trauma funding. In 2008, UMCC's portion of this funding was approximately $4.6 million. Trauma funding for subsequent years is unknown; the actual amount will vary and could be greater or less than this amount. Based on recent allocations, UMCC expects this funding to continue at current levels, however, the impact of the soft economy on this funding source is not known at this time. A reduction in gaming activities could have a negative impact on this funding source in the future. The entire amount received is committed to support physician compensation for Trauma Services at the Hospital. In fiscal years 2008 and 2007, the cost of on-call physician stipend was $3.6 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL PERFORMANCE

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management of UMCC to make assumptions, estimates and judgments that affect the amounts reported in the financial statements, including notes thereto, and related disclosures of commitments and contingencies, if any. UMCC considers critical accounting policies to be those that require the more significant judgments and estimates in the preparation of financial statements, including the following:

Recognition of net patient service revenues and operating expenses includes estimating contractual allowances, provision for bad debts and reserves for losses and expenses related to healthcare professional risk and general liability risk. Management relies on historical experience and assumptions believed to be reasonable under the circumstances in making its judgments and estimates. Actual results could differ materially from those estimates.

Periods Ended March 31, 2009 and March 31, 2008

Net patient service revenue for 2009 increased approximately 5% over the period ending 2008, driven by an 8% increase in volume. The increase in volumes reflects demand for services, the addition of new services, and increased bed availability due to increased staffing and UMCC's successful efforts to enhance patient flow through the hospital. UMCC expanded its service capabilities through the opening of a 16-bed CDU at the Hospital in March 2008. The increase in revenue growth has been offset by a rate freeze on certain governmental contracts, an increase in the average length of stay and fewer elective procedures driven by the current state of the economy. The net of these factors resulted in a decrease in net revenue per adjusted patient day of approximately 3%, with net revenue per adjusted patient day decreasing to $2,625 in the period ending March 31, 2009, as compared to $2,713 in the period ending March 31, 2008.

Salaries, wages, and employee benefits increased approximately 8% over 2008, reflecting an increase in full time equivalent employees from 3,289 in 2008 to 3,541 in 2009. In addition to the approximate 8% increase in personnel, there was a minimal increase in the rate paid per full time equivalent employee of less than 1% in 2009 as compared to 2008. Most of the growth in employees is related to the expansion in services in 2008, described above. Employee benefits as a percentage of salaries and wages remained consistent at approximately 16% of salaries and wages in both 2008 and 2009.

Supplies, services and other is comprised primarily of supplies expense, purchased services expense and other operating expenses. Supplies expense increased approximately 8% over 2008, reflecting increased volumes in

prosthetics/implants and medical/surgical supplies and average overall price increases. Purchased services consist primarily of teaching salaries paid to the College of Medicine, outsourced dietary and biomedical equipment services, organ procurement, and other. The minimal increase of approximately 1% over the period in 2008 reflects efforts made in negotiating contracts and control costs in these areas. The increase of approximately 6% in other operating expenses was primarily due to both the increase in rentals and leases, which increased 42% as compared to last period due to lease payments made to UMI, for services rendered, and a 22% increase in other expenses, primarily driven by increased advertising and recruiting expense.

Interest expense, reflecting interest cost on UMCC's bonds payable, increased to $3,960,000 in 2009 from $3,312,000 in 2008. UMCC continued to capitalize interest, net of earnings on invested bond proceeds, on the portion of the outstanding borrowings related to the Bed Tower expansion now underway. The increase in interest expense reflects less interest capitalized on construction in progress and less interest income from invested bond proceeds due to the use of these funds for construction costs in 2008.

Total non-operating items, comprised primarily of capital fundraising, investments and other non-operating items, decreased from an income of $20,205,000 in 2008 to a loss of $12,068,000 in 2009. Capital fundraising and grant income decreased approximately 96% from 2008, due to a $15 million donation in 2008 for the construction of the DCMC, with current year donations returning to historical levels. UMCC experienced unrealized loss on investments of $8,395,000 for the first nine months of 2009 versus an unrealized loss on investments of $7,266,000 for the first nine months of 2008. UMCC also realized a loss on investments of $10,610,000 for the first nine months of 2009 versus a $6,432,000 realized gain on investments for the first nine months of 2008, driven by the soft economic conditions.

The conditions in the financial markets have caused realized and unrealized losses on investments of approximately $19 million for the 9 months ended March 31, 2009. While the S&P index is down 38% in this period, UMCC investments have lost approximately 14%. These investment losses have reduced days cash on hand by approximately 14 days over the course of the fiscal year. Upon issuance of the Series 2009 Bonds, approximately $18 million will be used to reimburse UMCC for capital expenditures already incurred. This reimbursement will result in an increase of approximately 14 days cash on hand.

Results of Operations for Year Ended June 30, 2008

A summary of UMCC's operating results for the year ended June 30, 2008 follows:

- Total operating revenues, consisting primarily of net patient service revenue, increased 14% over fiscal 2007, which includes an increase in adjusted patient days of 6% and a 7% net improvement in reimbursement.

- Total operating expenses increased 13% over fiscal 2007 due primarily to increases in salaries, wages, and employee benefits driven by higher patient volumes, competition for nurses, and increases in supplies expense. Salaries, wages, and benefits increased 9% over 2007, reflecting an approximate 4% increase in the number of full-time equivalent employees coupled with a 5% increase in rates paid to employees. The 13% increase in supplies expense was driven by increased surgical volumes resulting in an increase in pharmaceutical expense, including blood products, which increased 18% over fiscal 2007, and prosthetics and implant expense, which increased 29% over fiscal 2007.

- The net increase in the fair value of investments includes both realized and unrealized gains on our investment portfolio. The portfolio performance in 2008 outperformed the performance of the markets, where portfolio losses were prevalent.

Years Ended June 30, 2008 and 2007

Net patient service revenue for 2008 increased 14% over fiscal 2007, driven by a 6% increase in volume and an 8% increase in reimbursement, reflecting improved rates from certain payors, coupled with the mix of services provided. The increase in volumes reflects demand for services, a growing population in the market service

area, and increased bed availability due to increased staffing and UMCC's successful efforts to enhance patient flow through the Hospital. In addition, UMC expanded its service capabilities in fiscal 2008 through the acquisition of Arizona Hematology/Oncology Associates in September 2007, the opening the 16-bed CDU in March 2008, and the opening of UMI in September 2007. Transplant volumes were also greater with the addition of new liver and kidney transplant surgeons during fiscal 2008. The increase in reimbursement during fiscal 2008 was the result of renegotiation of certain managed care contracts on more favorable terms, agreed to annual rate increases built into existing agreements combined with statutory increases from government payors. These efforts resulted in an increase in net revenue per adjusted patient day of approximately 7%, with net revenue per adjusted patient day increasing to $2,724 in fiscal 2008, as compared to $2,541 in fiscal 2007.

Salaries, wages, and employee benefits increased 9% over 2007, reflecting an increase in full time equivalent employees from 3,203 in 2007 to 3,328 in 2008. In addition to the 4% increase in personnel, the increase in the rate paid per full time equivalent employee was 5% in 2008 as compared to 2007. Most of the growth in employees is related to the expansion in services in 2008, described above. Employee benefits as a percentage of salaries and wages increased 2.4% from (13.6% to 16%) between 2007 and 2008, respectively. This increase was driven by increased costs related to the self-insured employee medical insurance plan and increases in pension expense due to the changes to and growth of the plan, since changes were implemented in fiscal year 2007.

Supplies, services and other is comprised primarily of supplies expense, purchased services expense and other operating expenses. Supplies expense increased approximately 13% over 2007, reflecting increased volumes of 6% and average overall price increases. Purchased services consist primarily of teaching salaries paid to the College of Medicine, outsourced dietary and biomedical equipment services, organ procurement, and other. The 12% increase over fiscal year 2007 reflects a 5.3% increase in the amounts paid to residents at the College of Medicine. The increase also includes a 13% increase in dietary and environmental services due to additional hospital volumes and the rising costs of food. The increase of approximately 27% in other operating expenses was primarily due to both the increase in professional services-medical, which increased 48% as compared to last year for additional program support to the College of Medicine, services received from UPH, and due to a 120% increase in insurance expense as compared to last year, reflecting increases in malpractice reserves as recommended by our actuary.

Interest expense, reflecting interest cost on UMCC's bonds payable, increased to $4,463,000 in 2008 from $3,505,000 in 2007. UMCC continued to capitalize interest, net of earnings on invested bond proceeds, on the portion of the outstanding borrowings related to facilities expansion now underway. The increase in interest expense reflects less interest capitalized on construction in progress and less interest income from invested bond proceeds due to the use of these funds for construction costs in 2008.

Years Ended June 30, 2007 and 2006

Net patient service revenue increased approximately 9% over fiscal 2006 driven by a 5% increase in volume and a 4% increase in reimbursement, reflecting improved rates from certain payors, coupled with the mix of services provided. The increase in volumes reflects demand for our services, a growing population in UMCC's market service area and more available beds due to increased staffing. The improvement in reimbursement during fiscal 2007 was the result of renegotiation of several managed care contracts on more favorable terms, coupled with statutory increases from government payors. These efforts resulted in an increase in net revenue per adjusted patient day of approximately 4%, with net revenue per adjusted patient day improving to $2,541 in fiscal 2007, as compared to $2,444 in fiscal 2006.

Salaries, wages and employee benefits increased 11% over 2006, reflecting an increase in full time equivalent employees from 2,999 in 2006 to 3,203 in 2007. In addition to the approximate 7% increase in personnel, the increase in the rate paid per full time equivalent employee was 4% in 2007 as compared to 2006. Most of the growth in employees was in the area of nurse staffing. Employee benefits as a percentage of salaries and wages decreased by 1% from 15% to 14% of salaries and wages in 2006 and 2007, respectively. This decrease was driven by improved network pricing on the self-insured employee medical insurance plan.

Supplies, services and other is comprised primarily of supplies expense, purchased services expense and other operating expenses. Supplies expense increased approximately 6% over 2006, reflecting increased volumes of 5% and nominal price increases.

Purchased services consist primarily of teaching salaries paid to the College of Medicine, outsourced dietary and biomedical equipment services, organ procurement, and other. The 14% increase in 2007 over fiscal year 2006 reflects an 11% increase in the amounts paid to residents at the College of Medicine. The increase also includes a 19% increase in dietary and environmental services due to additional hospital volumes, the rising costs of food, and the opening of the Clinic at UMC North.

The increase of approximately 2% in other operating expenses was primarily due to the increase in professional services – medical, which increased 4% as compared to 2006 for additional program support to the College of Medicine and services received from UPH. Many College of Medicine programs, which received support in the past, received increased support in 2007, and a mission support agreement for anesthesiology was implemented in fiscal 2007. Interest expense, reflecting interest cost on UMCC's bonds payable, decreased to $3,505,000 in 2007 from $3,538,000 in 2006. UMCC continued to capitalize interest, net of earnings on invested bond proceeds, on the portion of the outstanding borrowings related to facilities expansion now underway. The decrease in interest expense reflects interest capitalized on construction in progress.

Historic and Pro Forma Coverage of Principal and Interest Requirements

The following sets forth the historic combined coverage of principal and interest requirements of UMCC for the Fiscal Years ended June 30, 2008, 2007 and 2006, based on the actual debt service in each year ("***Existing Parity Debt***") (i.e., without taking into account issuance of the Series 2009 Bonds), and based on the estimated maximum annual debt service after taking into account issuance of the Series 2009 Bonds. The income available for debt service is calculated in a manner consistent with the Master Indenture.

	Fiscal Year Ended June 30, (Dollars in Thousands)		
	2006	**2007**	**2008**
Income available for debt service [1]			
Operating Income	$17,643	$19,544	$22,544
Plus: Depreciation and amortization	18,706	20,170	23,722
Plus: Interest income	2,328	3,193	3,481
Plus: Realized Gain	5,578	4,879	5,261
Total income available for debt service:	$44,255	$47,786	$55,008
Historic principal and interest requirements			
Interest expense	$3,538	$3,505	$4,463
Principal	3,625	3,835	4,040
Total actual debt service	$7,163	$7,340	$8,503
Coverage of historic debt service	6.18x	6.51x	6.47x
Maximum annual debt service after issuance of Series 2009 Bonds	N/A	N/A	$20,126
Pro forma coverage of maximum annual debt service after issuance of Series 2009 Bonds[2]	N/A	N/A	2.73x

(1) Excludes unrealized gain (loss) on investments.

Historic and Pro Forma Capitalization

The following sets forth the capitalization of UMCC as of June 30, 2008 and as adjusted to include the Series 2009 Bonds as if they had been issued on June 30, 2009. The information for fiscal year ended June 30, 2008 was extracted from the audited financial statements of UMCC and should be read in conjunction with the audited financial statements appended as Appendix B, including footnotes. Dollar amounts are in thousands.

	Actual as of June 30, 2008	Pro Forma as of June 30, 2009
Series 1993 Bonds	$40,812	$38,818
Series 2004 Bonds	47,267	45,203
Series 2005 Bonds	139,789	139,784
Series 2009 Bonds	-	61,800
Less: Current portion of long-term debt	(4,040)	(4,145)
Total long-term debt	223,828	281,460
Net assets	222,204	213,000
Total capitalization	$446,032	$494,460
Percent long-term debt to total capitalization	50.2%	56.9%

Historic Cash and Investments and Days Cash on Hand

The following sets forth the cash, cash equivalents and investments, including board-designated assets but excluding donor restricted assets, held by UMCC and its affiliates, the Foundation and the Captive at each of the three years ended June 30, 2006, 2007 and 2008, and as of March 31, 2009. Also shown are days of cash on hand at each of the three years ended June 30, 2006, 2007 and 2008, and as of March 31, 2009. Dollar amounts are in thousands.

	Fiscal Years Ended June 30,			March 31,
	2006	2007	2008	2009
Cash, cash equivalents and investments	$98,105	$107,450	$110,235	$97,875[2]
Investments held by the Foundation[1]	3,561	5,739	5,739	7,415
Investments held by the Captive for professional liability funding[1]	9,689	11,912	13,292	11,437
Total	$111,355	$125,101	$129,266	$116,727
Days Cash on Hand	110	114	104	90

(1) The Foundation and the Captive are not members of the Obligated Group under the Master Indenture; however, they are controlled affiliates of UMCC. See "ORGANIZATION – Controlled Affiliates and Subsidiaries" herein.

(2) Includes $18 million reimbursement of prior capital expenditures to be returned to UMCC with proceeds of the Series 2009 Bonds, which increased Days Cash on Hand by 14 days.

OTHER INFORMATION

Pension Funding Requirements

UMCC has an Employee Pension Plan (the "***Plan***") for UMCC employees. The Plan is a defined contribution plan covering all employees of UMCC subject to minimum employment requirements, as defined in the Plan Agreement. UMCC makes contributions to the Plan in amounts equal to (a) 5.5% of total compensation plus (b) 5.4% of compensation in excess of 80% of the FICA wage base. In addition, UMCC will make up to a 3% matching contribution to a newly formed 403(b) plan to the benefit of those employees that participate in the matching program. Such contributions are allocated to each participant as defined in the Plan Agreement. Retirement plan expense, net of participant forfeitures, was approximately $9,934,000 in fiscal 2008 and $7,598,000

in fiscal 2007. Accrued liabilities include $4,882,000 and $3,994,000 payable to the Plan as of June 30, 2008 and 2007, respectively.

Insurance

General liability and professional liability insurance for UMCC is provided by or through the Captive, a wholly owned subsidiary of UMCC. The Captive is organized under the laws of the Cayman Islands, British West Indies. For fiscal years 2008 and 2007, UMCC was insured by the Captive for the first $2,000,000 of primary coverage per occurrence with an $8,000,000 annual aggregate, plus an additional one time self-insured retention of $1,000,000 which only applies to claims in excess of $2,000,000. Annual premiums for primary coverage paid by UMCC to the Captive are determined based upon a retrospective review of claims and incident experience by a third-party actuary that considers past claims experience and relevant trend factors.

CAPTIVE
Summary Balance Sheet Information
(In Thousands)

	June 30, 2007	June 30, 2008
Total Assets (primarily cash and investments at fair value)	$11,926	$13,310
Total Liabilities (primarily claims reserves)	5,698	8,625
Total Shareholder's Equity	6,228	4,685

UMCC maintained professional liability reserves of approximately $11,968,000 and $9,723,000 on a consolidated basis at June 30, 2008 and 2007, respectively, on a future "when paid" assumption to protect against possible claims against UMCC which have been calculated on an occurrence basis as opposed to a claims-made basis. These reserves have been estimated by a third-party actuary and have been established for claims based upon occurrences dated back to UMCC's formation in 1984. Funded portions of these reserves (for claims based upon occurrences after June 1, 1990) at June 30, 2008 and 2007, totaled approximately $13,292,000 and $11,912,000, respectively, and are held in cash and investments by IFL. UMCC maintains additional excess professional, general and umbrella liability coverage of $39,000,000.

In addition, UMCC purchases other insurance to protect the assets of UMCC from the risks of accidental loss, such as property insurance, fleet auto insurance, excess workers' compensation and Directors and Officers insurance. UMCC is self-insured for employee medical and the first $400,000 of each workers' compensation claim.

Litigation

UMCC and its affiliates are subject to various lawsuits, claims and other legal matters in the course of conducting business. In July 2005, a class action suit was filed in Federal District Court in Arizona alleging restraint of trade claims against the Arizona Hospital and Healthcare Association and more than 25 member hospitals, including UMCC. The proceedings are in a very early phase and no specific amount of damages are specified in the complaint. UMCC intends to vigorously defend these claims. It is impossible predict with certainty the outcome of any litigation, however, management believes this lawsuit will not result in any material impact adverse to UMCC's financial positions or financial performance. There are currently no other pending or threatened litigation against UMCC, except for: (i) litigation involving claims of professional liability being defended by insurance companies on behalf of UMCC in which the probable ultimate recoveries and costs of defense, in the opinion of counsel to UMCC, will be within UMCC's insurance limits (subject to applicable deductibles); and (ii) matters involving other typical claims wherein the probable ultimate recoveries and litigation expenses will not, in the opinion of UMCC's management, adversely affect UMCC's operations or financial condition.

Awards and Recognition

Numerous recognitions and rankings place UMCC among the nation's top healthcare organizations. The following are recent examples:

"Magnet Hospital" Designation for Nursing Excellence. UMCC has received the "Magnet" designation from the American Nurses Credentialing Center and was the first hospital in the State to receive such designation. "Magnet" status is achieved by less than one percent of the nation's acute-care hospitals.

One of the Top Five Leaders In Quality. UMCC was recognized as One of the Top Five Leaders in Quality by the University HealthSystem Consortium in 2008. This award is given to the top 5 academic medical centers for achievements in the 2008 Quality and Accountability Study.

100 Top Hospitals®. The Thomson-Reuters 100® Top Hospitals award is based on a national study which objectively identifies U.S. Hospitals demonstrating superior organization-wide performance in five key areas: outcomes of care, service-line efficiency, hospital efficiency, financial performance and growing community service. UMCC has received this award for four consecutive years from 2005 through 2008.

Everest Award. UMCC received the 100 Top Hospitals®: Everest Award for national benchmark winners in 2008. The award, presented to only 23 hospitals, honors a special group of the 2008 Thomson-Reuters 100 Top Hospitals National award winners.

Performance Improvement Leader. UMCC received the Thomson-Reuters 100® Top Hospitals Performance Improvement Leader award in 2007. This award recognizes hospital management teams which have led their organizations to achieve the fastest rate of consistent annual improvement over five years.

Primary Stroke Center. UMCC received the Joint Commission's Certificate of Distinction for Primary Stroke Centers in 2009.

U.S. News and World Report. UMCC earned top-50 rankings in 5 specialties in the 2008 edition of America's Best Hospitals, published by *U.S. News & World Report.* UMCC ranked in the top-50 for Geriatrics, Heart/Heart surgery, Kidney disease, Respiratory disorders, and Ear, Nose and Throat.

Best Doctors in America. Many of the UMCC faculty physician specialists practicing at UMCC are recognized nationally as *Best Doctors in America* (published by Best Doctors, Inc.).

Consumer Choice Award. UMCC has received the Consumer Choice #1 award for Tucson's Most Preferred Hospital – Overall Quality and Image for 10 consecutive years from 1999 through 2008. This award is determined by the National Research Corporation.

Accreditation, Memberships and License for Operations

UMCC's last completed Joint Commission survey was in December 2008, the outcome of which was the awarding of accreditation for another three year period. Joint Commission accreditation surveys are now conducted unannounced. UMCC is licensed to operate and to conduct and provide healthcare services at the Hospital, the Clinic at UMC North and at its Pantano, North Hills, Green Valley, UMC at Orange Grove, Alvernon, Phoenix Outpatient Clinics and Home Health Service by the ADHS. The Hospital meets all applicable Medicare requirements based upon its accreditation by the Joint Commission, and therefore has "deemed status".

UMCC is a member of the American Hospital Association, the Arizona Hospital Association, the Council of Teaching Hospitals, the Association of American Medical Colleges, the Western University Hospital Council and the University HealthSystem Consortium.

Investment Policies

UMCC engages a third party, UBS, to provide outsourced investment management and advisory services for the purpose of assisting the Hospital in optimizing investment portfolio performance. As part of this process, the Investment Committee of the Board of Directors periodically reviews and approves UMCC's investment policy, with a goal of improving investment returns and reducing the risk of investment principal loss during times of market downturns, such as has been experienced during much of 2008 and 2009. UMCC's investment policy

follows an asset allocation approach with a portfolio allocated to meet expected near term, intermediate and long-term needs. Under the policy, investment concentration in any one market segment is restricted.

UMCC's asset allocation as of June 30, 2008, consisted of domestic equities (18%), international equities (5%), bonds (1%), structured notes (19%), natural resources (4%), hedge funds and managed futures (28%), and other including real estate and private equity (2%). The remaining amount is held in cash or money market accounts (23%).

UMCC's asset allocation as of March 31, 2009, consists of domestic equities (16%), bonds (1%), structured notes (24%), hedge funds and managed futures (38%), and other including real estate and private equity (3%). The remaining amount is held in cash or money market accounts (18%).

Medical Education

The Hospital serves as the principal teaching hospital for the Health Colleges. An Educational Agreement, dated November 9, 1984, between the Arizona Board of Regents and UMCC establishes a general framework by which a variety of issues arising among the Health Colleges, UMCC and the University are resolved. While important relationships exist between UMCC and all of the Health Colleges, UMCC's most significant relationship with the Health Colleges is that with the College of Medicine. Clinical faculty department heads of the College of Medicine or their designees serve as clinical department heads or chiefs of service at the Hospital.

Graduate Medical Education is funded by multiple sources. For fiscal year 2007 – 2008, UMCC funded 261.5 full-time equivalent residency and fellowship positions, totaling approximately $15.5 million, in the following areas:

Anesthesiology	Emergency Medicine
Family and Community Medicine	Internal Medicine
Neurology	Obstetrics and Gynecology
Ophthalmology	Orthopedic Surgery
Pathology	Pediatrics
Psychiatry	Radiation Oncology
Radiology	Surgery

For each fiscal year ended June 30, commencing with that ended June 30, 1985, the Arizona State Legislature has appropriated clinical teaching support funds to the College of Medicine. Each year, as contemplated by the Educational Agreement, the University and UMCC negotiate amounts from these appropriated clinical teaching support funds, which are to be paid to UMCC to reimburse UMCC for expenses and additional costs incurred in fulfilling its role as the primary teaching hospital for the University of Arizona College of Medicine. This negotiated amount was $9,584,765, $9,733,000 and $9,969,700 for each of the years ended June 30, 2006, 2007 and 2008.

The Act

The Arizona Board of Regents. The Arizona Board of Regents is an agency of the State of Arizona and is the governing body for Arizona's three public universities – University of Arizona, Tucson, Arizona; Arizona State University, Tempe, Arizona; and Northern Arizona University, Flagstaff, Arizona. The Governor of Arizona and the Arizona Superintendent of Public Instruction are ex-officio members of the Arizona Board of Regents. Eight members of the Arizona Board of Regents are appointed by the Governor of Arizona, subject to legislative confirmation, for staggered terms of eight years. Two student members are appointed by the Governor of Arizona for two-year terms from each of the three universities on a rotating basis. The Series 2009 Bonds are not obligations of the Arizona Board of Regents, the University or the State.

Background. With authorization from the Arizona Legislature, the University commenced operation of its College of Medicine in 1967 in facilities financed largely through private donations and U.S. Public Health Service Funds. In 1971 construction of the Arizona Health Sciences Building in part the Basic Sciences Building and in part the Clinical Sciences Building (see "Facilities" above) was completed at a cost of approximately $24 million

provided by federal monies and revenue bonds. The Hospital (formerly known as the "University Hospital") is located principally within the Clinical Sciences Building of the AHSC (see "Facilities" above) and commenced operation in 1971 as an adjunct of and the principal teaching hospital for the College of Medicine.

Originally, the Hospital was owned by the Arizona Board of Regents, functioned as a department of the University, and was operated under the administrative control of the University, with ultimate governance by the Arizona Board of Regents. The affairs of the Hospital were accounted for as a separate fund account group within the University.

In 1984 the Arizona Legislature enacted the Act, which permitted the Arizona Board of Regents to lease and convey the Hospital and related assets to a nonprofit corporation, which would operate the Hospital. UMCC was organized with the approval of the Arizona Board of Regents to serve as such a lessee.

Selected Provisions of the Act. The Act exempts UMCC from property taxation by the State or any agency or subdivision of the State and confirms that UMCC possesses and may exercise all powers granted to a nonprofit corporation under the State's general nonprofit corporation laws. The Act permits UMCC to acquire by purchase, lease or otherwise and operate other healthcare institutions and real and personal property for purposes of providing products and services related to the operation of healthcare institutions owned, leased or operated by it, provided that such acquisition, management or operation relates to and furthers the education or research purposes and goals of the University or promotes the efficient economical operation of the Hospital.

The Act authorizes the Arizona Board of Regents to retain in its lease agreement with UMCC, the right of approval over any business transactions that adversely affect the interest of the State or which involve UMCC's ownership, lease, management or operation of any other healthcare institution or other real or personal property. See "-The Lease and Conveyance Agreement" below. The Act also authorizes UMCC, as such a lessee, without incurring any debt by the State within the meaning of any constitutional restriction on debt, to issue bonds and incur obligations and pledge its revenues as security for the payment of bonds or other obligations issued for healthcare institutional purposes to the extent permitted by the lease agreement between UMCC and the Arizona Board of Regents. UMCC is subject to Arizona "open meeting," public records and public officer and employee conflict of interest laws.

The Lease and Conveyance Agreement

After the effective date of the Act and upon the organization of UMCC, UMCC and the Arizona Board of Regents entered into a Lease and Conveyance Agreement dated November 5, 1984, which, as subsequently amended and restated, is referred to as the "Lease and Conveyance Agreement". Under the terms of the Lease and Conveyance Agreement, the land beneath the Hospital is leased by the Arizona Board of Regents to UMCC at a rent of $10.00 per year for a term (the "***Lease Term***") ending the later of September 30, 2044, or five years after the final maturity of any Note subsequently issued by UMCC which is subsequently approved by the Board of Regents Arizona, subject to any extensions or renewals which may be agreed upon by the parties. In addition, the Arizona Board of Regents conveyed to UMCC that portion of the building improvements constituting the Hospital and transferred to UMCC all furniture, fixtures and equipment at the Hospital, all of the Hospital's inventories and supplies and all accounts receivable theretofore generated in connection with the operation of the Hospital. UMCC under the Lease and Conveyance Agreement agreed to assume and undertake, effective July 1, 1984, all obligations and liabilities incurred by the Arizona Board of Regents in connection with the operation of the Hospital except for certain tort liabilities and for liabilities incurred by the Arizona Board of Regents in connection with debt which had originally been incurred to finance the construction of the Clinical Sciences Building of which the Hospital is a part. Mutual licenses were granted by the Lease and Conveyance Agreement between the parties with respect to interior common areas within the Arizona Health Sciences Center and licenses were granted to UMCC by the Arizona Board of Regents for pedestrian and vehicular access to the Hospital as well as for paved parking areas to serve the Hospital's patients, visitors, medical staff and employees. Under Supplements to the Lease and Conveyance Agreement, UMCC leases for terms coinciding with that under the Lease and Conveyance Agreement land upon which UMCC has constructed parking structures, and other additions to the Hospital under these Supplements aggregate approximately $99,000 annually, subject to cumulative cost of living adjustments.

Covenants. The Lease and Conveyance Agreement contains affirmative covenants common in commercial leases. In addition, the Lease and Conveyance Agreement requires that UMCC, among other things, (a) operate the Hospital as a healthcare institution in support of the teaching and research programs of the University, (b) operate and maintain the Hospital at a minimum in accordance with all applicable standards for hospital accreditation as now or thereafter adopted or applied by the Joint Commission or its successor, (c) obtain approval of the Board of Regents or its designee for certain alterations of or improvements to the Hospital, (d) maintain insurance subject to approval by the Arizona Board of Regents, (e) make the books and records of UMCC available for inspection by the Board or its designee, (f) submit annual plans and budgets to the Board of Regents, and (g) refrain from any action which would jeopardize the continued accreditation of the Hospital or the College of Medicine.

The Lease and Conveyance contains negative covenants which, without prior consent from the Arizona Board of Regents, prohibit UMCC from, among other things, (a) transferring or agreeing to transfer or encumber UMCC's interest in the Lease and Conveyance Agreement, (b) acquiring any interest in any corporations, partnerships or trusts, except gifts of corporate stock in an amount that is less than 10% of the corporation's issued and outstanding stock, (with additional exceptions relating to cooperative activities, as enumerated in the Lease and Conveyance Agreement), (c) transferring or disposing all or substantially all of its assets, (d) merging or consolidating with or into any other corporation or permitting any other corporation to consolidate with or merge into the Hospital, (e) amending UMCC's Articles of Incorporation or Bylaws, (f) entering into any collective agreement covering terms and conditions of employment at the Hospital, (g) with certain exceptions, incurring indebtedness for borrowed money, directly under any promissory note, capital lease or other evidence of indebtedness or indirectly under any guaranty or similar instrument, (h) with certain exceptions, using assets of UMCC to collateralize an obligation of a third party, (i) soliciting the sponsorship of or knowingly permit the conduct of education or research activities at the Hospital except those under the auspices of the University, (j) engaging in certain activities pertaining to the land leased from the Arizona Board of Regents (creation of easements or rights of way, changes in zoning or other land use classifications, or petroleum, mineral or water exploration or extraction), and (k) taking any action to authorize any partnership in which UMCC has an interest, any trust in which UMCC is a beneficiary or any corporation over which UMCC has control, to take any action which, if taken by UMCC, would require UMCC to obtain approval by the Arizona Board of Regents.

Damage or Destruction. The Lease and Conveyance Agreement contains provisions dealing with damage to or destruction of the Hospital and provides that, if substantially all of the Hospital or any integral unit thereof shall be damaged or destroyed so that normal operation thereof cannot be restored within nine months following such damage or destruction, then UMCC shall, as directed by the Arizona Board of Regents, cause insurance proceeds on account thereof to be applied either to rebuild, repair or restore the damaged or destroyed portion of the Hospital or to pay or provide for the payment of Notes Outstanding under the Master Indenture, provided that in the latter event, if less than all of the Notes are to be so paid or the payment therefore provided for, UMCC must show that not rebuilding of repairing all or a part of the hospital facility that was destroyed or damaged will not adversely affect the ability of UMCC to comply with the Lease and Conveyance Agreement.

Default. An "Event of Default" occurs under the Lease and Conveyance Agreement in either of the following events:

a) A failure of UMCC to pay when due any payment in accordance with the terms of the Lease and Conveyance Agreement or the failure by UMCC to observe and perform any covenant, condition or agreement on its part to be observed or performed, for a period of thirty days after written notice, specifying such failure and requesting that it be remedied, given to UMCC by the Arizona Board of Regents, unless the Arizona Board of Regents shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Arizona Board of Regents will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by UMCC promptly upon receipt of the written notice and is diligently pursued until the default is corrected; or

b) The dissolution or liquidation of UMCC or the entry of an order for relief with respect to the affairs of UMCC under the Bankruptcy Code or other similar laws as then may be in effect, or the failure of UMCC within ten days to lift any execution, garnishment or attachment the consequences of which will impair its ability to carry on its operation of UMCC, UMCC's seeking of or consenting to or acquiescing in the appointment of a receiver of all or substantially all of its property or of UMCC, or any general assignment by UMCC for the benefit

of its creditors, or in the entry by UMCC to an agreement of composition with its creditors. The term "dissolution or liquidation" of UMCC is not to be construed to include the cessation of the corporate existence of UMCC resulting either from a merger or consolidation of UMCC into or with another corporation or dissolution or liquidation of UMCC following a transfer of all or substantially all of its assets as an entirety, under the conditions permitting such actions as provided in the Lease and Conveyance Agreement.

Remedies. Upon the occurrence of an Event of Default under the Lease and Conveyance Agreement, the Arizona Board of Regents, subject to the provisions noted below, may take whatever action at law or in equity as may appear necessary or desirable to collect payments then due or to enforce any obligation, covenant or agreement of UMCC under the Lease and Conveyance Agreement or imposed upon UMCC by law or may terminate the Lease Term under the Lease and Conveyance Agreement. In the event and upon the termination of the Lease Term, the Lease and Conveyance Agreement requires that UMCC and all other real and tangible personal property then owned by UMCC be conveyed and transferred to the Arizona Board of Regents or its designee and that all cash and other assets of UMCC, after the payment by UMCC or the provision by UMCC for payment of all of its obligations, be conveyed and transferred to the Arizona Board of Regents.

Restrictions upon Remedies. So long as any Notes are Outstanding under the Master Indenture, the Board of Regents, prior to taking any action at law or in equity which may appear necessary or desirable to collect any payments then due or to enforce any obligation, covenant or agreement of UMCC under the Lease and Conveyance Agreement or imposed upon it by law, is required to first advise the Master Trustee of the action it proposes to take in writing at least thirty days prior to taking any such action and the Board of Regents is required to permit the Master Trustee to participate in or intervene in any judicial action which the Arizona Board of Regents may commence to enforce any obligation, covenant or agreement of UMCC under the Lease and Conveyance Agreement or in any arbitration as authorized by the Lease and Conveyance Agreement for the purpose of protecting the interests of the Master Trustee and the holders of the Notes issued under the Master Indenture.

In addition, so long as any Notes are Outstanding under the Master Indenture, the Arizona Board of Regents shall have no right to commence or take any action to terminate the Lease Term under the Lease and Conveyance Agreement unless:

1. Payment or Defeasance. The Arizona Board of Regents shall have first received a written determination from the Master Trustee that provision has been made, such that all Notes issued under the Master Indenture shall be or deemed to be paid within the meaning of the Master Indenture, or

2. Substitution of Issuer. The Arizona Board of Regents shall have provided for (a) the operation of the Hospital by a qualified party which has become a member of the Obligated Group pursuant to the terms of the Master Indenture and (b) the conditions contained in the Master Indenture for the withdrawal of UMCC as a member of the Obligated Group shall have been satisfied, or

3. Assumption of Obligations. The Arizona Board of Regents shall have (a) entered into an agreement or agreements with the Master Trustee, under the terms of which the Board of Regents shall agree i) to operate the Hospital under terms and conditions as set forth in the Master Indenture, as a teaching, research and patient care facility as contemplated in the Educational Agreement to the extent not inconsistent with the Master Indenture; ii) to pay, but solely from the revenues derived from the operations of the Hospital, net of expenses of operation thereof (the "***Net Revenues***"), as determined under generally accepted accounting principles, the principal of, premium, if any, and interest on ("***Debt Service***") all series of Notes outstanding under the Master Indenture and iii) to pledge to payment of such Debt Service such Net Revenues and (b) furnish to the Master Trustee and the Bond Trustee for each series of related Bonds (as defined in the Master Indenture) an opinion of counsel selected by the Arizona Board of Regents, in form and substance satisfactory to each related Bond Trustee, to the effect that the consummation of such transaction would not, by itself, adversely affect the exemption from federal income taxation of interest payable on each such issue of related Bonds, and the Arizona Board of Regents has the legal authority to execute and deliver the agreements described in clause (a) above and such agreements have been duly authorized, executed and delivered by all of the parties thereto and constitute a valid and binding obligation of each of the parties thereto, enforceable in accordance with their terms, except as limited by general principles of equity and by bankruptcy laws, insolvency laws and other similar laws affecting creditors' rights generally.

Other Provisions. So long as there are Notes Outstanding under the Master Indenture, the Master Trustee is designated as a third party beneficiary of the Lease and Conveyance Agreement, provided, however, that it is expressly agreed that the Master Trustee shall have no rights under and shall not be a third party beneficiary to the Educational Agreement. The Lease and Conveyance Agreement provides that it may be modified or amended by agreement between the Arizona Board of Regents and UMCC subject, however, to prior written consent of the Master Trustee, which consent is not to be unreasonably withheld.

APPENDIX B

Audited Financial Statements of University Medical Center Corporation as of June 30, 2008 and 2007

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McGladrey & Pullen
Certified Public Accountants

University Medical Center Corporation

Financial Report
June 30, 2008

Contents

University Medical Center Corporation

Management's Discussion and Analysis
Years Ended June 30, 2008 and 2007

University Medical Center Corporation, an Arizona not-for-profit corporation, operates University Medical Center (the Medical Center), a 355-bed general acute care teaching medical facility, the Peter and Paula Fasseas Cancer Clinic at UMC North, UMC Orange Grove, which was acquired in 2008, and physician offices in Tucson and Green Valley, Arizona. The Medical Center is the primary teaching hospital for the Colleges of Medicine, Nursing, Pharmacy and Public Health, and the School of Health-Related Professions of the University of Arizona (the University).

In May 1984, the Arizona legislature passed a bill, which enabled the Arizona Board of Regents to convey the Medical Center to a private not-for-profit, tax-exempt corporation. In July 1984, the Arizona Board of Regents formed University Medical Center Corporation. Although an autonomous entity was created, the teaching missions and research alliances with the University firmly remained with the Medical Center. The Medical Center completed the transition from a state institution to a separate corporation in 1984. The Arizona Board of Regents confirms appointments of members of the Medical Center's Board of Directors. The Arizona legislature has limited the number of Regents allowed to serve on the Medical Center's Board of Directors.

As management of University Medical Center Corporation (the Corporation), we offer the readers of our financial statements this narrative analysis of the financial activities of the Corporation as of and for the years ended June 30, 2008 and 2007. Readers are encouraged to consider the information presented here in conjunction with the accompanying financial statements.

Using This Annual Report

This annual report includes the financial statements of University Medical Center Corporation and its two controlled affiliates, of which the Corporation is the sole corporate member: UMCC Insurance Funding Limited (the Captive), an offshore captive insurance company used to fund general and professional liability and malpractice insurance coverages, and University Medical Center Foundation, Inc. (the Foundation), an Arizona not-for-profit corporation whose primary purpose is fundraising for the Medical Center. These statements are designed to provide readers with an overview of the Corporation's finances. The balance sheets present information on the Corporation's assets, liabilities and net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Corporation is improving or deteriorating. The statements of revenues, expenses and changes in net assets present information indicating how the Corporation's net assets changed during fiscal years 2008 and 2007. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, which reflects the accrual basis of accounting. The notes to the financial statements provide additional information that is integral to an understanding of the information provided in the financial statements.

Business Strategy

The Corporation's primary objective is to provide the communities it serves a comprehensive array of quality health care services in the most effective manner, consistent with the Corporation's mission and vision. Our mission is to provide patient care, education, research and community outreach. Our vision is to be the leader in the Southwest in health, wellness and caring. Our strategy is focused on program development for our areas of strategic emphasis, which include oncology, cardiac services, pediatrics, transplant and critical care (trauma, emergency medicine and surgical services). We also remain focused on improving access to care, labor force development, and continued growth and development of the Foundation. The Corporation has included labor force development as a key area of focus for several years. The objective of this strategic priority is to make the Medical Center the preeminent employer within the Southern Arizona health care community. This goal, we believe, has been achieved through a variety of initiatives, including implementation of nurse-to-patient staffing ratios that are among the highest in the country, building a values-based culture, and expanding upon partnerships with primary, secondary, and higher education toward the goal of improving both enrollment and graduation rates for health-related educational programs in areas of key staff shortages. During fiscal 2003, the Medical Center received the prestigious Magnet Hospital designation that is awarded to those hospitals whose focus on quality care and support of its nursing staff is deemed excellent. The Medical Center is Arizona's first Magnet Hospital and one of only five statewide. Magnet status was reconfirmed in 2008 for another four years.

The Health Care Environment

The health care industry is highly regulated by both federal and state governments. Laws govern such areas as health and safety code issues, licensure, accreditation, participation requirements in governmental programs, fraud and abuse, payor reimbursement, property, plant and equipment acquisition, and antitrust and tax issues. Compliance with laws and regulations is important to health care providers because the beneficiaries of governmental health programs are critical to the providers' revenue base. Although government reimbursement represents over half of U.S. health care dollars, health care providers continue to operate within a market-driven environment. The power over health care reimbursement increasingly rests with government payors, insurance companies, large employers, and others to whom cost containment is a top priority. The aging U.S. population provides an expanding market for health care services, as the elderly comprise an increasingly greater portion of hospital census relative to other age groups, and also a significant challenge, as reimbursement from government programs continues to lag the rate of health care inflation.

The Corporation is located in Tucson, Arizona. It provides tertiary level health care and is a major medical referral center for Arizona and other southwestern states. The Medical Center is one of eight nonfederal acute care hospitals in metropolitan Tucson, which consists of the City of Tucson and immediately surrounding areas (hereinafter referred to as metropolitan Tucson). Six of these hospitals, including the Medical Center, are not-for-profit or community hospitals. During fiscal 2004, one of the eight acute care hospitals in the metropolitan Tucson area, Kino Hospital (Kino), which was historically operated by Pima County, transitioned its operations to University Physicians Healthcare (UPH). As part of the transition, Kino is now referred to as University Physicians Healthcare Hospital & Clinics at Kino Campus. UPH is a related party to the Corporation, and the majority of admitting physicians at the Medical Center are faculty physicians employed by UPH. A ninth area acute care hospital, El Dorado, was closed to acute care services during fiscal 2007.

Through June 30, 2003, there were two Level I Trauma Centers in Tucson, including the Medical Center. Effective July 1, 2003, the Medical Center became the sole Level I Trauma Center serving Tucson and southern Arizona. As a result of this change, the Medical Center has experienced a significant increase in trauma volumes since 2003.

Tucson hospitals reported nearly 69,000 annual inpatient discharges and maintained nearly 2,200 licensed beds, of which 355 were at the Medical Center in calendar year 2007. The Tucson health care market is a competitive, heavily managed-care penetrated market. Rates paid to the Medical Center by managed care organizations and certain governmental payors are pursuant to contracts with terms of up to five years. Current contracted rates and reimbursement rates established by government programs may not be adequate to compensate for increasing health care costs.

Continuing challenges facing the Corporation and the health care industry include providing high-quality patient care in a competitive environment, contending with an increasing regulatory environment, attaining reasonable rates for the services provided and managing costs. Another significant challenge facing the Corporation and the industry is the ongoing increase in labor costs due to a nationwide shortage of nurses and other health care professionals. Industry experts expect the labor shortage to continue for the foreseeable future. The Corporation has implemented various initiatives to better position itself to attract and retain qualified nursing and other personnel, improve productivity and otherwise manage labor-cost pressures.

Results of Operations

The following is a summary of operating results for the years ended June 30:

	2008	2007	2006
		(In Thousands)	
Operating revenues:			
Net patient service revenue	$473,997	$417,371	$382,429
Other revenue	24,830	25,198	23,608
Total operating revenues	498,827	442,569	406,037
Operating expenses:			
Salaries and wages	196,337	184,101	164,188
Employee benefits	31,348	25,035	24,179
Supplies	111,856	99,222	93,716
Purchased services	54,761	48,776	42,754
Other	58,259	45,721	44,851
Depreciation and amortization	23,722	20,170	18,706
Total operating expenses	476,283	423,025	388,394
Operating income	22,544	19,544	17,643
Nonoperating items	(4,729)	9,269	5,508
Capital fundraising and grant income	17,126	8,288	(10)
Increase in net assets	$ 34,941	$ 37,101	$ 23,141

Years Ended June 30, 2008 and 2007

Net patient service revenue for 2008 increased 14 percent over fiscal 2007, driven by a 6 percent increase in volume and an 8 percent increase in reimbursement, reflecting improved rates from certain payors, coupled with the mix of services provided. The increase in volumes reflects demand for our services, a growing population in our market service area, and more available beds due to increased staffing. In addition, UMC expanded its service capabilities in fiscal 2008 through the acquisition of Arizona Hematology/Oncology Associates in September 2007, the opening of a 16-bed Clinical Decision Unit on the main hospital campus in March 2008, and the opening of University Medical Imagining in September 2007. Transplant volumes were also greater with the addition of a new liver and kidney transplant surgeon during fiscal 2008. The increase in reimbursement during fiscal 2008 was the result of renegotiation of certain managed care contracts on more favorable terms, combined with statutory increases from government payors. These efforts resulted in an increase in net revenue per adjusted patient day of approximately 7 percent, with net revenue per adjusted patient day increasing to $2,724 in fiscal 2008, as compared to $2,541 in fiscal 2007.

Salaries, wages and employee benefits for 2008 increased 9 percent over 2007, reflecting an increase in full-time equivalent employees from 3,203 in 2007 to 3,328 in 2008. In addition to the 4 percent increase in personnel, the increase in the rate paid per full-time equivalent employee was 5 percent in 2008. Most of the increase in employees related to the expansion of services in 2008, described above. Employee benefits as a percentage of salaries and wages increased by 2.4 percentage points from 13.6 percent to 16 percent of salaries and wages in 2008 and 2007, respectively. This increase was driven by increased costs related to the self-insured employee medical insurance plan and increases in pension expense due to the changes to and growth of the plan, since changes were implemented in fiscal year 2007.

Supplies expense for 2008 increased approximately 13 percent over 2007, reflecting increased volumes of 6 percent and average overall price increases. The primary drivers of this increase are pharmaceutical expense, which includes blood products and which increased $8,144,000, or 18 percent, over fiscal 2007, and prosthetics and implant expense, which increased $3,000,000, or 29 percent. Blood products and implant expense increases are consistent with the increases in surgical volumes.

Purchased services consist primarily of teaching salaries paid to the College of Medicine, outsourced dietary, environmental services and biomedical equipment services, organ procurement, and other. The 12 percent increase for 2008 over fiscal year 2007 reflects a 5.3 percent increase in the amounts paid to residents at the College of Medicine. The increase also includes a 13 percent increase in dietary and environmental services due to additional hospital volumes and the rising costs of food.

The increase of approximately 27 percent in other operating expenses was primarily due to both the increase in professional services — medical, which increased 48 percent as compared to last year for additional program support to the College of Medicine, services received from UPH, and due to a 120 percent increase in insurance expense as compared to last year, reflecting increases in malpractice reserves as recommended by our actuary. The Corporation provides program support to the College of Medicine under mission support agreements for several departments in the College of Medicine, including Surgery, Hematology/Oncology, Radiation Oncology and the Women's Cancer Program. Costs incurred under these agreements totaled $5,800,000 in 2008 and $1,626,000 in 2007.

Interest expense, reflecting interest incurred on the Corporation's bonds payable, increased to $4,463,000 in 2008 from $3,505,000 in 2007. The Corporation continued to capitalize interest, net of earnings on invested bond proceeds, on the portion of the outstanding borrowings related to facilities expansion now underway. The increase in interest expense reflects less interest capitalized on construction in progress and less interest income from invested bond proceeds due to the use of these funds for construction costs in 2008.

The table below sets forth certain selected historical operating statistics for the Corporation for the years ended June 30:

Operating Statistics	2008	2007	Increase
Net patient service revenue (in thousands)	$ 473,997	$ 417,371	13.57%
Net patient service revenue per adjusted patient day	2,724	2,541	7.18%
Admissions (1)	20,535	20,497	0%
Average length of stay (1) (in days)	5.48	5.36	2.24%
Patient days (1)	111,105	107,508	3.35%
Adjusted patient days (1) (2)	174,033	164,250	5.96%

(1) Excludes newborns.

(2) Adjusted patient days represent patient days for hospital admissions adjusted to include outpatient and emergency room services by multiplying inpatient days by the sum of gross inpatient revenues and outpatient revenues and dividing the result by gross inpatient revenues.

Revenue and Volume Trends

The Corporation's revenues depend upon inpatient occupancy levels, ancillary services, the volume of outpatient procedures, the mix of services provided, and the reimbursement rates for such services. The Corporation has entered into agreements with third-party payors, including government programs and managed care health plans, under which the Corporation is paid based upon predetermined rates per diagnosis, fixed per diem rates or discounts from established charges. The Corporation experienced a 14 percent increase in revenue in 2008 versus 2007 due to a variety of factors, including improved reimbursement under commercial payor arrangements, expansion of services as previously described, increased volumes, and sound revenue cycle processes. The Corporation experienced an increase in net patient service revenue per adjusted patient day over the prior year of 7 percent. Although efforts continue toward improving reimbursement rates with contracted payors, there can be no assurances that the Corporation will continue to achieve these levels of increases in the future. Further, reimbursement under the Arizona Health Care Cost Containment System (AHCCCS) program for high-cost stays, commonly referred to as "outliers," began to see reductions in fiscal year 2008 and will have additional significant reductions in fiscal year 2009. AHCCCS has also implemented a rate freeze effectively holding 2009 rates at 2008 levels. The percentage of adjusted patient days and net patient service revenue related to Medicare, the AHCCCS, and managed care plans and other discounted arrangements for the years ended June 30 are set forth below:

	Adjusted Patient Days		Net Patient Service Revenue	
	2008	2007	2008	2007
Medicare	29%	28%	31%	33%
AHCCCS	32%	33%	23%	22%
HMO/PPO	30%	29%	37%	37%
Self-pay and other	9%	10%	9%	8%

Years Ended June 30, 2007 and 2006

Net patient service revenue increased 9 percent over fiscal 2006, driven by a 5 percent increase in volume and a 4 percent increase in reimbursement, reflecting improved rates from certain payors, coupled with the mix of services provided. The increase in volumes reflects demand for our services, a growing population in our market service area, and more available beds due to increased staffing. The increase in reimbursement during fiscal 2007 was the result of renegotiation of certain managed care contracts on more favorable terms, coupled with statutory increases from government payors. These efforts resulted in an increase in net revenue per adjusted patient day of approximately 4 percent, with net revenue per adjusted patient day increasing to $2,541 in fiscal 2007, as compared to $2,444 in fiscal 2006.

Salaries, wages and employee benefits for 2007 increased 11 percent over 2006, reflecting an increase in full-time equivalent employees from 2,999 in 2006 to 3,203 in 2007. In addition to the 7 percent increase in personnel, the increase in the rate paid per full-time equivalent employee was 4 percent in 2007. Most of the increase in employees was in the area of nurse staffing. Employee benefits as a percentage of salaries and wages decreased by one percentage point from 15 percent to 14 percent of salaries and wages in 2007 and 2006, respectively. This decrease was driven by improved network pricing on the self-insured employee medical insurance plan.

Supplies expense increased approximately 6 percent in 2007 over 2006, reflecting increased volumes of 5 percent and nominal price increases. Purchased services consist primarily of teaching salaries paid to the College of Medicine, outsourced dietary, environmental services and biomedical equipment services, organ procurement, and other. The 11 percent increase in 2007 over fiscal year 2006 reflects a 19 percent increase in the amounts paid to residents at the College of Medicine. The increase also includes a 19 percent increase in dietary and environmental services due to additional hospital volumes, the rising costs of food, and the opening of the Peter and Paula Fasseas Cancer Clinic at UMC North.

The increase of approximately 2 percent in other operating expenses in 2007 over 2006 was primarily due to the increase in professional services — medical, which increased 4 percent as compared to 2006 for additional program support to the College of Medicine and services received from UPH. Many College of Medicine programs, which received support in the past, received increased support in 2007, and a mission support agreement for anesthesiology was implemented in fiscal 2007.

Interest expense, reflecting interest incurred on the Corporation's bonds payable, decreased to $3,505,000 in 2007 from $3,538,000 in 2006. The Corporation continued to capitalize interest, net of earnings on invested bond proceeds, on the portion of the outstanding borrowings related to facilities expansion now underway. The decrease in interest expense reflects interest capitalized on construction in progress.

Financial Position

The following are condensed balance sheets for the years ended June 30:

	2008	2007	2006
		(In Thousands)	
Assets:			
Current assets	$230,401	$220,615	$194,313
Assets held by trustee	85,356	118,758	138,213
Capital assets, net	196,294	144,985	121,859
Other assets, net	37,339	21,330	15,579
Total	$549,390	$505,688	$469,964
Liabilities and net assets:			
Current liabilities	$ 82,849	$ 72,711	$ 69,091
Bonds payable and long-term liabilities	244,337	245,714	250,711
Total liabilities	327,186	318,425	319,802
Net assets	222,204	187,263	150,162
Total	$549,390	$505,688	$469,964

2008 and 2007 Liquidity and Capital Resources

Cash, cash equivalents, and current unrestricted investments totaled approximately $115,173,000 and $116,615,000 at June 30, 2008 and 2007, respectively. The change in these liquid assets reflects $35 million in cash provided by operations, plus approximately $40 million in reimbursement received from the Series 2005 Bond construction fund, offset by $67 million in capital expenditures and $13 million in bond principal and interest payments. Net cash provided by operating activities increased as compared to the prior year, from $33,295,000 in 2007 to $34,831,000 in 2008, due primarily to payment timing differences for certain current assets and liabilities.

At June 30, 2008 and 2007, the Corporation's current ratio, which compares current assets to current liabilities, was 2.8 and 3.0, respectively. The Corporation's days net patient service revenue in accounts receivable dropped 1 day to 60 days at June 30, 2008, from 61 days at June 30, 2007. Capital expenditures totaled $66,927,000 in 2008 versus $40,210,000 in 2007. During 2008, the Corporation invested $37,617,000 toward the expansion of a new six-story bed tower, $8,862,000 for the acquisition of AZ Hematology Oncology and $3,217,000 toward the Diamond Children's Medical Center.

At June 30, 2008, projects under construction had an estimated cost to complete of approximately $133 million. During fiscal year 2006, the Corporation began planning the construction of a new six-story bed tower, including a new emergency department and the addition of a 16-bed Clinical Decision Unit. During construction, management completed the plans to build out the top three tower floors as a pediatric medical center (Diamond Children's Medical Center). Management estimates this project will cost approximately $152 million with funding to be provided by the Series 2005 Bonds and cash from philanthropy and operations. At June 30, 2008, approximately $51 million has been incurred on this project and is included in construction in progress. The Clinical Decision Unit was opened in March 2008, and management expects the new emergency department to open in June 2009, with the remainder of the new tower opening in fiscal 2010. Management believes that its capital expenditure program is adequate to maintain its existing health care facilities and provide for future growth needed to support the College of Medicine and the community the Corporation serves.

The Corporation's total assets were $549,390,000 and $505,688,000 as of June 30, 2008 and 2007, respectively. The increase in total assets reflects the increase in capital assets of $51 million, net of disposals and depreciation, an increase in pledges receivable of $12 million, as well as an increase in net patient accounts receivable of $8 million, due to increases in patient volume. These increases were offset by a reduction in assets held by trustee of $40 million due to the expenditure of 2005 bond proceeds on the construction of the bed tower.

At June 30, 2008, the Corporation had $227,868,000 in bonds outstanding versus $231,756,000 at June 30, 2007. The current portion of assets held by trustee includes $10,265,000 and $9,883,000 at June 30, 2008 and 2007, respectively, for amounts held by the bond trustee for payments to bondholders on July 1 of each year. Maturities and other information regarding the current bond obligations are presented in Note 10 to the Corporation's financial statements.

2007 and 2006 Liquidity and Capital Resources

Cash, cash equivalents and current unrestricted investments totaled approximately $116,615,000 and $104,874,000 at June 30, 2007 and 2006, respectively. The increase in these liquid assets reflects $33 million in cash provided by operations, plus approximately $13 million in reimbursement received from the Series 2005 Bond construction fund, offset by $40 million in capital expenditures. Net cash provided by operating activities decreased as compared to the prior year, from $36,614,000 in 2006 to $33,295,000 in 2007, due primarily to payment timing differences for certain current assets and liabilities.

At June 30, 2007 and 2006, the Corporation's current ratio, which compares current assets to current liabilities, was 3.0 and 2.8, respectively. The Corporation's days net patient service revenue in accounts receivable remained consistent at 61 days at June 30, 2007, and June 30, 2006. Capital expenditures totaled $40,210,000 in 2007 versus $36,386,000 in 2006. During 2007, the Corporation invested $16,406,000 toward the expansion of a new six-story bed tower, $9,540,000 toward the completion of a new outpatient cancer center, and $4,211,000 was invested in information systems as part of the Corporation's multiyear plan to increase the use of technology in hospital clinical and financial operations, including implementation of an electronic health record.

The Corporation's total assets were $505,688,000 and $469,964,000 as of June 30, 2007 and 2006, respectively. The increase in total assets reflects the increase in capital assets of $23.1 million, net of disposals and depreciation, an increase in pledges receivable of $11.7 million, as well as an increase in net patient accounts receivable of $8 million, due to increases in patient volume.

At June 30, 2007, the Corporation had $231,756,000 in bonds outstanding versus $235,464,000 at June 30, 2006. The current portion of assets held by trustee includes $9,883,000 and $9,857,000 at June 30, 2007 and 2006, respectively, for amounts held by the bond trustee for payments to bondholders on July 1 of each year. Maturities and other information regarding the current bond obligations are presented in Note 10 to the Corporation's financial statements.

The net increase in the fair value of investment securities during 2007 and 2006 was $14,571,000 and $9,046,000, respectively. The Corporation's equity and debt investment securities, excluding amounts held by trustees, totaled approximately $121 million and $105 million at June 30, 2007 and 2006, respectively. This includes investment securities held by the Captive of $11,912,000 and $9,689,000 at June 30, 2007 and 2006, respectively. With respect to the Corporation's interest-bearing liabilities, the bonds payable of $231,756,000 and $235,464,000 at June 30, 2007 and 2006, respectively, are subject to fixed rates of interest. The effective interest rates of bonds payable range from 5.53 percent to 4.82 percent. The aggregate estimated fair value of the Corporation's bonds was $235,957,000 at June 30, 2007, and $234,668,000 at June 30, 2006.

Market Risk Associated With Financial Instruments

The Corporation is exposed to market risk related to changes in market values of securities. The fair value of investments is based substantially on quoted market prices. The Corporation holds investments in corporate fixed-income investments, government and corporate bonds, common stocks, other investments in domestic and international funds, alternative investments, managed futures, and money market funds. The net increase in the fair value of investment securities during 2008 and 2007 was $962,000 and $14,571,000, respectively. The Corporation's equity and debt investment securities, excluding amounts held by trustees, totaled approximately $126 million and $121 million at June 30, 2008 and 2007, respectively. This includes investment securities held by the Captive of $13,292,000 and $11,912,000 at June 30, 2008 and 2007, respectively. With respect to the Corporation's interest-bearing liabilities, the bonds payable of $227,868,000 and $231,756,000 at June 30, 2008 and 2007, respectively, are subject to fixed rates of interest. The effective interest rates of bonds payable range from 5.53 percent to 4.82 percent. The aggregate estimated fair value of the Corporation's bonds was $209,428,000 at June 30, 2008, and $235,957,000 at June 30, 2007.

Effects of Inflation and Changing Prices

Various federal, state and local laws have been enacted that, in certain cases, limit the Corporation's ability to increase prices. Revenues for acute care hospital services rendered to Medicare patients are established under the federal government's prospective payment system. At the state level, revenues for acute care services rendered to AHCCCS patients are based on a cost-based reimbursement program set by the state based on current budgetary conditions. Total AHCCCS revenues approximated 23, 22 and 25 percent of the Corporation's net patient service revenues in 2008, 2007 and 2006, respectively. Total Medicare revenues approximated 31, 33 and 31 percent of the Corporation's net patient service revenues in 2008, 2007 and 2006, respectively. Management believes that hospital industry operating margins have been, and may continue to be, under significant pressure because of changes in payor mix, reimbursement rates, and growth in operating expenses in excess of the increase in payments under Medicare, AHCCCS and other programs. In addition, as a result of increasing regulatory and competitive pressures, the Corporation's ability to maintain operating margins through price increases to nongovernmental payors and patients is limited.

McGladrey & Pullen
Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
University Medical Center Corporation

We have audited the accompanying balance sheet of University Medical Center Corporation (the Corporation), a component unit of the state of Arizona, as of June 30, 2008, and the related statements of revenues, expenses and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Corporation for the year ended June 30, 2007, were audited by other auditors, whose report dated October 12, 2007, expressed an unqualified opinion on those statements.

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

In our opinion, the 2008 financial statements referred to above present fairly, in all material respects, the financial position of the Corporation and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic 2008 financial statements taken as a whole. The 2008 supplementary combining information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The combining information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

McGladrey & Pullen, LLP

Minneapolis, Minnesota
September 1, 2008

University Medical Center Corporation

Balance Sheets
June 30, 2008 and 2007
(In Thousands)

Assets	**2008**	2007
Current Assets		
Cash and cash equivalents	**$ 10,267**	$ 10,752
Short-term investments	**104,906**	105,863
Patient accounts receivable, net	**77,140**	69,029
Supplies inventory	**12,702**	11,218
Assets held by trustee, current portion	**10,414**	16,555
Prepaid expenses and other	**14,972**	7,198
Total current assets	**230,401**	220,615
Assets Held by Trustee, net of current portion	**85,356**	118,758
Long-Term Investments, net of current portion	**21,506**	15,574
Capital Assets, net	**196,294**	144,985
Other Assets, net	**15,833**	5,756
Total	**$549,390**	$505,688
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	**$ 29,594**	$ 18,985
Accrued payroll and employee benefits	**26,544**	23,406
Other accrued liabilities	**22,671**	26,485
Current portion of bonds payable	**4,040**	3,835
Total current liabilities	**82,849**	72,711
Bonds Payable, net of current portion and net bond discounts	**223,828**	227,921
Other Long-Term Liabilities	**20,509**	17,793
Total liabilities	**327,186**	318,425
Commitments and Contingencies		
Net Assets (Note 12)	**222,204**	187,263
Total	**$549,390**	$505,688

See Notes to Financial Statements.

University Medical Center Corporation

Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2008 and 2007
(In Thousands)

	2008	2007
Operating revenues:		
Net patient service revenue	**$ 473,997**	$ 417,371
Other operating revenue	**24,830**	25,198
Total operating revenues	**498,827**	442,569
Operating expenses:		
Salaries and wages	**196,337**	184,101
Employee benefits	**31,348**	25,035
Supplies	**111,856**	99,222
Purchased services	**54,761**	48,776
Professional services, medical	**18,959**	12,783
Professional services, nonmedical	**4,730**	4,836
Insurance	**7,581**	3,458
Utilities	**6,208**	6,320
Other	**20,781**	18,324
Depreciation and amortization	**23,722**	20,170
Total operating expenses	**476,283**	423,025
Operating income	**22,544**	19,544
Nonoperating revenues and expenses:		
Investment income	**962**	14,571
Interest expense	**(4,463)**	(3,505)
Other fundraising expenses	**(1,228)**	(1,797)
Total nonoperating revenues and expenses	**(4,729)**	9,269
Excess of revenues over expenses before capital fundraising and grant income	**17,815**	28,813
Capital fundraising and grant income	**17,126**	8,288
Increase in net assets	**34,941**	37,101
Net assets, beginning of year	**187,263**	150,162
Net assets, end of year	**$ 222,204**	$ 187,263

See Notes to Financial Statements.

University Medical Center Corporation

Statements of Cash Flows
Years Ended June 30, 2008 and 2007
(In Thousands)

	2008	2007
Cash Flows From Operating Activities		
Cash received for services provided and other operating receipts	**$495,429**	$458,482
Cash paid to employees	**(196,624)**	(175,030)
Cash paid for supplies, purchased services and other	**(263,974)**	(250,157)
Net cash provided by operating activities	**34,831**	33,295
Cash Flows From Capital and Related Financing Activities		
Principal payments on bonds	**(3,887)**	(3,625)
Purchase of capital assets	**(66,927)**	(40,210)
Cash paid for interest	**(9,595)**	(9,782)
Capital fundraising and grants received	**4,008**	4,677
Net cash used in capital and related financing activities	**(76,401)**	(48,940)
Cash Flows From Investing Activities		
Purchases of investments	**(180,060)**	(91,731)
Proceeds from sale of investments	**172,675**	89,945
Decrease in assets held by trustee	**39,542**	12,757
Investment income received	**8,928**	9,550
Net cash provided by investing activities	**41,085**	20,521
Net increase (decrease) in cash and cash equivalents	**(485)**	4,876
Cash and Cash Equivalents, beginning of year	**10,752**	5,876
Cash and Cash Equivalents, end of year	**$ 10,267**	$ 10,752

(Continued)

University Medical Center Corporation

Statements of Cash Flows (Continued)
Years Ended June 30, 2008 and 2007
(In Thousands)

	2008	2007
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	**$22,544**	$19,544
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	**23,722**	20,170
Gain on disposal of capital assets	**(32)**	(1,266)
Changes in assets and liabilities:		
Patient accounts receivable, net	**(8,110)**	(4,877)
Supplies inventories	**(1,484)**	(1,116)
Prepaid expenses and other	**(3,633)**	(907)
Other assets	**(3,530)**	303
Accounts payable	**3,314**	75
Accrued payroll, employee benefits, and other	**(676)**	2,448
Long-term liabilities	**2,716**	(1,079)
Net cash provided by operating activities	**$34,831**	$33,295
Supplemental Schedule of Noncash Investing, Capital and Financing Activities		
Capital expenditures included in accounts payable	**$10,440**	$ 3,146
Interest capitalized, net of earnings on related bond proceeds	**2,221**	2,324
Change in pledges receivable	**11,889**	2,539
Change in unrealized net appreciation (loss) on investments	**(7,780)**	6,499

See Notes to Financial Statements.

Note 1. Organization and Operations

University Medical Center Corporation, an Arizona not-for-profit corporation, operates University Medical Center (the Medical Center), a 355-bed general acute care teaching medical facility, the Peter and Paula Fasseas Cancer Clinic at UMC North, UMC Orange Grove, which was acquired in 2008, and physician offices in Tucson and Green Valley, Arizona. The Medical Center is the primary teaching hospital for the Colleges of Medicine, Nursing, Pharmacy and Public Health, and the School of Health-Related Professions of the University of Arizona (the University). University Medical Center Corporation and its affiliates are referred to herein as the Corporation.

In 1984, the Arizona legislature passed a bill that enabled the Arizona Board of Regents to convey the Medical Center to a private not-for-profit, tax-exempt corporation, and University Medical Center Corporation was formed by the Arizona Board of Regents. Although an autonomous entity was created, the teaching missions and research alliances with the University firmly remained with the Medical Center. The Medical Center completed the transition from a state institution to a separate corporation in 1984. Appointments of members of the Medical Center's Board of Directors are confirmed by the Arizona Board of Regents. The Arizona legislature has limited the number of Regents allowed to serve on the Medical Center's Board of Directors. The state of Arizona includes the Corporation in its financial statements.

University Medical Center Corporation has two controlled affiliates, of which the Corporation is the sole corporate member: UMCC Insurance Funding Limited (the Captive), an offshore captive insurance company used to fund general and professional liability and malpractice insurance coverages, and University Medical Center Foundation, Inc. (the Foundation), an Arizona not-for-profit corporation whose primary purpose is fundraising for the Medical Center. During 2007, the Corporation formed a joint venture, SRS Leasing, Inc. (SRS), with certain community physicians to expand the provision of stereotactic radiosurgery to Tucson and surrounding communities. The Corporation's investment in the venture is $390,000. The Corporation holds a 56 percent interest in the venture, which began operations on July 1, 2007. The joint venture is included in the financial statements. As these entities are less then 9 percent of the Corporation's total assets, their financial activity is reported as if they are activities of the Corporation, rather than separately displayed.

Note 2. Summary of Significant Accounting Policies

The Corporation is a health care organization as defined in the American Institute of Certified Public Accountants (AICPA) Audit and Accounting Guide, *Health Care Organizations,* and follows accounting principles generally accepted in the United States of America. The Corporation follows applicable Governmental Accounting Standards Board (GASB) principles and has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Significant accounting policies are as follows:

Operating revenues and expenses: The Corporation's statements of revenues, expenses and changes in net assets distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, the Corporation's principal activity. Operating expenses are all expenses incurred to provide health care services other than financing costs. Other revenues and including investment income are reported as nonoperating revenues. Capital related contributions and grants are reported after non-operating revenue and expenses.

Note 2. Summary of Significant Accounting Policies (Continued)

Cash and cash equivalents: Cash and cash equivalents include cash, money market funds, and highly liquid debt instruments with remaining maturities of three months or less at the time of purchase that are not restricted, designated or managed by the Corporation's investment managers. The Corporation holds deposits in excess of Federal Deposit Insurance Corporation (FDIC) limits. At June 30, 2008 and 2007, uninsured, uncollateralized deposits included in cash and cash equivalents were approximately $13,709,000 and $14,876,000, respectively.

Investments: Investments are carried at fair value and include investments in U.S. and international equities, mutual funds, U.S. government securities, short-term debt instruments with maturity dates of less than one year, alternative investments, hedge fund of funds, and money market funds managed by the Corporation's investment managers. Realized gains and losses are computed based on the difference between the proceeds received and cost at time of acquisition using the average cost method. The unrealized net appreciation or depreciation of investments in marketable securities represents the change in the difference between acquisition cost and current market value at the beginning of the year versus the end of the year.

Fair value of financial instruments: The carrying amounts of cash and cash equivalents approximate fair value because of the short maturity of these financial instruments. Short-term investments and assets held by trustee (see Note 6) are generally stated at fair value as determined by quoted market prices. Alternative investments in hedge funds and managed futures are carried at the fair values reported by the fund managers.

The fair value of the Corporation's bonds payable is estimated based on quoted prices. At June 30, 2008 and 2007, the estimated fair value of the Corporation's bonds payable was approximately $209,428,000 and $235,957,000, respectively.

Fair value estimates are made at a specific point in time, based on relevant published market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect estimates.

Patient accounts receivable: Patient accounts receivable are reported net of estimated allowances for contractual adjustments and allowances for uncollectible accounts. Estimated allowances for contractual adjustments and uncollectible accounts were approximately $95,765,000 and $77,039,000 as of June 30, 2008 and 2007, respectively.

The Medical Center grants credit without collateral to its patients. The following summarizes the estimated percentage of accounts receivable from all payors as of June 30:

	2008	2007
Medicare	28%	27%
Arizona Health Care Cost Containment System (AHCCCS)	23%	26%
Other third-party and commercial payors	47%	44%
Other	2%	3%

Supplies inventory: Inventories are stated at the lower of cost or market, which is determined primarily using the first-in, first-out method. Inventories consist mainly of pharmaceuticals, medical and surgical supplies.

Note 2. Summary of Significant Accounting Policies (Continued)

Capital assets: Purchases of land, buildings and equipment are recorded at cost. The capitalization threshold (the dollar values above which asset acquisitions are added to the capital asset accounts) is $1,000 for all asset classifications and for items with a useful life of more than one year. Capital assets are reviewed for impairment when events or changes in circumstances suggest that the service utility of the capital asset may have significantly and unexpectedly declined.

Depreciation: Depreciation is calculated using the straight-line method over the property's estimated useful life. Estimated useful lives are as follows:

Buildings and improvements, including certain fixed equipment	10 – 40 years
Equipment	3 – 15 years

Deferred financing costs: Other assets include deferred financing costs incurred in connection with the issuance of long-term debt. The deferred financing costs are amortized using the effective-interest method over the terms of the related borrowings.

Income taxes: The Corporation and the Foundation are not-for-profit entities as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and are exempt from federal income taxes, on related income pursuant to Section 501(a) of the Code. At the present time, the Captive is not subject to income taxes, as no income taxes are levied in the Cayman Islands. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

Other operating revenue: Other operating revenue includes amounts received from the University to help defray a portion of the costs incurred by the Medical Center in support of the academic mission of the University (see Note 14). Also included in other operating revenue are amounts received from the State of Arizona to support the cost of providing trauma services in the amount of $4,693,000 and $4,180,000 for the years ended June 30, 2008 and 2007, respectively. During 2007, the Corporation sold vacant land for $1,700,000, paid in cash. The resulting gain on sale of $1,245,000 is included in other operating revenue.

Capital fundraising and grant income: During 2008 and 2007, the Corporation received approximately $442,000 and $1,929,000, respectively, in grant revenues from the State of Arizona, which are included in fundraising and grant revenue. These funds were used to acquire equipment as permitted under the grant agreements and were recognized as revenue when the funds were expended for the purpose specified by the grantee. In addition, the Corporation recognized $16,683,000 and $6,359,000 in fundraising income during 2008 and 2007, respectively, based on the terms of certain donor pledge agreements. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted for specific operating purposes are reported as nonoperating revenues. Amounts that are restricted for capital purposes are reported after nonoperating revenues and expenses.

Note 2. Summary of Significant Accounting Policies (Continued)

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

Reclassifications: Certain prior-year amounts have been reclassified to conform to the current-year presentation.

Note 3. Unsponsored Community Benefit Expense

Unsponsored community benefits are programs or activities that provide treatment and/or promote health and healing as a response to identified community needs. These benefits (a) generate a low or negative margin, (b) respond to the needs of special populations, such as persons living in poverty and other disenfranchised persons, (c) supply services or programs that would likely be discontinued, or would need to be provided by another not-for-profit or government provider, if the decision was made on a purely financial basis, (d) respond to public health needs, and/or (e) involve education or research that improves overall community health.

The Corporation provides health care services free of charge or at reduced rates to individuals who meet certain financial criteria. All patients in need of emergency services are accepted regardless of their ability to pay. The Corporation also offers substantial discounts to individuals who lack insurance or whose insurance coverage may not cover certain services, under its policy for the uninsured and underinsured. Under this program, patients are charged no more than the rate the Medical Center receives under the Medicare program. The Corporation also incurs significant costs to provide emergency care to non-U.S. citizens, as mandated under federal regulations. During 2008 and 2007, the Corporation received reimbursement of $1,900,000 and $2,143,000, respectively, from a temporary federal program to support a portion of emergency care to non-U.S. citizens. This program is scheduled to expire in September 2008. In addition, management believes losses incurred on services provided to enrollees under AHCCCS, a government-mandated program for the indigent (see Note 5), also represent charity care. Charges for traditional charity care services are excluded from revenues. The estimated net costs, in excess of reimbursement, of providing care to the uninsured, non-U.S. citizens and to AHCCCS recipients were as follows for the years ended June 30:

	2008	2007
	(In Thousands)	
Charity care	$ 954	$ 1,315
Non-U.S. citizens	4,710	3,501
Uninsured costs in excess of reimbursement	5,668	2,895
AHCCCS costs in excess of reimbursement	10,796	13,793
Net cost of charity care	$ 22,128	$ 21,504

The Corporation directly contributes to programs that benefit the community, including medical research and other outreach programs. Charitable contributions totaled $879,000 and $946,000 for the years ended June 30, 2008 and 2007, respectively.

Note 4. Investments

Investment income consists of the following for the years ended June 30:

	2008	2007
	(In Thousands)	
Net realized gain on sale of investments	$ 5,261	$ 4,879
Change in unrealized net appreciation (loss) on investments	(7,780)	6,499
Interest income	3,481	3,193
Investment income	$ 962	$ 14,571

The following table presents the estimated maturities of the Corporation's investments, excluding assets held by trustee (see Note 6), utilizing the segmented time distribution method as of June 30, 2008 and 2007 (expressed in thousands):

		2008 Investment Maturities (In Years)		
Investment Type	Fair Value	Less Than 1	1 – 5	10+
Debt securities:				
Cash and cash equivalents	$ 35,998	$35,998	$ -	$ -
Structured notes	23,355	-	23,355	-
Guaranteed investment contract	4,243	-	-	4,243
Corporate fixed income	608	-	608	-
		$35,998	$23,963	$4,243
Other securities:				
Alternative investments	2,208			
Hedge fund of funds	26,600			
Mutual funds	19,660			
Common stocks	13,740			
Total	126,412			
Less current portion	(104,906)			
Long-term investments, net of current portion	$ 21,506			

Note 4. Investments (Continued)

Investment Type	Fair Value	2007 Investment Maturities (In Years) Less Than 1	1 – 5
Debt securities:			
Cash and cash equivalents	$ 11,151	$11,151	$ -
Corporate fixed income	20,722	-	20,722
Structured notes	17,925	-	17,925
Guaranteed investment contract	4,243		-
		$11,151	$38,647
Other securities:			
Alternative investments	1,259		
Hedge fund of funds	25,967		
Mutual funds	14,594		
Common stocks	25,576		
Total	121,437		
Less current portion	(105,863)		
Long-term investments, net of current portion	$ 15,574		

Interest rate risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Corporation's investment policy limits the portfolio duration related to debt securities to the Lehman Brothers (LB) Intermediate Government/Credit Index. This is an index based on all publicly issued intermediate government and corporate debt securities with average maturities of four to five years.

Credit risk: The Corporation's investment policy establishes ranges which limit the level of investments held in domestic and international equities, fixed-income securities and alternative investment strategies. Investment in fixed-income securities is limited to investment-grade securities with a credit rating of BBB or equivalent, or better. The portfolio of fixed-income securities must maintain an average rating of A or better at all times. At June 30, 2008, the Corporation holds $608,000 of AAA-rated corporate fixed-income securities, $22,480,000 of AA-rated structured notes and a guaranteed investment contract, and $5,118,000 of A-rated structured notes. At June 30, 2007, the Corporation held $11,600,000 of AAA-rated corporate securities, $15,935,000 of AA-rated structured notes, and $1,990,000 of A-rated structured notes.

Note 4. Investments (Continued)

Foreign currency risk: The Corporation's investment policy permits it to invest a portion of its holdings in international equities, alternative, and managed future investments. The Corporation's current holdings in international securities (primarily equity securities) totaled approximately $40,156,000, or 34 percent of total investments. The detail of these holdings by currency at June 30, 2008, is as follows:

Currency	Total Assets
	(In Thousands)
Euro	$ 16,259
Pound	5,186
Yen	5,885
Canadian dollar	1,779
Australian dollar	1,638
Yuan	2,479
Swiss Franc	1,716
Other	5,214
Total	$ 40,156

Custodial credit risk: The investments of the Corporation are uninsured, unregistered, and held by brokers in the Corporation's name.

Long-term investments: Long-term investments totaled $21,991,000 and $15,574,000 at June 30, 2008 and 2007, respectively, and include assets held by the Captive for professional liability funding and assets of the Foundation which have donor restrictions. Investment securities held by the Captive include $120,000 that is required to be maintained to meet its minimum statutory capital requirements. Long-term investments that are required for obligations, classified as current liabilities, are reported in current assets. Long-term investments also include the investment in the Corporation's joint venture.

Note 5. Net Patient Service Revenue

The Medical Center has agreements with third-party payors that provide for payments at amounts different from its established rates. Net patient service revenue is reported at estimated net realizable amounts due from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined. A summary of the payment arrangements with major third-party payors follows:

Medicare: Inpatient acute and nonacute care and a majority of outpatient services rendered to Medicare program beneficiaries are primarily paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Certain outpatient services and medical education costs related to Medicare beneficiaries are paid primarily based on a cost reimbursement methodology. The Medical Center is reimbursed for most services at interim rates, with final settlement determined after submission of an annual cost report by the Medical Center and audits thereof by the Medicare fiscal intermediary. The Medical Center's classification of patients under the Medicare program and appropriateness of their admission are subject to review. The Medical Center's Medicare cost reports have been audited by the Medicare fiscal intermediary through June 30, 2005. For the years ended June 30, 2008 and 2007, approximately 31 percent and 33 percent, respectively, of net patient service revenue was derived from services provided to Medicare patients.

Note 5. Net Patient Service Revenue (Continued)

Arizona Health Care Cost Containment System: AHCCCS is a federal and state-supported research and demonstration program. AHCCCS is Arizona's alternative to the Medicaid program and is designed to provide for a portion of the cost of indigent health care needs. For outpatient services, the Medical Center is reimbursed on a fixed payment system similar to Medicare's outpatient prospective payment system. For inpatient services, the Medical Center receives a per diem rate depending on the AHCCCS plan payor and the nature of the services provided. One of the AHCCCS plan payors is a related party (see Note 14). Rates paid to the Medical Center by AHCCCS and AHCCCS-sponsored health plans are established at levels that do not cover the Medical Center's costs. In addition, AHCCCS reduced outlier payment in 2008 and has enacted a rate freeze on all Arizona hospitals, including the Medical Center, which is effective for fiscal year 2009. For the years ended June 30, 2008 and 2007, approximately 23 percent and 22 percent, respectively, of net patient service revenue was derived from services provided to AHCCCS patients.

Other: The Medical Center has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Medical Center under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined per diem rates.

Note 6. Assets Held by Trustee

Assets held by trustee include investments held under an indenture agreement related to the bonds payable and amounts held by a trustee as required by the Industrial Commission of Arizona for Workers' Compensation. These investments are carried at their estimated fair value. The composition of assets held by trustee is as follows as of June 30:

	2008	2007
	(In Thousands)	
Funds held by trustee, as required by the Industrial Commission of Arizona	$ 2,314	$ 2,263
Funds held by trustee, related to bonds payable:		
Series 2005 Bonds construction fund	67,156	107,211
Debt service amounts	10,265	9,883
Bond reserve funds	15,882	15,799
Interest accumulation account	153	157
	93,456	133,050
Total assets held by trustee	95,770	135,313
Less current portion	(10,414)	(16,555)
Assets held by trustee, net of current portion	$ 85,356	$118,758

Note 6. Assets Held by Trustee (Continued)

Assets held by trustee were invested as follows at June 30:

	2008	2007
	(In Thousands)	
Money market	$ 2,314	$ 2,263
Commercial paper	15,615	15,527
U.S. Treasury securities	10,532	10,155
Master repurchase agreement, collateralized by FNMA securities	67,309	107,368
Total assets held by trustee	$ 95,770	$135,313

Utilizing the segmented time distribution method, all of the Corporation's assets held by trustee mature within one year. For the year ended June 30, 2008, all assets held by trustee were in debt securities with credit ratings of A or equivalent, or better. At June 30, 2008, one issuer made up approximately 70 percent of total investments held by trustee. See Note 4 for disclosures related to interest rate and custodial credit risks.

Note 7. Capital Assets

A summary of capital assets as of June 30 is as follows (in thousands):

	June 30, 2007	Additions	Retirements	Reclassifications	June 30, 2008
Land and improvements	$ 6,408	$ 2,428	$ (56)	$ -	$ 8,780
Buildings and improvements	184,848	6,671	-	19,043	210,562
Equipment	133,633	12,612	(4,277)	1,788	143,756
Construction in process	24,563	52,679	-	(20,831)	56,411
Total	349,452	74,390	(4,333)	-	419,509
Less accumulated depreciation for:					
Land improvements	(348)	(56)	56	-	(348)
Buildings and improvements	(104,160)	(8,621)	-	-	(112,781)
Equipment	(99,959)	(14,267)	4,140	-	(110,086)
Total	(204,467)	(22,944)	4,196	-	(223,215)
Capital assets, net	$ 144,985	$ 51,446	$ (137)	$ -	$ 196,294

	June 30, 2006	Additions	Retirements	Reclassifications	June 30, 2007
Land and improvements	$ 6,791	$ 145	$ (530)	$ 2	$ 6,408
Buildings and improvements	150,719	3,698	(426)	30,857	184,848
Equipment	119,614	10,888	(647)	3,778	133,633
Construction in process	30,071	29,244	(115)	(34,637)	24,563
Total	307,195	43,975	(1,718)	-	349,452
Less accumulated depreciation for:					
Land improvements	(351)	(42)	45	-	(348)
Buildings and improvements	(97,421)	(7,166)	427	-	(104,160)
Equipment	(87,564)	(13,040)	645	-	(99,959)
Total	(185,336)	(20,248)	1,117	-	(204,467)
Capital assets, net	$ 121,859	$ 23,727	$ (601)	$ -	$ 144,985

Note 7. Capital Assets (Continued)

During 2007, the Corporation completed construction of and began operation of the Peter and Paula Fasseas Cancer Clinic at its UMC North campus. Accordingly, the cost of the facility was reclassified from construction in process to completed assets. During 2008, the Medical Center completed and placed in service a 16-bed Clinical Decision Unit, temporary helipad and a new emergency generator on the main hospital campus. These assets were reclassified from construction in progress to completed assets in 2008. Capital assets are depreciable, with the exception of land and certain artwork. Nondepreciable capital assets totaled $8,008,000 and $5,617,000 at June 30, 2008 and 2007, respectively. Interest costs incurred during construction, which totaled approximately $2,221,000 and $2,142,000, net of related interest income, for the years ended June 30, 2008 and 2007, respectively, are capitalized as a component of the cost of such additions. Capitalization of interest ceases when the additions are placed into service. Maintenance and repairs are expensed as incurred.

At June 30, 2008, projects under construction had an estimated cost to complete of approximately $133,000,000.

Note 8. Other Assets

A summary of other assets as of June 30 is as follows:

	2008	2007
	(In Thousands)	
Deferred financing costs, net of accumulated amortization of $1,988,000 and $1,718,000 at June 30, 2008 and 2007, respectively, and other assets	$ 2,459	$ 2,724
Long-term portion of pledges receivable	10,286	2,539
Intangible assets, net of accumulated amortization	2,613	-
Prepaid land lease	475	493
Other assets, net	$ 15,833	$ 5,756

During 2008, the Corporation recorded pledges receivable of $9,305,000 from certain donors that have payment terms of from two to five years. The pledges have no stated interest rate; thus, interest has been imputed at approximately 5 percent and the pledges recorded at their estimated net present value. The current portion of these and other pledges was $4,142,000 at June 30, 2008, and is included in prepaid expenses and other on the accompanying balance sheets.

Note 9. Operating Leases

The Corporation leases certain equipment, warehouse, and office space under noncancelable operating leases, which expire through 2016. Rental expense recorded on these operating leases was approximately $2,524,000 and $2,207,000 for the years ended June 30, 2008 and 2007, respectively. Following is a schedule of future minimum lease payments under noncancelable operating leases:

Years ending June 30 (in thousands):	
2009	$ 2,660
2010	2,355
2011	1,512
2012	873
2013	447
Thereafter	3,791
Total	$ 11,638

Note 10. Bonds Payable

In May 1993, the Corporation issued $54,750,000 of Hospital Revenue Refunding Bonds (the Series 1993 Bonds). The proceeds of the Series 1993 Bonds were used to advance refund a portion of prior bonds.

In March 2004, the Corporation issued $52,000,000 of Hospital Revenue Bonds (the Series 2004 Bonds). The Series 2004 Bonds were issued at a discount to yield an effective interest rate of 4.82 percent and were used in part to advance refund prior bonds, to finance construction of the Peter and Paula Fasseas Cancer Clinic at the UMC North campus, and to finance other capital needs at the Medical Center.

In November 2005, the Corporation issued $140,000,000 of Hospital Revenue Bonds (the Series 2005 Bonds). The Series 2005 Bonds were issued at a discount to yield an effective interest rate of 5.01 percent and are being used for the construction of a new six-story bed tower, expansion of the emergency department, construction of a 16-bed Clinical Decision Unit, and to finance other capital needs of the Corporation.

A summary of bonds payable as of June 30 is as follows (in thousands):

	2008	2007
Series 2005 Bonds, $140,000,000, net of discount, with an effective interest rate of 5.01%, collateralized by a security interest in the Corporation's gross revenues, principal and interest payments payable through July 2035	$139,789	$139,794
Series 2004 Bonds, $52,000,000, net of discount, with an effective interest rate of 4.82%, collateralized by a security interest in the Corporation's gross revenues, principal and interest payments payable through July 2033	47,267	49,268
Series 1993 Revenue Bonds, $54,750,000, net of discount, with an effective interest rate of 5.53%, collateralized by a security interest in the Corporation's gross revenues, principal and interest payments payable through July 2021	40,812	42,694
	227,868	231,756
Less current portion	(4,040)	(3,835)
Bonds payable, net of current portion	$223,828	$227,921

Note 10. Bonds Payable (Continued)

Future scheduled maturities of bonds and related interest payable at June 30, 2008, are as follows (in thousands):

Years Ending June 30	Principal	Interest
2009	$ 4,040	$ 11,590
2010	4,145	11,390
2011	4,295	11,186
2012	4,515	10,973
2013	4,745	10,748
2014 – 2018	27,620	49,947
2019 – 2023	35,310	42,424
2024 – 2028	45,065	32,901
2029 – 2033	57,515	20,747
2034 – 2035	41,880	5,253
Total	229,130	207,159
Less unamortized portion of bond discount	(1,262)	-
Total scheduled maturities of bonds payable, net	$227,868	$207,159

The Corporation is subject to certain financial covenants under the Master Trust Indenture (the Indenture). In addition, the Indenture places certain restrictions on the incurrence of additional indebtedness and the sale or acquisition of property.

The Corporation has established and maintains separate funds as a bond reserve fund on outstanding bonds payable. These funds totaled $15,882,000 and $15,799,000 at June 30, 2008 and 2007, respectively, are held by the trustee, reflected in assets held by trustee in the accompanying balance sheets, and consist principally of guaranteed investment contracts collateralized by U.S. Treasury securities and mortgage-backed government securities (see Note 6).

The bonds or other obligations of the Corporation do not constitute general obligations of the Arizona Board of Regents, the University, the State of Arizona or any political subdivision thereof.

A schedule of changes in the Corporation's bonds payable for the years ended June 30 is as follows (in thousands):

	June 30, 2007	Additions	Reductions	June 30, 2008	Amounts Due Within One Year
Bonds payable	$ 231,756	$ 190	$ (4,078)	$227,868	$ 4,040

	June 30, 2006	Additions	Reductions	June 30, 2007	Amounts Due Within One Year
Bonds payable	$ 235,464	$ 200	$ (3,908)	$231,756	$ 3,835

Note 11. Other Long-Term Liabilities

A schedule of changes in the Corporation's long-term liabilities for the years ended June 30 is as follows (in thousands):

	June 30, 2007	Additions	Reductions	June 30, 2008	Amounts Due Within One Year
Professional liability insurance reserves	$ 9,723	$ 12,269	$ 10,006	$ 11,986	$ 5,048
Employee vacation and benefit reserves	14,672	8,277	7,092	15,857	7,510
Other	4,238	14,255	11,739	6,754	1,530
Total	28,633	34,801	28,837	34,597	14,088
Less current portion:					
Included in accrued payroll and employee benefits	(5,721)	(6,721)	(5,722)	(6,720)	(6,720)
Included in other accrued liabilities	(5,119)	(12,347)	(10,098)	(7,368)	(7,368)
Long-term liabilities, net	$ 17,793	$ 15,733	$ 13,017	$ 20,509	$ -

	June 30, 2006	Additions	Reductions	June 30, 2007	Amounts Due Within One Year
Professional liability insurance reserves	$ 10,929	$ 17,672	$ 18,878	$ 9,723	$ 2,889
Employee vacation and benefit reserves	13,608	4,042	2,978	14,672	6,975
Other	7,210	9,937	12,909	4,238	976
Total	31,747	31,651	34,765	28,633	10,840
Less current portion:					
Included in accrued payroll and employee benefits	(4,751)	(2,758)	(1,788)	(5,721)	(5,721)
Included in other accrued liabilities	(8,124)	(11,518)	(14,523)	(5,119)	(5,119)
Long-term liabilities, net	$ 18,872	$ 17,375	$ 18,454	$ 17,793	$ -

Professional liability reserves are discussed in Note 13. Employee vacation and benefit reserves include estimated liabilities for the Corporation's self-insured employee medical and workers' compensation benefits.

Self-insurance workers' compensation: The Corporation has established self-insurance funds for the deductible portion of workers' compensation insurance coverage. The Corporation's funding for the estimated deductible portion of self-insured workers' compensation insurance coverage is based on the self-insurance funds' estimate of the ultimate costs for both reported claims and actuarially determined estimates of claims incurred but not yet reported. Self-insured workers' compensation retention in 2008 and 2007 was $400,000 per occurrence. The Corporation has recorded an undiscounted liability of approximately $3,080,000 and $2,826,000 as of June 30, 2008 and 2007, respectively, for those claims that have been incurred but not yet reported, which is included in other accrued liabilities and other long-term liabilities in the accompanying balance sheets.

Note 11. Other Long-Term Liabilities (Continued)

Self-insurance health and dental programs: The Corporation is self-insured for employee medical, dental and vision for its employees. The provision and accrual for estimated claims include estimates of the ultimate costs for claims incurred but not reported and are based upon the estimated cost of settlement. Self-insured health insurance retention in 2008 and 2007 was $500,000 per insured member. The Corporation has recorded a liability of approximately $1,982,000 and $1,824,000 as of June 30, 2008 and 2007, respectively, for known claims and for those claims that have been incurred but not yet reported, which is included in accrued payroll and employee benefits in the accompanying balance sheets.

Note 12. Net Assets

Under GASB Statement No. 34, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments,* and Statement No. 38, *Certain Financial Statement Note Disclosures,* net assets are classified as one of three components: invested in capital assets net of related debt, restricted, or unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt — This component of net assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

- Restricted — This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

- Unrestricted — This component of net assets consists of net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

The Corporation's net assets consist of the following as of June 30:

	2008	2007
	(In Thousands)	
Invested in capital assets, net of related debt	$ 41,603	$ 23,692
Unrestricted	153,617	145,664
Restricted	26,984	17,907
Net assets	$222,204	$187,263

Note 13. Professional Liability Insurance

General liability and professional liability insurance for the Corporation is provided by, or through, the Captive, a wholly owned subsidiary of the Corporation. The Captive is organized under the laws of the Cayman Islands, British West Indies. For fiscal years 2008 and 2007, the Corporation was insured for the first $2,000,000 of primary coverage per occurrence with an aggregate limit of $8,000,000, plus an additional one-time self-insured retention of $1,000,000, which only applies to claims in excess of $2,000,000. The Captive also provides the first excess and umbrella layer of insurance to the Corporation with a limit of liability of $10,000,000, and a $10,000,000 annual aggregate. This layer of coverage is 90 percent reinsured by a commercial insurer. Annual premiums for the coverage provided by the Captive are determined by the Captive's Board of Directors after considering an actuarial report produced by a third-party actuary, which considers past claim experience, relevant trend factors and future expectations. These premiums eliminate in combination.

The Corporation maintained undiscounted malpractice reserves of approximately $11,986,000 and $9,723,000 at June 30, 2008 and 2007, respectively, to provide for possible claims, which have been calculated on an occurrence basis as opposed to a claims-made basis. Malpractice reserves have been estimated by a third-party actuary and are included in other accrued liabilities and long-term liabilities in the accompanying balance sheets. Cash and investments held by the Captive to fund these reserves totaled approximately $13,292,000 and $11,912,000 at June 30, 2008 and 2007, respectively.

Note 14. Related-Party Transactions

University of Arizona: The Corporation and the University both provide and receive services from each other under various contracts. Payments to the University by the Corporation include mission and program support, resident and intern salaries, utilities, ground maintenance, mailroom operations, and various administrative functions. Amounts paid to the University for these services were approximately $28,780,000 and $24,525,000 for the years ended June 30, 2008 and 2007, respectively. At June 30, 2008, future commitments under mission support agreements totaled approximately $13,500,000, payable through June 30, 2013.

The Corporation has entered into contractual agreements with the University to provide support for the academic mission of the University. Charges to the University for such services and facilities provided by the Corporation were approximately $9,970,000 and $9,700,000, respectively, for the years ended June 30, 2008 and 2007. These amounts are included in other operating revenue in the accompanying financial statements.

University Physicians Healthcare: University Physicians Healthcare (UPH) is a not-for-profit corporation whose members are physicians employed by both UPH and the University, and who practice at the Medical Center. The Corporation has agreements with UPH whereby UPH provides physician medical directorship and other services to the Corporation. The Corporation paid UPH approximately $10,500,000 and $9,191,000 for these services for the years ended June 30, 2008 and 2007, respectively.

The Corporation and UPH share certain services and facilities within the hospital. Examples include information systems, medical records and patient scheduling. UPH reimburses the Corporation for these services pursuant to written agreements between the parties. Charges to UPH for the above services provided by the Corporation were approximately $2,900,000 for each of the years ended June 30, 2008 and 2007. These amounts are included in other operating revenue in the accompanying financial statements.

Note 14. Related-Party Transactions (Continued)

The Corporation also has an agreement to provide health care services to members of an AHCCCS health plan owned by UPH called University Family Care (UFC). UFC, an AHCCCS-funded Health Maintenance Organization (HMO), manages approximately 15,000 members. The Corporation provides health care services to UFC members in the normal course of business. The Corporation operates under a contract with UFC at rates that are substantially the same as rates received from other unaffiliated AHCCCS HMOs. Such rates are generally at or below the maximum rates established by AHCCCS and do not cover the Corporation's costs of providing care to UFC members. Net patient service revenue includes $7,311,000 in 2008 and $7,084,000 in 2007 from this payor, based on negotiated rates.

Effective July 1, 2003, the Medical Center became the region's sole Level I Trauma Center and entered into an arrangement with UPH to pay trauma physician call pay. Funding for the physician call pay was derived primarily from funds designated by the State of Arizona to cover trauma readiness costs. During 2008 and 2007, amounts incurred for services provided by UPH physicians totaled $3,064,000 and are included in professional services — medical, within the financial statements. As of June 30, 2007, accrued expenses include approximately $250,000 payable to UPH for these services. There were no accrued amounts outstanding as of June 30, 2008.

In 2006, the Corporation and UPH formed University Medical Imaging, Inc. (UMI), a joint venture. This joint venture leases the facilities and equipment for the operation of an outpatient imaging center to the Corporation. UMI operations began in September 2007. The Corporation paid $941,000 in leasing fees to UMI during the year ended June 30, 2008. The Corporation and UPH each own half of the joint venture and have agreed to guarantee the facility lease for a minimum of five years. After the initial five-year period, the guarantee will terminate if the joint venture achieves defined earnings goals. The total future lease payments subject to the lease guarantee by the Corporation are approximately $1,543,000 at June 30, 2008. UMI financed the acquisition of equipment using tax-exempt financing, which is guaranteed by the Corporation and UPH. The outstanding amount of tax-exempt financing guaranteed by UMC is $3,286,000 at June 30, 2008. The Corporation's portion of UMI's operating losses is included in investment income in nonoperating revenue and expense and totaled $427,000 and $271,000 for the years ended June 30, 2008 and 2007, respectively.

Selected condensed financial data is shown in the table below:

	As of and for the Years Ended June 30	
	2008	2007
	(In Thousands)	
Total assets	$ 8,416	$ 8,435
Total liabilities	9,386	8,479
Total equity	(970)	(44)
Revenue	$ 1,088	$ 164
Expenses	2,013	395
Net loss	(925)	(231)

Note 14. Related-Party Transactions (Continued)

Syncardia Systems (Syncardia): The Corporation is the sole corporate member of Device Preservation, Inc. (DPI), which owns approximately 2 percent of the common stock of Syncardia. Syncardia owns and markets the CardioWest artificial heart, which recently received Food and Drug Administration (FDA) approval. Two UPH physicians and one Corporation employee are among the owners of Syncardia. The Corporation purchases artificial hearts from Syncardia at negotiated prices. During 2008 and 2007, the Corporation paid Syncardia $522,000 and $294,000, respectively, for the purchase of artificial hearts. DPI is an inactive corporation and has no assets or liabilities relating to the ownership of Syncardia shares.

Children's Clinics for Rehabilitative Services (CCRS): CCRS is a not-for-profit organization, which coordinates care to children with special needs. Substantially all of CCRS funding comes from the State of Arizona. The Corporation is a founding member of CCRS along with two other not-for-profit organizations. Each of the founding members has two seats on CCRS' board of directors. The Corporation provides health care services to CCRS patients at rates which are substantially as established by the State of Arizona and generally do not cover the Corporation's cost. Net patient service revenue includes $3,122,000 and $2,831,000 in 2008 and 2007, respectively, from health care services provided to CCRS patients.

Note 15. Retirement Plan

The Corporation is the sponsor and administrator of the University Medical Center Corporation Employee Pension Plan (the Plan) for employees of the Corporation. The Plan is a defined-contribution plan covering all employees of the Corporation subject to minimum employment requirements, as defined in the Plan Agreement. Through December 31, 2006, the Corporation made contributions to the Plan in amounts equal to (a) 5.5 percent of total compensation, plus (b) 5.4 percent of compensation in excess of 80 percent of the Federal Insurance Contributions Act (FICA) wage base. Effective January 1, 2007, the Plan was amended to change the contribution rate to (a) 3 percent of total compensation, plus (b) 3 percent of compensation in excess of 80 percent of the FICA wage base. In addition, the Corporation will make up to a 3 percent matching contribution to a newly formed 403(b) plan to the benefit of those employees that participate in the matching program. Such contributions are allocated to each participant as defined in the Plan Agreement. Retirement plan expense, net of participant forfeitures, was approximately $9,934,000 and $7,598,000 for the years ended June 30, 2008 and 2007, respectively. Accrued liabilities include $4,882,000 and $3,944,000 payable to the Plan as of June 30, 2008 and 2007, respectively.

Note 16. Commitments and Contingencies

Regulatory matters: The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, and reimbursement for patient services. Government activity has continued with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Corporation is in compliance with fraud and abuse, as well as other applicable government, laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

Note 16. Commitments and Contingencies (Continued)

Litigation: The Corporation is party to a number of pending or threatened lawsuits arising out of, or incident to, the ordinary course of business for which it carries professional and general liability coverage and other insurance coverages (see Note 13). In the opinion of management, upon consultation with legal counsel, none of the pending or threatened lawsuits will have a material effect upon the financial position or results of operations of the Corporation.

Supplementary Information

University Medical Center Corporation

Combining Balance Sheet
June 30, 2008
(In Thousands)

Assets	UMC	Other	Eliminations	Total
Current Assets				
Cash and cash equivalents	$ 8,270	$ 1,997	$ -	$ 10,267
Short-term investments	100,470	4,436	-	104,906
Patient accounts receivable, net	77,140	-	-	77,140
Supplies inventory	12,702	-	-	12,702
Assets held by trustee, current portion	10,414	-	-	10,414
Prepaid expenses and other	10,574	4,735	(337)	14,972
Total current assets	219,570	11,168	(337)	230,401
Assets Held by Trustee, net of current portion	85,356	-	-	85,356
Long-Term Investments, net of current portion	450	21,056	-	21,506
Capital Assets, net	194,613	1,681	-	196,294
Other Assets, net	6,569	10,286	(1,022)	15,833
Total	$506,558	$44,191	$ (1,359)	$549,390
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	$ 29,604	$ 313	$ (323)	$ 29,594
Accrued payroll and employee benefits	26,548	-	(4)	26,544
Other accrued liabilities	17,472	5,199	-	22,671
Current portion of bonds payable	4,040	-	-	4,040
Total current liabilities	77,664	5,512	(327)	82,849
Bonds Payable, net of current portion and net bond discounts	223,828	-	-	223,828
Long-Term Liabilities	15,181	5,101	227	20,509
Total liabilities	316,673	10,613	(100)	327,186
Commitments and Contingencies				
Net Assets	189,885	33,578	(1,259)	222,204
Total	$506,558	$44,191	$ (1,359)	$549,390

University Medical Center Corporation

Combining Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2008
(In Thousands)

	UMC	Other	Eliminations	Total
Operating revenues:				
Net patient service revenue	$473,997	$ -	$ -	$473,997
Other operating revenue	24,830	4,087	(4,087)	24,830
Total operating revenues	498,827	4,087	(4,087)	498,827
Operating expenses:				
Salaries and wages	196,337	-	-	196,337
Employee benefits	31,348	-	-	31,348
Supplies	111,856	-	-	111,856
Purchased services	54,761	-	-	54,761
Professional services, medical	18,959	-	-	18,959
Professional services, nonmedical	4,625	105	-	4,730
Insurance	5,766	4,315	(2,500)	7,581
Utilities	6,208	-	-	6,208
Other	20,242	111	428	20,781
Depreciation and amortization	23,468	254	-	23,722
Total operating expenses	473,570	4,785	(2,072)	476,283
Operating income (loss)	25,257	(698)	(2,015)	22,544
Nonoperating revenues and expenses:				
Investment income	97	865	-	962
Interest expense	(4,319)	(144)	-	(4,463)
Other fundraising expenses	(725)	(503)	-	(1,228)
Total nonoperating revenues and expenses	(4,947)	218	-	(4,729)
Excess of revenues over expenses before capital fundraising and grant income	20,310	(480)	(2,015)	17,815
Capital fundraising and grant income	442	16,684	-	17,126
Increase in net assets	20,752	16,204	(2,015)	34,941
Net assets, beginning of year	169,133	17,374	3,274	187,263
Net assets, end of year	$189,885	$33,578	$ 1,259	$222,204

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APPENDIX C

Summary of Principal Documents

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SUMMARY OF PRINCIPAL DOCUMENTS

The following are summaries of certain provisions of the Master Indenture and the Bond Indenture. These summaries do not purport to be complete or definitive and are qualified in its entirety by reference to the applicable document. Copies of these documents are available as described in the "INTRODUCTION" to this Official Statement. Words and terms used in this summary and not defined in the Official Statement shall have the same meaning as in the applicable document.

DEFINITIONS OF CERTAIN TERMS

The terms defined below are among those used in Appendix C.

"Adjusted Annual Revenue" shall mean the total revenues (other than gains or losses upon defeasance of Indebtedness) of the members of the Obligated Group for the Fiscal Year in question, less revenues derived from Property financed with the proceeds of Project Indebtedness, bad debt allowances, contractual adjustments with third party payors and adjustments for uncompensated care relating to such Fiscal Year and, to the extent otherwise included therein, gifts, grants or bequests of a nonrecurring nature to the extent such gifts, grants and bequests exceed the average of the gifts, grants and bequests of a nonrecurring nature received by members of the Obligated Group during the two immediately preceding Fiscal Years.

"Assumed Amortization Period" shall mean, with respect to any Indebtedness the principal and interest requirements of which are to be recast for purposes of a calculation of the Debt Service Coverage Ratio or in connection with the incurrence of Interim Indebtedness, the period of time determined, at the election of UMCC, pursuant to either (a) 25 years; or (b) the period of time, not exceeding 25 years, by an Independent investment banker selected by UMCC and experienced in underwriting indebtedness of the type being recast, or of another Independent Person selected by UMCC and experienced in the issuance and sale of indebtedness of such type (the "Financing Consultant"), as being the maximum period of time over which indebtedness having comparable terms and security issued or incurred by health care institutions of comparable credit standing ("Comparable Debt") would, if then being offered, be marketable on reasonable and customary terms.

"Assumed Interest Rate" shall mean, with respect to any Indebtedness the principal and interest requirements of which are to be recast for purposes of a calculation of the Debt Service Coverage Ratio or in connection with the incurrence of Interim Indebtedness, the rate per annum determined in accordance with the applicable paragraph set forth below:

(a) with respect to Variable Rate Indebtedness, at the option of UMCC either (i) the rate per annum which was in effect as of the last day of the calendar month next preceding the month in which the determination of Assumed Interest Rate is being made or, if no rate was in effect on such day, then the rate per annum which was in effect on the date on which such Variable Rate Indebtedness was issued or incurred; or (ii) the weighted average rate per annum for a period of three full calendar months, such period ending no more than 45 days prior to the date of calculation, or for such lesser period as such Indebtedness has been Outstanding.

(b) with respect to other Indebtedness, the rate per annum determined as of the last day of the calendar month next preceding the month in which the determination of Assumed Interest Rate is being made and determined at the election of UMCC pursuant to either: (i) a rate per annum equal to (1) 90%, if interest on the Indebtedness is exempt from Federal income taxation, or (2) 110%, if interest on the Indebtedness is subject to Federal income taxation, of the most recently published daily yields to maturity of United States Treasury securities adjusted to a constant maturity of thirty (30) years as published by the Board of Governors of the Federal Reserve System; or (ii) the rate per annum determined by a Financing Consultant, as being the lowest rate of interest (which may be a rate which reflects the exemption of such interest from Federal income taxation if such exemption is then available) at which Comparable Debt would, if being offered as of such last day of the calendar month, be marketable on reasonable and customary terms.

"2004/2005 Bond Reserve Account" means the 2004/2005 Bond Reserve Account held under the Bond Indenture securing the Bonds Secured by the 2004/2005 Bond Reserve Account, including the Series 2009 Bonds. The "2004/2005/2009 Bond Reserve Account" as used in the forepart of this Official Statement refers to this "2004/2005 Bond Reserve Account".

"Bond Reserve Fund" means the Bond Reserve Fund held under the Bond Indenture and includes the following two subaccounts: (i) the 1993 Reserve Account securing the Series 1993 Bonds, and the (ii) 2004/2005 Bond Reserve Account securing the Bonds Secured by the 2004/2005 Bond Reserve Account.

"2004/2005 Bond Reserve Requirement" or "2004/2005 Reserve Requirement" means, at any date, for the Bonds Secured by the 2004/2005 Bond Reserve Account, an amount that shall equal the least of: (i) 10% of the original principal amount of the Bonds Secured by the 2004/2005 Bond Reserve Account, (ii) maximum annual debt service, in the aggregate, for the Bonds Secured by the 2004/2005 Bond Reserve Account, or (iii) 125% of the average annual debt service, in the aggregate, for the Bonds Secured by the 2004/2005 Bond Reserve Account.

"Bonds Secured by the 2004/2005 Bond Reserve Account" means the Outstanding Series 2004 Bonds, Series 2005 Bonds, Series 2009 Bonds and any Additional Bonds specified by UMCC in a Supplemental Indenture to be secured by the 2004/2005 Bond Reserve Account.

"Bond Service Charges" means, for any applicable time period or date, the principal of and premium, if any, and interest on the Series Bonds accruing for that period or due and payable on that date. In determining Bond Service Charges accruing for any period or due and payable on any date, Mandatory Sinking Fund Requirements accruing for that period or due on that date shall be included.

"Bond Trustee" means U.S. Bank National Association, and any successor Bond Trustee as determined under the Bond Indenture.

"Bonds" means the Series 1993 Bonds, the Series 2004 Bonds, the Series 2005 Bonds, the Series 2009 Bonds and any Additional Bonds issued and Outstanding under the Bond Indenture.

"Book Value" shall mean, when used in connection with Property of any Member, the value of such Property, net of accumulated depreciation, calculated in conformity with generally accepted accounting principles ("GAAP") and when used in connection with Property of the Obligated Group, means the aggregate of the values so determined with respect to such Property of each Member determined in such a manner so that no portion of such value of Property of any Member is included more than once, plus in each case (a) the acquisition cost of any Property acquired since the last such report increased or decreased by a percentage equal to the aggregate percentage increase or decrease in the Construction Index from the date of such acquisition to the date as of which Book Value is to be calculated; minus in each case (b) the Book Value of any Property disposed of since the last such report increased or decreased by a percentage equal to the aggregate percentage increase or decrease in the Construction Index from the later of (i) the date of the appraiser's report or (ii) the date of the acquisition of such Property, to the date as of which Book Value is to be calculated.

"Business Day" means any day other than a Saturday, Sunday or any other day on which banks in Arizona and New York, New York are required or authorized by law to remain closed.

"Commercial Paper Indebtedness" shall mean Indebtedness (a) incurred as part of a financing program which contemplates the refunding or advance refunding from time to time of the principal of maturing Indebtedness with the proceeds from the issuance of additional Indebtedness and (b) which is also Credit Enhanced Indebtedness.

"Construction Index" shall mean the health care component of the implicit price deflator for the gross national product as most recently reported prior to the date in question by the United States Department of Commerce or its successor agency, or, if such index is no longer published, such other index which is certified by UMCC to be comparable.

"Consultant's Report" shall mean, when used with reference to a Projection, a written statement of an Independent Consultant in form satisfactory to the Trustee that the Independent Consultant has reviewed the Projection, concurs with the calculations reflected therein and believes that the assumptions and rationale upon which the Projection is based are reasonable and appropriate or believes that they are not unreasonable.

"Convertible Indebtedness" shall mean Indebtedness which by its terms permits the borrower on one or more occasions to establish or to modify the period for which the rate of interest thereon shall be fixed.

"Costs" means and shall embrace, without intending thereby to limit or restrict any proper definition of such term under the provision of law, including the Act, all costs of acquisition, construction, improving, remodeling, renovating, installing, furnishing and equipping health care institutions and all obligations and expenses and all items of cost which are set forth in the Bond Indenture.

"Credit Enhanced Indebtedness" shall mean Indebtedness principal of and interest on which are secured by the proceeds of a letter of credit irrevocable for the term thereof, surety bond, insurance policy or other credit facility or arrangement with a person not a Member.

"Current Assets" shall mean cash and cash equivalent deposits, marketable securities, accounts receivable, accrued interest receivable and any other assets of the Obligated Group which at the time of computation thereof are considered current assets under GAAP (including those set forth under the heading of other assets which otherwise would qualify therefor) except Current Assets shall include cash and cash equivalent deposits and marketable securities ("Board Designated Assets") that have been designated by any Member to be used for the acquisition of capital assets by such Member, except for Board Designated Assets that have been contractually committed by action of such Member to pay part of the costs of a particular capital project with respect to which Indebtedness has been incurred and the completion of which capital project has not been abandoned by action of such Member.

"Cushion Ratio" means the ratio determined by the following formula: the sum of all cash and cash equivalent deposits and marketable investments, whether classified as current or noncurrent assets (including board-designated funds) held by UMCC divided by Maximum Annual Debt Service on all Outstanding Indebtedness that is not secured by a reserve fund which is (a) in an amount equal to Maximum Annual Debt Service on such Indebtedness, and (b) funded in any of the ways permitted for the Bond Reserve Fund and 2004/2005 Bond Reserve Account.

"Debt Service Coverage Ratio" shall mean the ratio of Net Revenues Available for Debt Service for the period in question to the Maximum Annual Debt Service, consisting of principal payments (whether at maturity or pursuant to sinking fund redemption requirements) and interest payments of the Obligated Group on Outstanding Long-Term Indebtedness (including Interim Indebtedness treated as if it were Long-Term Indebtedness and including Long-Term Indebtedness arising from Guarantees) for the then current or any succeeding Fiscal Year; provided, however, that for purposes of calculating such Ratio the following adjustments shall be made:

(a) For Indebtedness the interest on which is payable from proceeds of such Indebtedness, or from other amounts set aside irrevocably for that purpose at the time such Indebtedness is incurred, interest on such Indebtedness shall be included in computations of the Maximum Annual Debt Service on such Indebtedness only in proportion to the amount of interest payable in the then-current Fiscal Year from sources other than amounts so funded to pay such interest;

(b) For Long-Term Indebtedness that has been incurred to finance the construction of capital improvements, the principal thereon shall be excluded from the determination of the Maximum Annual Debt Service on such Indebtedness until the first full Fiscal Year after completion of such construction if the first scheduled principal payment is in a Fiscal Year commencing after the completion date as estimated at the time such Long-Term Indebtedness was issued;

(c) any Outstanding Long-Term Indebtedness having a single principal maturity and no sinking fund redemption requirements, or having a principal amount due in any Fiscal Year which exceeds an amount equal to 150% of the maximum principal amount of such Long-Term Indebtedness that would have become due (whether at maturity or pursuant to sinking fund redemption requirements) in such Fiscal Year if such Indebtedness had been amortized on a level debt service basis over the stated term of such Indebtedness, shall be deemed to bear interest at the Assumed Interest Rate determined in accordance with paragraph (b) of the definition of Assumed Interest Rate and shall be recast as follows: (i) if UMCC elected to have paragraph (b) (i) of the definition of Assumed Interest Rate applied to such calculation, then such Indebtedness shall be deemed to bear interest at the Assumed Interest Rate determined in accordance with said paragraph (b) (i) (applying the percentage set forth in clause (1) of said paragraph (b) (i) if Indebtedness then could be issued with the interest thereon exempt from Federal income taxation and applying the percentage set forth in clause (2) of said paragraph (b)(i) if no such Indebtedness then could be issued) and shall be deemed to be amortized on a level debt service basis over a period of time equal to the Assumed Amortization Period; or (ii) if UMCC elected to have paragraph (b)(ii) of the definition of Assumed Interest Rate

applied to such calculation, then such Indebtedness shall be deemed to bear interest at the Assumed Interest Rate determined in accordance with said paragraph (b)(ii) and shall be deemed to be amortized on a level debt service basis over a period of time equal to the Assumed Amortization Period.

provided, further, however, the amount of principal payments on such Indebtedness for the purpose of computing an historical Debt Service Coverage Ratio shall be excluded from the computation if such payment was paid from either cash on hand of the person obligated or the refinancing of Long-Term Indebtedness;

(d) For Long-Term Indebtedness that is refunded or refinanced and becomes no longer Outstanding during the period covered by the computation, then the amount of principal or interest taken into account during such period shall be assumed to equal only the principal of or interest on such Indebtedness which remains Outstanding after the refunding or refinancing;

(e) the interest on any Outstanding Variable Rate Indebtedness shall be calculated in accordance with paragraph (a) of the definition of Assumed Interest Rate;

(f) the annual principal and interest payments on Outstanding Long-Term Indebtedness arising from any Guaranty shall be taken into account as follows:

(i) if at any time within the three full Fiscal Years immediately preceding the computation date, the obligee of the guaranteed indebtedness shall have demanded that the Member issuing the Guaranty pay principal of or interest on the guaranteed indebtedness and if within 30 days of the guarantor's receipt of such demand UMCC shall have failed to deliver to the Trustee an Opinion of Counsel to the effect that the guarantor is not legally obligated to honor such demand, then 100% of the annual principal and interest payments scheduled to become due on the guaranteed indebtedness; provided, however, if the guaranteed obligation is secured directly by a lien on, or security interest in, real or personal property or both with a Book Value (or, at the option of UMCC, Fair Market Value) equal to at least 125% of the principal amount of the guaranteed obligation and the Member issuing the Guaranty will be subrogated to the creditors' rights to such collateral to the extent of payments made pursuant to the Guaranty, and UMCC so certifies, then annual principal and interest requirements on such Guaranty shall be determined pursuant to (ii) below, without regard to the amount paid under such Guaranty; or

(ii) otherwise, 20% of the annual principal and interest payments scheduled to become due on the guaranteed indebtedness.

(g) notwithstanding the requirements of subsection (f), principal and interest requirements on Outstanding Long-Term Indebtedness arising from any Guaranty by a Member shall not be taken into account if such Member or any other Member is the obligor of the guaranteed Indebtedness and if and to the extent that taking such principal and interest requirements into account would duplicate the principal or interest payments to be made with respect to such Indebtedness;

(h) principal and interest requirements on Outstanding Long-Term Indebtedness, or portions thereof, shall not be included in the computation of the Maximum Annual Debt Service in any Fiscal Year to the extent that a Federal, state or local government has unconditionally committed to make payments in such Fiscal Year to a Member and the application of such payments is limited to the payment of such principal and interest;

(i) Principal and interest requirements on Outstanding Optional Tender Indebtedness shall not include amounts payable upon exercise by the holder thereof of the option to tender such Indebtedness for payment to the extent and for so long as a Person other than a Member is required to provide the moneys necessary for such payment (the "Liquidity Backer"), shall be deemed to include any periodic fees of the Liquidity Backer and shall not be based upon the terms of any reimbursement obligation to the Liquidity Backer except to the extent and for periods during which payments have been required to be made pursuant to such reimbursement obligation due to the Liquidity Backer advancing funds and not being reimbursed. Any Member which also undertakes any contingent repayment obligation to a Person other than a Member who has undertaken to provide moneys necessary for payment to holders of such Optional Tender Indebtedness shall not also be deemed to be incurring separate Indebtedness to the Liquidity Backer;

(j) Principal and interest requirements on Outstanding Convertible Indebtedness shall be determined based upon the type of Indebtedness the convertible Indebtedness will be at the time of calculation if each of the following tests is satisfied: (i) the Member incurring such Indebtedness has no current intention or expectation that the conversion option of such Indebtedness will be exercised at any particular future time, (ii) the conversion option has been included to provide flexibility in reacting to future circumstances, (iii) the conversion option has not been included for the purpose of avoiding any limit or restriction herein on the incurrence of Indebtedness of a type into which such Convertible Indebtedness may by its terms be converted, and (iv) an Officer's Certificate has been filed with the Master Trustee. If such Officer's Certificate is not provided, then principal and interest requirements on the Convertible Indebtedness shall be calculated at the higher of the debt service at the time of calculation prior to conversion or debt service upon conversion. The Master Trustee may rely upon a certificate of UMCC that the requirements of clauses (i), (ii) and (iii) have been satisfied, such certificate to be given at the time such Convertible Indebtedness is incurred;

(k) Principal and interest requirements on Outstanding Credit Enhanced Indebtedness shall be deemed to include all periodic payments to a Person other than a Member who undertakes to provide moneys necessary for payment to holders of such Credit Enhanced Indebtedness (the "Credit Enhancer") but shall not be based upon the terms of any reimbursement obligation to the Credit Enhancer except to the extent and for periods during which payments have been required to be made pursuant to such reimbursement obligation due to the Credit Enhancer advancing funds and not being reimbursed. Any Member which also undertakes any contingent repayment obligation to the Credit Enhancer shall not also be deemed to be incurring separate Indebtedness to the Credit Enhancer;

(l) For Interim Indebtedness, computation of principal and interest requirements shall be made as described under clause (f) of "MASTER INDENTURE — Restrictions on Indebtedness" below.

(m) For any Indebtedness with respect to which any Member of the Obligated Group has entered into an Interest Rate Agreement with a Qualified Provider (referred to as "Qualified Swapped Indebtedness"), if UMCC certifies to the Master Trustee that such Member has entered into such Interest Rate Agreement relating to a specified portion of the Qualified Swapped Indebtedness, then:

(i) For all purposes of the Master Indenture, the interest on Qualified Swapped Indebtedness for any period of time while such Interest Rate Agreement is in effect shall be calculated, at the option of UMCC for each calculation of the Debt Service Coverage Ratio, as follows: such Qualified Swapped Indebtedness shall be deemed to bear interest at a net interest rate which takes into account: (A) the interest rate or rates stated in such Qualified Swapped Indebtedness, plus (B) the payments made by the Member pursuant to such Interest Rate Agreement, minus (C) the payments received by the Member pursuant to such Interest Rate Agreement; provided, however, that in no event shall any calculation made pursuant to this Subsection (m) result in a number less than zero being included in interest expense; and provided further, if the actual interest rate on such Qualified Swapped Indebtedness or the actual amount of scheduled payments to be made or received pursuant to the Interest Rate Agreement cannot be determined for any period of time for which the net interest expense on such Qualified Swapped Indebtedness is to be calculated, then the amount of net interest expense during such period on such Qualified Swapped Indebtedness shall be determined by applying the (I) average interest rate which was in effect on such Qualified Swapped Indebtedness, or (II) the average payments scheduled which were made, or the average scheduled receipts which were received, as the case may be, pursuant to the Interest Rate Agreement, in each case for any 12 consecutive calendar months specified in a certificate of UMCC to the Master Trustee during the 18 months immediately preceding the date of calculation of the net interest expensed on such Qualified Swapped Indebtedness (or if such Qualified Swapped Indebtedness or the Interest Rate Agreement, as applicable, was not outstanding during all of such 18 months period, which would have been in effect); and

(ii) So long as any Qualified Swapped Indebtedness is deemed pursuant to this Subsection (m) to bear interest at a net interest rate taking into account an Interest Rate Agreement, then for the purpose of computing Net Revenues Available for Debt Service any payments made by any Member of the Obligated Group on such Interest Rate Agreement shall be excluded from expenses of the Obligated Group and any payments received by a Member on such Interest Rate Agreement shall be excluded from revenues of the Obligated Group.

"Eligible Investments" means, with respect to funds held under the Bond Indenture, to the extent permitted by law:

(i) Federal Securities,

(ii) bonds, debentures, notes or other evidences of indebtedness issued by any of the following agencies or any other like governmental or government sponsored agencies which are hereafter created: Federal Financing Bank; Federal Home Loan Bank System; Federal National Mortgage Association; Export Import Bank of the United States; Federal Home Loan Mortgage Corporation; Federal Housing Administration, Student Loan Marketing Association; Government National Mortgage Association; and the interest portion of Resolution Funding Corporation securities;

(iii) direct and general obligations of any state of the United States of America or any municipality or political subdivision of such state, or obligations of any corporation, if such obligations are rated in the two highest rating categories by either Rating Agency;

(iv) commercial paper rated Prime 1 by Moody's or A 1 or better by S&P at the time of purchase thereof;

(v) negotiable or nonnegotiable certificates of deposit, time deposits or other similar banking arrangements, issued by any bank or trust company or any savings and loan association, and (a) the long term obligations of such bank or trust company are rated in one of the two highest rating categories by either Rating Agency, or (b) the deposits or other arrangements are continuously secured as to principal, but only to the extent not insured by the Federal Deposit Insurance Corporation or a similar corporation chartered by the United States of America, (1) by lodging with a bank or trust company, as collateral security, obligations described in paragraph (i) or (ii) above or, with the approval of the Bond Trustee, other marketable securities eligible as security for the deposit of trust funds under applicable regulations of the Comptroller of the Currency of the United States or applicable state law or regulations, having a market value (exclusive of accrued interest) not less than the amount of such deposit, or (2) if the furnishing of security as provided in clause (1) if this paragraph is not permitted by applicable law, in such other manner as may then be required or permitted by applicable state or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds;

(vi) obligations of any state of the United States, any political subdivisions thereof or any agency or instrumentality thereof, if such obligations are secured by direct obligations of, or obligations the principal and interest on which are fully or unconditionally guaranteed by, the United States of America, and the principal of and interest on which will be sufficient to pay as due the principal and interest on such obligations;

(vii) repurchase agreements (I) with respect to obligations listed in paragraph (i) or (ii) above if (a) entered into by the Bond Trustee with a bank rated at the time of purchase "A" or above by both the Rating Agencies or a dealer in government bonds, which reports to, trades with and is recognized as a primary dealer by the Federal Reserve Bank of New York, and which is a member of the Securities Investor Protection Corporation (b) such obligations that are the subject of such repurchase agreement are delivered to UMCC, the Bond Trustee (if the Bond Trustee is not supplying the collateral) or a third party acting as agent for the Bond Trustee (if the Bond Trustee is supplying the collateral) before or simultaneous with payment, (c) such repurchase agreement must be for a term no longer than 30 days, (d) the value of the underlying obligations shall be maintained at a current market value plus accrued interest, calculated no less frequently than weekly, of not less than 103% of the amount of cash transferred by UMCC to the dealer banks or security firm under the repurchase agreement, plus accrued interest (if, however, the securities used as collateral are FNMA, then the value of the collateral must be not less than 105%), (e) in the Opinion of Counsel, acceptable to UMCC or the Bond Trustee, a prior perfected security interest in the obligations which are the subject of such repurchase agreement has been granted to UMCC or the Bond Trustee and (f) such obligations are free and clear of any adverse third party claims;

(viii) shares or certificates in any short term investment fund which is maintained by the Bond Trustee or customarily used by the Bond Trustee in its capacity as a trustee and which fund invests solely in Eligible Investments;

(ix) investment agreements other than repurchase agreements (I) with domestic or Canadian life insurance companies (1) whose claims paying ability are rated "AAA" by S&P at the time of purchase thereof (2) which have a term not exceeding 5 years, (3) are secured by 100% of the company's assets and share equivalent payment status to policyholders, (4) with early liquidation provisions, if any, acceptable to the 1993 Insurer, and (5)

the Bond Trustee must hold the investment agreement for the benefit of the Holders of the Bonds or (II) approved by the 1993 Insurer;

(x) money market funds which are rated at the time of purchase AAAm G, AAAm or AAm by either Rating Agency;

(xi) certificates of deposit time deposits or similar arrangements which are fully insured by the Savings Association Insurance Fund or the Bank Insurance Fund both of which are operated by the Federal Deposit Insurance Corporation;

(xii) tax exempt obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state, (a) which obligations are not callable at the option of the obligor prior to maturity or as to which irrevocable notice has been given by the obligor to call on the date specified in the notice, and (b) which obligations are fully secured as to principal and interest and redemption premium, if any, by a defeasance fund consisting only of cash or obligations described in paragraphs (i), (ii) and (ix) hereof so long as obligations described in (ii) and (ix) are rated at the time of purchase by the Trustee in the two highest long-term rating categories by either Rating Agency, which defeasance fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such tax exempt obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (c) which defeasance fund is sufficient, as verified by an independent certified public accountant, to pay principal of and interest and redemption premium, if any, on such tax exempt obligations on the maturity date or dates thereof or on the redemption date or dates pursuant to such irrevocable instructions, as appropriate;

(xiii) tax exempt obligations issued or guaranteed by any political subdivision of any state of the United States of America or any agency or instrumentality of such political subdivision which is rated at time of purchase in the two highest long-term categories by either Rating Agency;

(xiv) tax exempt obligations of any state of the United States of America for which the full faith and credit of the state is pledged, or any bonds or other obligations which as to principal and interest are unconditionally guaranteed by such state, which shall be rated at time of purchase in the two highest long-term rating categories by either Rating Agency; and

(xv) certificates or other instruments that evidence ownership or the right to payments of principal of or interest on tax exempt obligations of any state of the United States of America or any political subdivision thereof or any agency or instrumentality of any state or political subdivision, provided that (i) such instruments shall be held by a bank or trust company or a national banking association having capital stock, surplus and undivided earnings aggregating at least $50,000,000, (ii) the payments of all principal of and interest on such instruments shall be fully insured or unconditionally guaranteed by, or otherwise unconditionally payable pursuant to a credit support arrangement provided by, one or more financial institutions or insurance companies or associations which is rated at the time of purchase in the two highest long-term rating categories by either Rating Agency, or, in the case of an insurer providing municipal bond insurance policies insuring the payment, when due, of the principal of and interest on municipal bonds, such insurance policy shall result in such instruments being rated at the time of purchase in the two highest long-term rating categories by either Rating Agency;

Provided that evidences of ownership of proportionate interests in future principal and/or interest payments of specified Eligible Investments shall also constitute Eligible Investments so long as both (a) are held by a bank or trust company as custodian under which the owner of the interest is the real party in interest and has the right to proceed against the obligor on the underlying Eligible Investment and (b) the underlying Eligible Investments are not available to satisfy any claim of any custodian of the underlying Eligible Investments or any person claiming through the custodian or to whom the custodian may be obligated.

"Excluded Property" shall mean the real property described in Exhibit C to the Master Indenture, as amended or supplemented from time to time.

"Fair Market Value" means the value established for Property pursuant to an appraisal made by an Independent Person appointed by UMCC and experienced in appraising the value of assets similar or identical to the Property (which report shall be dated not more than five years prior to the date as of which Fair Market Value is to

be calculated) increased or decreased by a percentage equal to the aggregate percentage increase or decrease in the Construction Index from the date of such report to the date as of which Fair Market Value is to be calculated; plus (a) the Book Value of any Property acquired since the last such report increased or decreased by a percentage equal to the aggregate percentage increase or decrease in the Construction Index from the date of such acquisition to the date as of which Fair Market Value is to be calculated; minus (b) the greater of the Book Value or the fair market value (as reflected in such most recent appraiser's report) of any Property disposed of since the last such report increased or decreased by a percentage equal to the aggregate percentage increase or decrease in the Construction Index from the later of (i) the date of such report or (ii) the date of the acquisition of such Property, to the date as of which Fair Market Value is to be calculated; provided, however, that if at the time a determination of Fair Market Value is required under any provision of the Master Indenture the Debt Service Coverage Ratio for the then most recently completed Fiscal Year for which financial statements have been delivered pursuant to the Master Indenture is not less than 2.00, then such appraisal may be made by any Person, otherwise qualified under the foregoing provisions of this definition and without regard to whether or not such Person shall be an officer or employee of any Member or an employee or elected official of any Related Issuer.

"Federal Securities" shall mean direct obligations of, or obligations the full and timely payment of the principal and interest on which is unconditionally guaranteed by, the United States of America.

"Fiscal Year" shall mean, with respect to each Member of the Obligated Group, that period beginning July 1 of each calendar year and ending on June 30 of the subsequent year or such other fiscal year as shall be agreed upon by all Members as each of their annual accounting periods.

"Gross Revenues" means receipts, revenues, income, all accounts receivable and other contract rights and proceeds thereof of UMCC whether now owned or hereafter acquired.

"Guaranty" shall mean a loan commitment or obligation of any Member which guarantees in any manner, whether directly or indirectly, any obligation of any other Person which obligation would, if such other Person were a Member, constitute Indebtedness hereunder; provided, however, that notwithstanding the foregoing, none of the following shall be deemed to constitute a Guaranty: (a) a continuing obligation of a type described in (k) under "MASTER INDENTURE — Restriction on Indebtedness" below; (b) the endorsement in the ordinary course of business of negotiable instruments for deposit or collection; (c) rentals payable in future years under leases, other than leases properly capitalized under GAAP; and (d) any indemnification agreement entered into by any Member in connection with surety bonds, performance bonds, bid bonds, material bonds, labor bonds, stay bonds, appeal bonds and other similar bonds, except to the extent that a surety bond requires reimbursement of reserves.

"Holder" or "Registered Owner" means the Person in whose name a Bond is registered on the Register.

"Indebtedness" shall mean, without duplication,

(a) all indebtedness (other than Project Indebtedness) of the Obligated Group and each Member thereof for borrowed moneys (exclusive of any borrowing by any Member from any depreciation reserve fund created under any Supplemental Indenture) or which has been incurred or assumed in connection with the acquisition of Property;

(b) all indebtedness for borrowed moneys, no matter how created, secured by Property of any Member, whether or not such indebtedness is assumed by any Member;

(c) the liability of any Member under any lease of real or personal property which is properly capitalized on the balance sheet of any Member in accordance with GAAP;

(d) any Guaranty;

provided that (i) any obligation owed by one Member to another shall not constitute Indebtedness for purposes of the Master Indenture; (ii) there shall be excluded from the definition of Indebtedness any obligation to reimburse any Person not a member of the Obligated Group for the payment of any Indebtedness or the payment of the principal of and premium, if any, or the interest on any Related Bonds, until and to the extent the related credit

facility is drawn upon; and (iii) Project Indebtedness shall not be treated as "Indebtedness" for purposes of the Master Indenture.

"Independent Certified Public Accountant" shall mean a firm of certified public accountants in which no employee or officer is an employee or officer of any Member or an employee or official of any Related Issuer, appointed by UMCC.

"Independent Consultant" shall mean a firm in which no director, trustee, officer or employee is an employee or officer of any Member or an employee or elected official of any Related Issuer, appointed by UMCC and qualified to pass upon questions relating to the financial affairs of facilities of the type or types operated by the Obligated Group and having a favorable reputation for skill and experience in the financial affairs of such facilities.

"Independent Engineer" shall mean an architect, engineer or firm of architects or engineers selected by any Member which must have no specific financial interest, direct or indirect, in any Member and, in the case of an individual, must not be a director, officer or employee of any Member and, in the case of a firm, must not have a partner, director, officer or employee who is a director, officer or employee of any Member.

"Independent Insurance Consultant" shall mean any Person who is not an employee or officer of any Member or an employee or elected official of any Related Issuer, appointed by UMCC and qualified to survey risks and to recommend insurance coverage for facilities of the type or types operated by the Obligated Group and services and organizations engaged in like operations and having a favorable reputation for skill and experience in such surveys and such recommendations, and who may be a broker or agent with whom any Member transacts business.

"Independent Person" shall mean a person or entity of which no partner (treating a shareholder of a professional association which is a partner as though such shareholder were such partner), director, officer or employee is a member, stockholder, partner, director, officer or employee of a Member or an elected official of any Related Issuer.

"1993 Insurer" shall mean MBIA, as the bond insurer for the Series 1993 Bonds.

"Interest Rate Agreement" shall mean an interest rate swap, exchange, cap, collar, floor, forward, futures, option (e.g., a call, put, cap, floor or collar), or other hedging agreement, arrangement or security, however denominated, identified to the Master Trustee in a certificate of UMCC as having been entered into by any Member of the Obligated Group with a third party (the "Counterparty") not for investment purposes but with respect to all or a portion of Indebtedness (which Indebtedness shall be specifically identified in the certificate) for the purpose of (i) reducing or otherwise managing the risk of interest rate changes, or (ii) effectively converting the interest rate exposure, in whole or in part, from a fixed rate exposure to a variable rate exposure, or from a variable rate exposure to a fixed rate exposure; provided, however, that no Interest Rate Agreement shall entail any exchange of principal or any assumption of liability for the payment of principal of or interest on any particular Indebtedness of any Member or the Counterparty, as the case may be; and provided further that an Interest Rate Agreement shall not constitute "Indebtedness".

"Interim Indebtedness" shall mean Indebtedness incurred or assumed in anticipation of being refinanced or refunded with Long-Term Indebtedness.

"Lease and Conveyance Agreement" means the Lease and Conveyance Agreement between UMCC, as lessee, and The Arizona Board of Regents, as lessor, dated November 5, 1984 as Amended and Restated as of July 14, 1989, and as supplemented by the First Supplement to the Lease and Conveyance Agreement dated as of January 1, 1988, the Second Supplement dated as of January 1, 1991, the Third Supplement dated as of February 1, 2004, and the Fourth Supplement dated as of May 1, 2009, and as further amended and supplemented pursuant to the provisions thereof and the terms of the Master Indenture.

"Lien" shall mean any mortgage, pledge, lien or other encumbrance on, any Property of any Member or of any Person which secures any Indebtedness or any other obligation of any Member or of any Person or Persons other than an obligation to any other Member.

"Long-Term", when used in connection with Indebtedness (including Notes), shall mean Indebtedness having an original maturity greater than one year (including demand notes with alternative stated maturities of less than one year unless and until a demand for the payment thereof shall have been made) or renewable at the option of the obligor for a period greater than one year from the date of original incurrence or issuance thereof, which shall not include the current portion of such Long-Term Indebtedness as determined in accordance with GAAP; but excluding any Indebtedness which is renewable or extendable pursuant to the terms of a revolving credit or similar agreement if, by the terms of such agreement, no such Indebtedness is permitted to be Outstanding thereunder for a period of at least 20 days during each period of 12 consecutive months beginning with the effective date of such revolving credit or other similar agreement.

"Maximum Annual Debt Service" shall mean the largest amount of principal and interest on Long-Term Indebtedness computed in accordance with clauses (a) through (l) of the definition of Debt Service Coverage Ratio due in any Fiscal Year ending on or after the date of determination.

"Member" shall mean any Person which has become a member of the Obligated Group under the Master Indenture.

"Net Revenues Available for Debt Service" shall mean, with respect to any period of calculation, (i) all unrestricted revenues of the Obligated Group, as determined in accordance with accounting principles generally accepted in the United States which may be determined on a consolidated or combined basis, but adjusted by subtracting unrealized gains or losses on investments and gains or losses resulting from periodic valuation of Interest Rate Agreements included in unrestricted revenues, less (ii) all unrestricted operating expenses and nonoperating expenses of the Obligated Group, as determined in accordance with accounting principles generally accepted in the United States which may be determined on a consolidated or combined basis, but adjusted by subtracting any depreciation, amortization, interest expense and loss or gain on extinguishment of debt included in unrestricted operating or nonoperating expenses.

"Note" shall mean any Note issued under the Master Indenture. References to Notes of a series or such series shall mean the Notes or series issued pursuant to, and in the form set forth in, the Supplemental Indenture authorizing their issuance.

"Noteholder" or "Holder of Notes" or "owner of Notes" shall mean the bearer of any Note not registered as to principal, the bearer of any coupon appertaining to a coupon Note and the Registered Owner of a coupon Note registered (other than to bearer) as to principal or of a registered Note without coupons.

"Obligated Group" shall mean all Persons who have become Members of the Obligated Group.

"Opinion of Counsel" shall mean an opinion in writing signed by legal counsel who may be an employee of or counsel to any Member and who shall not be unsatisfactory to the Master Trustee or the Bond Trustee, as applicable.

"Optional Tender Indebtedness" shall mean any portion of Indebtedness a feature of which is an option on the part of the holders of such Indebtedness to tender or a requirement that such holders tender all or a portion of such Indebtedness to a Member, or to a trustee or other fiduciary or such holders, or to another person whom a Member is obligated to reimburse, for payment of a purchase price or similar payment prior to its stated due date.

"Outstanding" shall mean:

(a) when used in connection with Notes, all Notes which have been duly authenticated and delivered by the Master Trustee, except: (i) Notes theretofore canceled by the Master Trustee or delivered to the Master Trustee for cancellation;(ii) Notes for the payment or redemption of which cash funds (or Defeasance Obligations to the extent permitted in the Master Indenture) shall have theretofore been deposited with the Master Trustee; provided that if such Notes are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or arrangements satisfactory to the Master Trustee shall have been made therefor, or waiver of such notice shall have been filed with the Master Trustee; (iii) Notes issued under the Master Indenture in connection with the issuance of a series of Related Bonds, to the extent that such Related Bonds are no longer deemed to be

outstanding under the provisions of the Related Bond Indenture; (iv) Notes in lieu of which other Notes have been authenticated under the Master Indenture; and (v) Notes owned by Members or by any Affiliate.

(b) when used in connection with Indebtedness not evidenced by Notes, all such Indebtedness except: (i) Indebtedness, with respect to which the obligations of all Members to make payments thereon have been discharged, or Indebtedness which is no longer deemed to be outstanding in accordance with the terms of the instrument or instruments creating or evidencing such Indebtedness; (ii) Indebtedness provision for the payment of which has been made by the deposit in trust of cash or Defeasance Obligations (as defined in the Master Indenture), not redeemable at the option of anyone other than the holder thereof, the principal of and interest on which will be sufficient to pay, when due (whether at maturity, by redemption, upon acceleration or otherwise), amounts due with respect to such Indebtedness; and (iii) Indebtedness between Members.

"Permitted Encumbrances" see "MASTER INDENTURE - Limitations on Creation of Liens" below.

"Project Indebtedness" shall mean any Indebtedness the liability for which is limited solely to the revenues and/or Property associated with the project financed by such Indebtedness; provided, however, that the instrument evidencing such Indebtedness shall provide that it is with no recourse, directly or indirectly, to any other Property or revenues of any Member.

"Projection" shall mean pro forma projected or forecasted financial statements of the Obligated Group for a future period, including balance sheets as of the end of such period and statements of income and changes in financial position for such period, accompanied by a statement of the relevant assumptions and rationale upon which the pro forma financial statements are based.

"Property", when used in connection with a particular Person or group of Persons, shall mean any and all rights, titles and interests of such Person or group of Persons in and to any and all assets and property, whether real or personal, tangible or intangible, and wherever situated.

"Qualified Provider" shall mean any financial institution or insurance company which is a Counterparty to an Interest Rate Agreement where, at the time of the execution and delivery of the Interest Rate Agreement, (i) the unsecured long-term debt obligations of such financial institution or insurance company or of the parent or a subsidiary of such financial institution or insurance company, if such parent or subsidiary guarantees the performance of such financial institution or insurance company under such Interest Rate Agreement, or (ii) obligations secured or supported by a letter of credit, contract, guarantee, agreement, insurance policy or surety bond issued by such financial institution or insurance company (or such guarantor parent or subsidiary), are rated in one of the two highest rating categories (without regard to any refinements or gradation of rating category by numerical modifier or otherwise) of a Rating Agency.

"Rating Agency" means either Moody's or S&P or both, depending on whichever is maintaining a rating on the Bonds.

"Real Property" shall mean that Property which under the laws of the jurisdiction in which such Property is located is deemed to be "real property".

"Refunding Indebtedness" shall mean any Indebtedness issued for the purpose of refunding Outstanding Long-Term Indebtedness.

"Register" means the books kept and maintained by the Registrar for registration and transfer of Bonds pursuant hereto.

"Registrar" means, as to the Series 2009 Bonds, the Bond Trustee, until a successor Registrar shall have been named pursuant to the Bond Indenture.

"Related Bonds" shall mean the bonds issued by any Member or by any state, political subdivision thereof or constituted authority of any of the foregoing empowered to issue obligations on behalf thereof ("governmental issuer") pursuant to a single Related Bond Indenture, the proceeds of which are loaned or otherwise made available to or for the benefit of (i) one or more Members in consideration of the delivery of a Note to such governmental

issuer or the Related Bond Trustee, or (ii) any Person, other than any Member, in consideration of issuance to such governmental issuer or trustee for such obligations (A) by such Person of any indebtedness or other obligation of such Person and (B) by any Member of a Guaranty in respect of such indebtedness or other obligation.

"Related Bond Indenture" shall mean any indenture, resolution or other documents pursuant to which a series of Related Bonds is issued.

"Related Bond Trustee" shall mean the trustee and its successors in the trusts created under any Related Bond Indenture.

"Related Issuer" shall mean the governmental issuer of any issue of Related Bonds.

"Related Supplemental Indenture", when used with reference to Notes of a particular series, shall mean the Supplemental Indenture creating such series.

"Reserve Fund Guarantor" means the financial institution that is the issuer of any Reserve Fund Guaranty, if any is then held by the Bond Trustee.

"Reserve Fund Guaranty" means a letter of credit, surety bond or similar arrangement representing the unconditional and irrevocable obligation of the Reserve Fund Guarantor to pay to the Bond Trustee upon request made by the Bond Trustee up to an amount stated therein for application as provided in Section 5.05 of the Bond Indenture; provided such letter of credit, surety bond or similar arrangement is issued by a financial institution whose unsecured long-term obligations are rated by Moody's, S&P, or both, provided further that such rating shall be at least investment grade by each Rating Agency maintaining such a rating.

"Reserve Fund Guaranty Coverage" shall mean the amount available at any particular time to be paid to the Bond Trustee under the terms of the Reserve Fund Guaranty.

"Reserve Fund Guaranty Limit" shall mean the maximum aggregate amount available to be paid to the Bond Trustee under the terms of a Reserve Fund Guaranty.

"Reserve Fund Value" shall mean the aggregate of the Reserve Fund Guaranty Coverage, and the value of moneys and Eligible Investments credited to the Bond Reserve Fund or 2004/2005 Bond Reserve Account, the value of Eligible Investments to be calculated as provided in Section 5.05 of the Bond Indenture.

"Short-Term", when used in connection with Indebtedness (including Notes), shall mean either: (a) Indebtedness having an original maturity less than or equal to one year and not renewable at the option of the obligor for a term greater than one year beyond the date of original incurrence or issuance; or (b) Indebtedness which pursuant to the terms of a revolving credit or similar agreement or otherwise is renewable or extendable at the option of the debtor to a date or for a period or periods from the date originally incurred of more than one year if, by the terms of such agreement, no Indebtedness is permitted to be outstanding thereunder for a period of at least 20 days during each period of 12 consecutive months beginning with the effective date of such revolving credit or other similar agreement.

"Significant Obligated Issuer" shall mean any Member which for any of the two Fiscal Years immediately preceding the occurrence of any Event of Default described in (d) or (e) under "MASTER INDENTURE — Events of Default" below, either shall have had Adjusted Annual Revenue (determined solely with reference to such Member) greater than or equal to 3% of the Adjusted Annual Revenue for such Fiscal Year or shall have owned or leased Property having a Book Value greater than or equal to 3% of the Book Value of the Property of the Obligated Group for such Fiscal Year.

"Subordinated Indebtedness" shall mean Indebtedness (including Notes) which contains provisions substantially in the form set forth in the Master Indenture.

"Supplemental Indenture" means any 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 under the Master Indenture, or amending or supplementing the terms thereof.

"Unencumbered Property" shall mean Property (or the portion thereof) which is either (a) not subject to any Lien described in clauses (v) and (w) under "MASTER INDENTURE — Limitations on Creation of Liens" below and (b) if subject to a Lien securing Indebtedness, the remainder, if any, of (i) the Book Value (or, at the option of UMCC, the Fair Market Value) of the Property securing such Indebtedness as determined in good faith by UMCC at the date the Lien was granted, less (ii) the principal amount of the Indebtedness secured by such Lien; provided, however, that as to any Property which is subject to a Lien described in clause (v)(iii) under "MASTER INDENTURE — Limitations on Creation of Liens" below, Property encumbered by such a Lien shall be deemed "Unencumbered Property" unless such Lien is also described in clause (v)(i), (ii), (iv) or (v) thereof.

"Unsecured" shall mean, when used in connection with any Indebtedness (or the portion thereof), (a) all Notes whether or not secured by a Lien and (b) all other Indebtedness not secured by a Lien.

"Unsecured Debt Ratio" shall mean, as of any date of calculation, the quotient determined by dividing (a) the Book Value of all Unencumbered Property of the Obligated Group or, at the option of UMCC, the Fair Market Value of Unencumbered Property of the Obligated Group, by (b) the aggregate principal amount (or in the case of Indebtedness issued with an original issue discount, amounts other than amounts classified as a direct deduction from the face amount of such Indebtedness determined in accordance with generally accepted accounting principles) of all Unsecured Long Term Indebtedness then Outstanding.

"Variable Rate Indebtedness" means any portion of Indebtedness the rate of interest on which is not established at the time of incurrence as a single numerical rate applicable throughout the term thereof.

MASTER INDENTURE

General

The Series 2009 Note is issued by UMCC pursuant to the Master Indenture and Supplemental Indenture Number Nine. The Master Indenture authorizes the issuance of additional Notes by any Member of the Obligated Group to secure Indebtedness and for other purposes, which Notes may be unsecured general obligations or, to the extent permitted by the Master Indenture, secured by a Lien on Property. Notes are stated in the Master Indenture to be a joint and several obligation of all Members of the Obligated Group.

Prior to the issuance of any Notes, the incurrence of any Indebtedness (with certain limited exceptions) or the taking of certain other actions permitted under the Master Indenture, UMCC must obtain the prior consent of the Arizona Board of Regents under the terms of the Lease and Conveyance Agreement. See "Issuance of Additional Notes" below, and Appendix A - "The Lease and Conveyance Agreement".

Certain provisions of the Master Indenture are summarized below and other provisions thereof are summarized in this Official Statement under the caption "SECURITY FOR THE SERIES 2009 BONDS."

Membership in Obligated Group

Any person may become a Member upon satisfying conditions in the Master Indenture, including:

(a) UMCC's consent;

(b) Such Person agrees to assume obligations of a Member and delivers an Opinion of Counsel that such Person has the authority to perform such obligations and they constitute a valid and binding obligation;

(c) A report by an Independent Consultant that, immediately upon any Person's becoming a Member, the Obligated Group (1) would not be in default in the performance of any covenant and (2) either would meet the conditions for the incurrence of $1.00 of Long-Term Indebtedness set forth in clause (a)(i) under "Restrictions on Indebtedness" below or, if it would not so meet such conditions then, in its opinion such transaction shall be in the best interest of the Noteholders and, after giving effect to such transaction, the Debt Service Coverage Ratio for the first Fiscal Year following the effective date thereof would be equal to or greater than what it would have been for such Fiscal Year if such transaction would not have occurred; and

(d) If any Related Bonds shall then be outstanding, an Opinion of Bond Counsel that the consummation of such transaction would not cause interest payable on any issue of Related Bonds then outstanding which was excluded from gross income for federal income tax purposes to become so included.

Withdrawal from the Obligated Group

Any Member may withdraw from the Obligated Group upon satisfying conditions in the Master Indenture, including:

(a) All remaining Members of the Obligated Group consent.

(b) Such withdrawing Member is not a party to any Related Bond Indenture whereby such Member agrees to pay debt service with respect to Related Bonds that shall remain Outstanding after the withdrawal unless, in the Opinion of Bond Counsel, the terms of such Related Bonds permit such withdrawal and the Related Bonds remain Outstanding.

(c) If all amounts due on any Related Bond which bears interest that is not includable in gross income under the Code have not been paid to the holder thereof, an Opinion of Bond Counsel that under then existing law such withdrawal from the Obligated Group would not cause the interest payable on such Related Bond to become includable in gross income for federal income tax purposes.

(d) UMCC certifies that any one of the following tests is satisfied: (i) treating such withdrawal as a sale of the assets of such member, such sale would be permitted (see "Sale Or Other Disposition Of Property" below); or (ii) the projected Debt Service Coverage Ratio of the Obligated Group for each of the first full two Fiscal Years immediately following such withdrawal (the "Test Period") is projected to be at least 2.00; or (iii) the projected Debt Service Coverage Ratio of the Obligated Group for the Test Period is projected to be less than 1.50 but at least 1.25, and such withdrawal will not reduce such Ratio by more than 10%; or (iv) the projected Debt Service Coverage Ratio of the Obligated Group for the Test Period is less than 1.25 but at least 1.10, and such withdrawal will increase such Ratio over what it would have been without the withdrawal.

(e) UMCC certifies that immediately following withdrawal of such member, the Unsecured Debt Ratio will be at least equal to 1.25 and the Obligated Group will not be in default in the performance or observance of any covenant or condition to be performed under the Master Indenture; and

(f) One or more Notes executed by UMCC or one or more other Members is substituted for all Outstanding Notes, if any, executed by such withdrawing Member.

UMCC shall not withdraw from the Obligated Group so long as any of the Series 1993 Bonds, the Series 2004 Bonds, the Series 2005 Bonds or the Series 2009 Bonds remain outstanding under the Bond Indenture.

Issuance of Additional Notes

UMCC and each other Member of the Obligated Group, with the prior written consent of UMCC, may issue a series of Notes to secure the obligations of UMCC or any other Member of the Obligated Group under any Indebtedness, reimbursement agreement, Interest Rate Agreement, lease or any other obligation requiring the payment of money by UMCC or any other Member of the Obligated Group. There is no limit on the number of or the aggregate principal amount of Notes that may be issued, but no Note may be issued unless the provisions of the Master Indenture are followed. Notes issued to secure Indebtedness must satisfy conditions in the Master Indenture described under "Restrictions on Indebtedness" below.

Any Interest Rate Agreement which is secured by a Note under the Master Indenture shall be equally and ratably secured under the Master Indenture with all other Notes, except as otherwise provided in the Master Indenture or the Supplemental Indenture authorizing such Note; provided, however, that: (i) any Note securing an Interest Rate Agreement shall be deemed Outstanding under the Master Indenture solely for the purpose of receiving payment under such Note; and (ii) the Holder of any such Note shall be entitled to advise the Master Trustee if the Obligated Group fails to make a payment due under such Note, but shall not be entitled to exercise any other rights under the Master Indenture; and provided, further, that any termination payments due, or any other payments due

that are not regularly scheduled, under any Interest Rate Agreement shall be subordinate to all payments due on all other Notes.

When used with respect to Notes, all references in the Master Indenture to "principal" or "principal amount" shall mean: (i) the principal amount of a Note securing Indebtedness, and (ii) in the case of any Note securing an obligation which does not represent or secure Indebtedness, the aggregate amount payable by the Obligated Group pursuant to such Note; provided, that any Note securing an Interest Rate Agreement shall be considered to have a zero principal amount.

Any additional Notes would be issued on a parity with the Series 1993 Note, the Series 2004 Note, Series 2005 Note and the Series 2009 Note. In the event of a default, the proceeds obtained or realized by the Master Trustee under the Master Indenture would be shared on a parity basis with all Noteholders.

Insurance

Each Member agrees that it will maintain insurance (or one or more alternative risk management programs considered to be adequate by an Independent Insurance Consultant) covering such risks and in such amounts as, in its reasonable judgment, is adequate to protect it, its Property and operations. The insurance shall be subject to annual review by an Independent Insurance Consultant and each Member agrees that it will follow recommendations of such Consultant to the extent feasible.

Limitations on Creation of Liens

Each Member agrees not to create any Liens or encumbrances upon any Property (other than Excluded Property) now owned or hereafter acquired by it, other than (1) Liens that secure all Notes on a prior or parity basis with other Indebtedness, and (2) the following Permitted Encumbrances:

(a) Liens created by the Lease and Conveyance Agreement, the Master Indenture or any Supplemental Indenture, all Related Bond Indentures and loan or similar agreements related to such Related Bond Indentures;

(b) Liens arising by reason of good faith deposits by any Member in connection with tenders, leases of real estate, bids or contracts (other than contracts for the payment of money), deposits to secure public 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;

(c) Liens arising by reason of deposits with any governmental body for any purpose at any time as required by law or governmental regulation (i) as a condition to the transaction of any business or the exercise of any privilege, or (ii) to enable any Member to maintain self-insurance or to participate in any funds established to cover any insurance risks or in connection with workers' compensation, unemployment insurance, old age pensions or other social security, or to share in the privileges or benefits required for companies participating in such arrangements;

(d) Liens against any Member arising out of a dispute in litigation or a judgment, so long as the claim in the litigation or the finality of such judgment is being contested and execution thereon is stayed or provision for payment of the judgment has been made in accordance with applicable law or by the deposit of cash or Federal Securities with the Master Trustee;

(e) Such defects, irregularities, encumbrances, patent reservations, easements and rights-of-way, restrictions, exceptions and clouds on title as do not, in the reasonable determination of the Member which owns the encumbered Property materially adversely affect the interest of the Noteholders and as do not, in the opinion of an Independent Engineer materially interfere with or impair the operations being conducted in connection with the Property affected thereby;

(f) Liens arising from grants, loans and/or guarantees of the United States of America pursuant to the Hill-Burton Act and other encumbrances arising from grants or loans from, or guarantees of Indebtedness by governmental bodies certified by the Member to be similar in nature to the encumbrances described in the first part of this clause (f);

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

(h) Liens resulting from governmental regulations on the use of Property;

(i) Any lease, sublease, guaranty, sale or similar agreement entered into in connection with the issuance of and providing for or securing the payment of Related Bonds and any reimbursement agreement relating thereto;

(j) Any Lien between Members;

(k) Liens, charges or encumbrances existing on the date of execution and delivery of the Master Indenture;

(l) Liens which are security only for Project Indebtedness and which do not extend to any Property other than that acquired with the proceeds of Project Indebtedness;

(m) Any Lien required by a government as a condition of its making a grant or loan (except loans made solely from the proceeds derived from the sale of Related Bonds) to, or its guaranteeing or insuring part or all of Indebtedness of, a Member so long as either: (i) such Lien is limited to Property which has not been acquired using the proceeds of Indebtedness evidenced by Notes; or (ii) if such Lien shall include Property acquired using the proceeds of Indebtedness evidenced by Notes, then such Lien is subordinated to the Lien in favor of the Master Trustee covering such Property and the Master Trustee's consent must be obtained before any action or proceeding to foreclose such Lien may be commenced;

(n) Leases and licenses of Real Property or space within Real Property for any one or more of the following purposes: (i) "hospital located specialty services" related to the operation of a health care facility including pathology, laboratory, X-ray, physical medicine, anesthesiology, electrocardiology and emergency room operations; (ii) "patient or employee convenience activities" including day care services, banking services, gift shops, snack shops, barber or beauty shops, doctors' or dentists' offices and accommodations, flower shops, counseling services, pharmacy and living accommodations for persons providing services within a health care facility; (iii) in connection with arrangements with persons providing medical support services so long as UMCC certifies either (A) as of the date of attachment thereof such leases and licenses, both individually and in the aggregate, do not materially and adversely affect the Adjusted Annual Revenue of the Obligated Group, (B) the Book Value of the Property of the Obligated Group (other than that financed with the proceeds of Project Indebtedness) encumbered by leases and licenses described in this clause (m)(iii) does not exceed 3% of the Book Value of all Property of the Obligated Group (other than that financed with the proceeds of Project Indebtedness) or (C) the Transfer Test would be satisfied if the attachment of such the execution of such lease or license were deemed a sale or other disposition of such Property; (iv) purposes other than the delivery of health care (including residential purposes), so long as either (A) such Real Property has been used for such purposes for each of the three preceding Fiscal Years or for the period during which it has been owned or leased by any Member, whichever period shall be shorter or (B) prior to the execution of such lease, an Officer's Certificate shall be delivered to the Master Trustee certifying that all health care services delivered at the leasehold premises during the preceding three Fiscal Years either have been relocated or have been discontinued in accordance with the Master Indenture; or (v) other purposes, so long as, as of the date of the execution thereof, such lease (A) shall be upon terms no less favorable to the lessor than "arms length" and, (B) as confirmed by UMCC, both individually and in the aggregate, do not materially and adversely affect the Adjusted Annual Revenue of the Obligated Group;

(o) Any Lien arising by reason of deposit in trust of cash (or securities permitted for such purpose pursuant to the terms of the documents governing the payment of or discharge of Indebtedness) sufficient to pay, without reinvestment, all or a portion of the debt service on any Indebtedness which would otherwise be considered Outstanding;

(p) Any Lien in favor of a trustee on the proceeds of Indebtedness deposited with such trustee (including earnings thereon) prior to the applications of such proceeds;

(q) Any Lien on moneys deposited by patients or others with any Member as security for or as prepayment for the cost of patient care or other services;

(r) Any Lien on Property received by any Member through gifts, grants or bequests, such Liens being due to restrictions on such gifts, grants or bequests of Property or the income thereon, up to the fair market value of such Property;

(s) Landlord's Liens;

(t) Liens on Property due to the rights of third-party payors for recoupment of amounts paid to any Member;

(u) Liens securing leases (which are not capitalized leases under generally accepted accounting principles) of Property;

(v) The lease or license of the use of a part of Property in connection with the proper and economical use of such Property in accordance with customary and prudent business practice;

(w) Provided that the Unsecured Debt Ratio will be at least 1.25 immediately following the incurrence of such Lien: (i) purchase money security interests and security interests and mortgages existing on any Property prior to the time of its acquisition through purchase or placed upon Property (within six months of the acquisition of such Property) to secure a portion of the purchase price thereof; (ii) Liens arising by virtue of a sale and leaseback or lease and leaseback, mortgage or similar arrangements entered into by any Member with a Related Issuer to the extent required in connection with the issuance of a series of Related Bonds securing only such Related Bonds; provided, however, such Lien shall be subordinated to the Liens described in clause (2) above to the extent not prohibited by a statute under which a series of Related Bonds are issued; (iii) Liens on Property owned by a person and existing at the time such person becomes a Member or existing at the time a person is merged into a Member; (iv) any Lien on inventory, accounts receivable, securities, obligations (other than securities or obligations issued by any Member or Related Bonds) or other intangible assets, or pledges of gifts or grants to be received in the future, which Lien secures Short-Term Indebtedness satisfying tests under clause (d) under "Restrictions on Indebtedness;" or (v) any other Lien not mentioned in clause (v) and securing Indebtedness permitted under the Master Indenture of any Member;

(x) Any Lien consented to by each Credit Provider if the payment of all debt service on all Outstanding Notes (or with respect to any Outstanding Notes which secure other Outstanding Indebtedness, such other Outstanding Indebtedness) is Credit Enhanced Indebtedness.

The Master Indenture imposes no restrictions on Liens on Excluded Property.

Security Interest in Gross Revenues

UMCC has assigned and granted a security interest in all its Gross Revenues to the Master Trustee to secure its payment of all Notes. Such assignment and security interest shall continue as long as the Series 1993 Bonds, the Series 2004 Bonds, the Series 2005 Bonds and the Series 2009 Bonds are outstanding. UMCC agrees not to encumber its Gross Revenues (a) except by Permitted Encumbrances and (b) except that UMCC may grant a security interest in its Gross Revenues prior to security interest granted to securing the Notes for the purpose of securing its obligations under Short-Term Indebtedness incurred for working capital if the requirements described under clause (d) under the heading "MASTER INDENTURE - Restrictions on Indebtedness" are satisfied.

Restrictions on Indebtedness

Each Member of the Obligated Group will incur Indebtedness only as and to the extent described in the Master Indenture; provided that (1) at the time of incurrence thereof no Event of Default or event which with notice or lapse of time, or both, would constitute an Event of Default shall have occurred and shall be continuing unless such event will be cured upon incurrence of such Indebtedness and application of the proceeds thereof and the placing in service of any facilities financed thereby, and (2) prior to the incurrence thereof UMCC certifies that the Obligated Group has given its consent to the incurrence of such Indebtedness.

(a) Long-Term Indebtedness may be incurred provided:

(i) subject to (ii) below, either (A) or (B) is satisfied:

A. the Debt Service Coverage Ratio for any period of 12 consecutive calendar months during the most recent period of 18 consecutive months for which the financial statements of the Obligated Group have been reported upon by an Independent Certified Public Accountant (the "Test Period"), taking into account all Outstanding Long-Term Indebtedness as of the date of incurrence of the proposed Long-Term Indebtedness (except Indebtedness proposed to be refunded with the proceeds of the Indebtedness proposed to be incurred) and the Indebtedness then proposed to be incurred, is not less than 1.10.

B. (1) the Debt Service Coverage Ratio during the Test Period, taking into account all Outstanding Long-Term Indebtedness as of the date of incurrence of the proposed Long-Term Indebtedness but not taking into account the Long-Term Indebtedness then proposed to be incurred, is not less than 1.10; and

(2) either (i) taking the proposed Long-Term Indebtedness into account, the Debt Service Coverage Ratio for the first full Fiscal Year of the Obligated Group following the completion of a construction project or the incurrence of Long-Term Indebtedness for refunding purposes (the "Test Year"), is expected to be not less than 1.20 or (ii) taking the proposed Long-Term Indebtedness into account, the sum of (1) net revenues available for debt service of the Member incurring such proposed Long-Term Indebtedness (determined in the same manner as if a calculation of the Net Revenues Available for Debt Service were being made and computed as if such Member were the only Member) for the Test Year, and (2) the net revenues available for debt service of all other Members of the Obligated Group (determined in the same manner as if a calculation of the Net Revenues Available for Debt Service were being made and computed as if such other Members were the only Members of the Obligated Group) for the most recent period of 12 full consecutive calendar months for which the financial statements of the Obligated Group have been reported upon by an Independent Certified Public Accountant, produces an expected Debt Service Coverage Ratio not less than 1.20; and in the case of either (2)(i) or (2)(ii), a Projection and a Consultant's Report so demonstrating are filed with the Master Trustee;

(ii) In the event that an Independent Consultant shall deliver a report to the Master Trustee to the effect that state or Federal law, cost containment requirements or restrictions on rates and/or revenues of the Members, or reimbursement regulations and policies which may be imposed by third-party payors (whether governmental or private) do not permit or by their application make it impracticable for the Obligated Group to produce the required ratios set forth in (i) above, then such ratios shall be reduced to the highest practicable ratios then permitted by such law or regulations but in no event less than 1.00.

(b) Completion Indebtedness (as defined in the Master Indenture) may be incurred without any financial tests.

(c) Refunding Indebtedness may be incurred provided that the reports or opinions set forth in subsection (a)(i) shall be delivered, unless at the time of issuance and after giving effect to the application of the proceeds thereof the aggregate Maximum Annual Debt Service would not be increased by more than 10%.

(d) (i) Indebtedness may be incurred which may (but need not) be secured by a security interest on inventory, accounts receivable, securities, obligations (other than securities or obligations issued by any Member or Related Bonds) or other intangible assets, or pledges of gifts or grants to be received in the future; and/or (ii) Interim Indebtedness may be incurred (in addition to Interim Indebtedness described in subsection (f)); and/or (iii) Long-Term Indebtedness may be incurred (in addition to Long-Term Indebtedness described in subsection (a)); provided that:

(1) the combined Outstanding principal amount of Indebtedness described in clauses (i), (ii) and (iii) of this subsection (d) does not exceed 15% of the Adjusted Annual Revenue as shown on or calculable from the audited financial statements of the Obligated Group for the most recent Fiscal Year;

(2) if the combined Outstanding principal amount of Indebtedness described in this subsection (d) shall at any time thereafter exceed the 15% limitation, then such amount shall be reduced to such limitation within 90 days;

(3) for a period of 20 consecutive days during each Fiscal Year, any Short-Term Indebtedness incurred under this subsection (d) shall be reduced to an aggregate Outstanding principal amount not exceeding 7% of the Adjusted Annual Revenue as shown on the audited financial statements of the Obligated Group for the most recent Fiscal Year; and

(4) the failure to so reduce the principal amount of Outstanding Short-Term Indebtedness pursuant to (2) or (3) above shall not prevent the incurrence of additional Short-Term Indebtedness under this subsection (d) if the Master Trustee is furnished with an Independent Consultant's report to the effect that applicable laws, modifications to public or private third-party reimbursement programs or delays in payments by third-party payors have prevented or will prevent the achievement of such reduction of such Indebtedness and the Obligated Group has generated a reduction in such Indebtedness which, in its opinion, could not reasonably have been reduced further given such laws and programs during the period affected thereby.

Provided further that Indebtedness initially incurred pursuant to this subsection (d) shall be deemed incurred pursuant to subsection (a) (and shall no longer be deemed incurred pursuant to this subsection (d)) on the day following that on which an Officer's Certificate (or report of an Independent Consultant or Independent Certified Public Accountant) shall be delivered to the Master Trustee pursuant to (a)(i), which Officer's Certificate or report shall include such Indebtedness.

(e) Project Indebtedness may be incurred.

(f) Interim Indebtedness may be incurred provided that, at the time such Interim Indebtedness is incurred or assumed: (i) the Member certifies the anticipated financing thereof by the issuance of Long-Term Indebtedness is reasonably expected to be completed within the next 60 months; (ii) reports or opinions of the type required by either subsection (a)(i) demonstrating that all requirements thereof would be met if such Interim Indebtedness were then being issued as Long-Term Indebtedness maturing over a term equal to the Assumed Amortization Period with level annual debt service payments and having an interest rate equal to the Assumed Interest Rate; and (iii) either (x) evidence that such Interim Indebtedness is secured by an irrevocable extension of credit of, or an agreement to purchase such Interim Indebtedness from the holder thereof by, an Independent Person or (y) a statement of an Independent investment banker that Long-term Indebtedness maturing over the term and bearing interest at the rate referred to in (ii) would, if then being offered, be marketable on reasonable and customary terms.

(g) Subordinated Indebtedness may be incurred.

(h) Commercial Paper Indebtedness may be incurred if both (i) and (ii): (i) either: (A) the conditions described in subsection (a)(i) above are met with respect to such Indebtedness as if it were being incurred as Long-Term Indebtedness with substantially equal annual debt service over a term equal to the Assumed Amortization Period and at an interest rate equal to the Assumed Interest Rate; or (B) such Indebtedness is incurred solely to refund or advance refund the principal of Outstanding Commercial Paper Indebtedness; and (ii) the term of the credit facility for the Commercial Paper Indebtedness is at least 12 months at the time of calculation; and if such term is less than 12 months, debt service shall be calculated on the basis of the terms of the reimbursement obligation to the credit provider.

(i) Indebtedness may be incurred in connection with the establishment of captive insurance companies or self-insurance trusts; provided that the aggregate principal amount of the Indebtedness incurred pursuant to this subsection (i) shall not exceed 3% of Adjusted Annual Revenue unless such excess complies with Section (a).

(j) Any continuing obligation of any Member to pay debt service on Indebtedness or Related Bonds which are deemed to be discharged or defeased in accordance with their terms.

(k) Indebtedness may be incurred in the ordinary course of business (or if not so incurred, for which money for the payment of which is on deposit in a construction fund or another restricted fund).

(l) Indebtedness between Members.

(m) Indebtedness may be incurred in connection with a sale of accounts receivable with recourse consisting of an obligation to repurchase all or a portion of such accounts receivable upon certain conditions, provided that the principal amount of such Indebtedness permitted hereby shall not exceed the aggregate sales price of such accounts receivable received by the Member incurring such Indebtedness.

(n) Indebtedness may be incurred to construct, renovate or replace Property of the Obligated Group if federal or state authorities with jurisdiction over any Member specifically mandates such construction as a condition to such Member being able to continue to carry on such of its activities as are subject to its jurisdiction.

Except to the extent expressly required by subsection (c) or (f), the reports or opinions set forth in subsection (a)(i) need not be delivered in connection with the incurrence or assumption of Indebtedness pursuant to the provisions of subsections (b), (c), (d), (e), (f), (g), (h), (i), (j), (k), (l), (m) or (n).

Rate Covenant

If the Debt Service Coverage Ratio, as calculated at the end of any Fiscal Year, is below 1.1, the Obligated Group shall retain an Independent Consultant to make recommendations to increase such Ratio to the level required or, if in the opinion of the Independent Consultant the attainment of such level is impracticable, to the highest practicable level. Each Member agrees that it will, to the extent feasible, follow the recommendations of the Independent Consultant.

So long as the Obligated Group shall retain an Independent Consultant and each Member shall follow such its recommendations to the extent feasible, this requirement shall be deemed satisfied if such Ratio for any subsequent Fiscal Year is below the level required, but in no event less than 1.0.

Restrictions on Transfers of Property

The Obligated Group may not sell or otherwise voluntarily dispose of any Property (other than Excluded Property) of the Obligated Group except for the following:

(a) Sales and other dispositions among Members;

(b) Sales and other dispositions of Current Assets (other than accounts receivable and contract rights) in the ordinary course of business;

(c) Sales and other dispositions of accounts receivable and contract rights in the ordinary course of business and on terms not less favorable to the transferor than arms-length;

(d) The investment and reinvestment of cash, cash equivalents and other investments in other cash equivalents and other investments deemed to be reasonably prudent by the Member making such investment or reinvestment;

(e) Cash and cash equivalents if:

(i) the aggregate amount of cash and cash equivalents transferred pursuant to this subsection (e)(i) within the immediately preceding twelve months by the Member proposing to make such transfer does not exceed 10% of its net revenues available for debt service (determined as if Net Revenues Available for Debt Service were being calculated and such Member were the only Member) for the preceding Fiscal Year or any other twelve-month period ending within 180 days of the date of such transfer, as certified by the Member; or

(ii) each of the following are satisfied:

A. the expected Debt Service Coverage Ratio for each of the two Fiscal Years following the proposed disposition is not less than 80% of the actual Debt Service Coverage Ratio for the immediately preceding Fiscal Year, as shown by a Projection and a Consultant's Report thereon (or if the Debt Service Coverage Ratio for the most recent Fiscal Year for which financial statements have been delivered to the Trustee shall equal or exceed 2.50, then as certified by the Member); and

B. the disposition will not reduce the ratio of Current Assets of the Obligated Group to current liabilities of the Obligated Group as of the proposed date of transfer by more than 20% or to less than 1.5, as certified by the Member; or

(iii) if the transferor receives as consideration Property the fair market value of which is at least equal to the amount so transferred, as certified by the Member; or

(iv) as a loan, whether secured or unsecured, if such loan is evidenced in writing, bears interest at a reasonable rate and is reasonably expected to be repaid, as evidenced by UMCC; provided, however, if the loan is unsecured and if the test in (ii) above is not satisfied treating the loan as a disposition, then the principal amount of the loan cannot exceed 25% of the net revenues available for debt service of such Member (determined as if Net Revenues Available for Debt Service were being calculated and such Member were the only Member) for the preceding Fiscal Year or any other twelve-month period ending within 180 days of the date of such transfer, as certified by the Member.

(f) Sales and other dispositions of Property (other than Current Assets) certified by UMCC to be, or within the immediately succeeding 24 months to become, inadequate, obsolete, unsuitable or undesirable; provided that no such report need be delivered in any Fiscal Year unless and until the aggregate dispositions in such Fiscal Year exceed 5% of the Book Value (or, at the option of UMCC, the Fair Market Value) of all Property (other than Current Assets and Property financed with the proceeds of Project Indebtedness) of the Obligated Group for the most recent Fiscal Year for which audited financial statements are available (or, at the option of UMCC, the Fair Market Value) and thereafter unless and until the aggregate Book Value (or Fair Market Value) of all Property sold or disposed of in uncertified dispositions exceeds 1% of the Book Value (or Fair Market Value) of all Property (other than Current Assets and Property financed with the proceeds of Project Indebtedness) of the Obligated Group as determined above;

(g) Other sales and dispositions of Property, other than Current Assets, of the Obligated Group so long as UMCC confirms that, after giving effect to such sale or other disposition, either:

(i) the aggregate amount of the Book Value (or, at the option of UMCC, the Fair Market Value) of all such Property sold or disposed of in any Fiscal Year pursuant to this subsection (g)(i) does not exceed 5% of the Book Value of all Property of the Obligated Group, other than Current Assets and Property financed with the proceeds of Project Indebtedness, for the most recent Fiscal Year for which audited financial statements are available (or Fair Market Value); or

(ii) the proceeds from such sale or disposition are used for any one or more of the following purposes: (A) acquire Property (including, without limitation, Property received in exchange therefor), which Property has a Fair Market Value not less than that of the Property sold or disposed of and is expected (as certified by UMCC) to generate net revenues available for debt service (computed as though it were Net Revenues Available for Debt Service) not less than that generated by the Property sold or disposed of; (B) to the payment of Indebtedness related to the Property being sold or transferred; (C) to the payment of principal on Outstanding Notes; or (D) to the future purchase of assets, provided that such net proceeds are restricted to the future purchase of assets.

(h) Sales and other dispositions of Property financed solely by Project Indebtedness;

(i) Any moneys actually released in connection with the termination of a retirement plan for personnel of UMCC;

(j) An Independent Consultant reports that either: (i) the adjusted annual revenue attributable to the Property proposed to be transferred (determined in the manner described in the definition of Adjusted Annual Revenue) for each of the two most recent Fiscal Years for which audited financial statements are available was less

than 3% of Adjusted Annual Revenue for each of such Fiscal Years; or (ii) after excluding such adjusted annual revenue and all expenses attributable to such Property for each of such Fiscal Years the net revenues available for debt service in any such Fiscal Year (determined in the manner described in the definition of Net Revenues Available for Debt Service but with such adjusted annual revenues and expenses excluded) shall have been not less than 97% of the Net Revenues Available for Debt Service for such Fiscal Year and the use of such net revenues available for debt service produces a debt service coverage ratio (determined in the manner described in the definition of Debt Service Coverage Ratio) which shall not be less than 2.0 in any event.

The sale or other disposition of Excluded Property is not restricted by the Master Indenture.

Consolidation, Merger, Sale or Conveyance

Each Member agrees that it will not merge or consolidate with any other corporation not a Member or sell, lease or convey all or substantially all of its assets to any Person not a Member and thereafter dissolve unless the conditions in the Master Indenture are met, including: (a) either such Member shall be the continuing corporation, or the successor corporation (if other than such Member) and shall expressly assume the payment of the debt service on all Notes issued by such Member the performance of all of the covenants under the Master Indenture to be performed by such Member, and (b) such Member shall (i) certify that such Member or such successor corporation, as the case may be, shall not, immediately after such merger or sale be in default in the performance or observance of any such covenant and (ii) demonstrate in a report of an Independent Consultant that its debt service coverage ratio (computed as though it were the Debt Service Coverage Ratio) for the first two full Fiscal Years immediately succeeding the proposed date of such merger or sale is expected to be (A) at least 1.20 or (B) if less than 1.20, but at least 1.00, greater than the Debt Service Coverage Ratio would be in the absence of such merger or sale.

Events of Default

Events of Default under the Master Indenture mean any of the following events, subject to a Member's opportunity to cure with respect to subsections (b) through (g) below (See "Opportunity to Cure" below).

(a) Failure by any Member to make any payment of debt service on any Indebtedness evidenced by Notes when and as the same shall become due and payable; or

(b) Subject to force majeure as defined in the Master Indenture, failure by any Member to observe or perform any covenant or agreement under the Master Indenture for a period of 60 days after the date on which written notice of such failure shall have been given to the Members by the Master Trustee, or to the Members and the Master Trustee by the holders of at least 25% of Notes; provided that if any such default can be cured but cannot be cured within such 60-day curative period, it shall not constitute an Event of Default if corrective action is instituted by the Member within such 60-day period and diligently pursued until the default is corrected;

(c) any Member shall default in the payment of any Indebtedness (other than Notes, Project Indebtedness and other than Indebtedness the principal amount of which is less than the greater of $500,000 or 1.0% of the Adjusted Annual Revenue of the Obligated Group for the most recent Fiscal Year for which financial statements have been filed); or

(d) any representation or warranty of any Member regarding the due authorization of and actions duly taken regarding the issuance of Notes and the execution of the Master Indenture or any supplemental indenture proves untrue in any material respect as of the date of issuance or making thereof and shall not be made good within 30 days after written notice thereof to UMCC by the Master Trustee; or

(e) (i) any judgment, writ or warrant of attachment or of any similar process in an amount in excess of the greater of $500,000 or 1.0% of the Adjusted Annual Revenues of the Obligated Group for the most recent Fiscal Year for which financial statements have been filed shall be entered or filed against any Member or against any of its Property and remains unvacated, unpaid, unbonded, uninsured or unstayed for a period of 60 days and (ii) the Obligated Group shall have failed to deposit with the Trustee within 15 calendar days of UMCC's receipt of written notice from the Master Trustee that an event described in this subsection has occurred, an amount sufficient to pay such judgment, writ or warrant of attachment or similar process in full; or

(f) the occurrence of certain events of bankruptcy, insolvency or similar events with respect to any Significant Obligated Issuer, all as set forth in the Master Indenture.

The Master Trustee shall, within 10 days after an Event of Default, mail notice to all Noteholders unless such Event of Default shall have been cured before the giving of such notice.

Opportunity to Cure

No event described in subsections (b) through (g) above under "Events of Default" above shall constitute an Event of Default until the following conditions shall have been satisfied:

(a) All notices required shall have been given to UMCC and to the Members entitled to receive such notice;

(b) Neither the defaulting Member nor any other Member acting on behalf of such defaulting Member, shall have cured such default within the required cure period;

(c) As to the events described in subsections (c) and (g) above under "Events of Default", the Obligated Group shall have failed to deposit with the Master Trustee within 15 days of UMCC's receipt of the required written notice, the amount sufficient to pay the amount then owed by such defaulting Member with respect to such Indebtedness or judgment, writ or warrant, respectively; and

(d) As to events described in subsections (d) and (e) above under "Events of Default", the Obligated Group shall have failed to deposit with the Trustee within 15 days of UMCC's receipt of the required written notice an amount sufficient to pay in full all Notes issued by the defaulting Member.

If the Obligated Group shall take the actions described in subsections (b), (c) and (d) hereof within the period required, then the default shall be deemed to have been cured and no Event of Default shall result therefrom.

Remedies

Acceleration; Annulment of Acceleration. Upon the occurrence and during the continuation of an Event of Default, the Master Trustee may, and upon the written request of the Holders of 25% of the aggregate amount of all Outstanding Notes (with the 1993 Insurer giving such consent upon behalf of the Series 1993 Bonds) shall, declare all Notes Outstanding immediately due and payable; provided that the Series 1993 Note cannot be accelerated without prior consent of the 1993 Insurer.

At any time after such declaration and before the entry of final judgment in any suit or proceeding instituted on account of such default, if (i) the Obligated Group has paid moneys sufficient to pay all debt service then due (other than the principal then due only because of such declaration) of all Notes Outstanding; (ii) the Obligated Group has paid all charges, expenses and liabilities of the Master Trustee; (iii) all other amounts then payable by the Obligated Group 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 shall have been remedied, then the Master Trustee shall annul such declaration and its consequences unless, within 60 days after having given notice of its intention to annul the acceleration to the Noteholders, it has received written objection to such annulment from the Holders of not less than a majority in aggregate amount of Notes then Outstanding (with the 1993 Insurer giving such consent upon behalf of the Series 1993 Bonds).

Payment of Notes on Default. Each Member covenants that in case any other Member shall fail to make any payment of debt service on any Indebtedness evidenced by Notes when due upon demand of the Master Trustee, it will pay to the Master Trustee, for the benefit of the Noteholders, the whole amount that then shall be due with interest upon the overdue principal and installments of interest (to the extent permitted by law) at the rate of interest provided in the Related Supplemental Indenture; and, in addition thereto, such further amount (to the extent permitted by law) as shall be sufficient to cover the costs and expenses of collection.

Direction of Remedies and Suits by Noteholders; Waivers. The Holders of a majority in aggregate principal amount of Notes then Outstanding (with the 1993 Insurer giving such consent upon behalf of the Series 1993 Bonds) shall

have the right to direct the time, method, and place of conducting any proceeding for any remedy available to the Master Trustee; provided, however, the Master Trustee shall have the right to decline to follow any such direction if it determines that such action may not lawfully be taken, would be illegal or involve it in personal liability.

Prior to the acceleration of the maturity of all Notes as provided in the Master Indenture, the Holders of a majority in aggregate principal amount of Notes then Outstanding (with the 1993 Insurer giving such consent upon behalf of the Series 1993 Bonds) may on behalf of the Noteholders waive any past Event of Default and its consequences, except a default in the payment of the principal of or interest on Notes of any series or in respect of a covenant or provision of the Master Indenture which under the Master Indenture cannot be modified or amended without the consent of all the Noteholders.

No Noteholder shall have any right by virtue or of the Master Indenture to institute any suit or proceeding in equity or at law under the Master Indenture or for the appointment of a receiver or trustee, or any other remedy, unless such Holder previously shall have given to the Master Trustee written notice of default and of the continuance thereof, and unless the Holders of not less than 25% in aggregate principal amount of all Notes then Outstanding (with the 1993 Insurer giving such consent upon behalf of the Series 1993 Bonds) shall have made written request upon the Trustee to institute such action in its own name and shall have offered to the Master Trustee such reasonable indemnity as it may require against the costs to be incurred thereby, and the Master Trustee, for 30 days after its receipt of such notice shall have neglected or refused to institute any such action and no direction inconsistent with such written request shall have been given to the Master Trustee pursuant to the Master Indenture. No one or more Noteholders shall have any right in any manner whatever by virtue of the Master Indenture to affect, disturb or prejudice the rights of any other Noteholder or to obtain or seek to obtain priority or preference to any other such holder, or to enforce any right except in the manner provided in the Master Indenture.

Supplements to Master Indenture

Supplements Not Requiring Consent of Note Holders. UMCC, on behalf of each Member and the Master Trustee may, without the consent of or notice to any of the Noteholders, amend the Master Indenture for one or more of the following purposes:

(a) to add additional Excluded Property;

(b) to evidence the succession of another corporation to any Member;

(c) to add to the covenants of any Member;

(d) to cure any ambiguity or to correct or supplement any provision contained in the Master Indenture which may be defective or inconsistent with any other provision contained in the Master Indenture;

(e) to modify or supplement the Master Indenture in such manner as may be necessary or appropriate to qualify the Master Indenture under the Trust Indenture Act of 1939 as then amended, or under any similar federal or state statute or regulation;

(f) to evidence additions to, or withdrawals from, membership in the Obligated Group in accordance with the provisions of the Master Indenture;

(g) to substitute Master Trustees or to add a co-Master Trustee pursuant to the Master Indenture;

(h) in connection with any other change therein which, in the judgment of an Independent Consultant, a copy of whose report shall be sent to the Master Trustee, (i) is in the best interest of the Obligated Group and (ii) does not materially adversely affect the Holders taken as a group; and

(i) to make any change required by a national rating agency in order to obtain or maintain a rating on any Related Bond or Note.

Modifications Requiring Consent of Noteholders. With the consent of the holders of not less than a majority in aggregate principal amount of Notes then Outstanding (with the 1993 Insurer giving such consent upon behalf of the

Series 1993 Bonds), UMCC and the Master Trustee may amend any of the provisions of the Master Indenture; provided, however, that no such Supplemental Indenture shall:

(a) effect a change in the times or amounts of payment of the principal of, premium, if any, or interest on any Note, without the consent of the holder of such Note, or

(b) (i) reduce the aforesaid percentage of Notes, the holders of which are required to consent to any such Supplemental Indenture or (ii) permit the preference or priority of any Note or Notes over any other Note or Notes, without the consent of the holders of all Notes then Outstanding, or

(c) modify the right of the holders of not less than 25% in aggregate principal amount of all Notes outstanding to compel the Master Trustee to declare the principal of all Notes to be due and payable.

Discharge of Master Indenture

(a) If, when all the Outstanding Notes shall be paid, together with all other sums payable under the Master Indenture, then, the Master Indenture shall be discharged and satisfied.

(b) All Outstanding Notes of any one or more series shall, prior to the maturity or redemption date thereof, be deemed to have been paid if: (i) in case said Notes or any part thereof are to be redeemed on any date prior to their maturity, UMCC shall have given to the Master Trustee irrevocable instructions to give notice of redemption of such Notes on said redemption date; (ii) there shall have been deposited with the Master Trustee either moneys in an amount which shall be sufficient, or Defeasance Obligations (defined below) which shall not contain provisions permitting the redemption thereof at the option of the issuer, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which shall be sufficient to pay when due the principal of, premium, if any, and interest due and to become due on said Notes or any part thereof on and prior to the redemption date or maturity date thereof, as the case may be; provided, however, that no Outstanding Notes shall be deemed to have been paid unless either (1) any Related Bonds to such Notes shall no longer be deemed to be outstanding under the Related Bond Indenture or (2) the Related Bond Trustee shall have certified that the lien of the Related Bond Indenture secured by such Notes has been released and discharged pursuant to its terms; and (iii) in the event said Notes are not by their terms subject to redemption within the next 45 days, the Members shall have given the Master Trustee irrevocable instructions to give a notice to the holders of such Notes or any part thereof that the deposit required by (b) above has been made with the Master Trustee and that said Notes or any part thereof are deemed to have been paid and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal of, premium, if any, and interest on said Notes.

"Defeasance Obligations" means: (i) Federal Obligations (as defined in the Master Indenture); and (ii) Obligations described in Section 103(a) of the Code, provision for the payment of the Debt Service on which (A) shall have been made by the irrevocable deposit with a bank or trust company acting as escrow agent for holders of such obligations described in clause (i), the maturing principal of and interest on which, when due and payable, will provide sufficient moneys to pay when due the Debt Service on such obligations, and (B) which obligations described in clause (i) are not available to satisfy any other claim, including any claim of the escrow agent or to whom the escrow agent may be obligated, including claims in the event of the insolvency of the escrow agent or proceedings arising out of such insolvency.

Removal of Master Trustee

The Master Trustee may be removed without cause by UMCC or the Holders of a majority in aggregate principal amount of the Notes then Outstanding. Any successor Master Trustee shall be appointed by UMCC or Holders, as applicable, and shall have combined capital and surplus of $25,000,000.

BOND INDENTURE

General

The Bond Indenture, as supplemented by the Fifth Supplemental Bond Indenture, sets forth the terms of the Series 2009 Bonds, the nature and extent of the security therefore, various rights, duties and immunities of the Bond

Trustee and rights and obligations of the Bondholders. Certain provisions of the Bond Indenture are summarized below and other provisions are summarized in this Official Statement under the captions "THE SERIES 2009 BONDS" and "SECURITY FOR THE SERIES 2009 BONDS".

SO LONG AS THE SERIES 2009 BONDS ARE HELD UNDER A BOOK ENTRY SYSTEM WITH DTC (OR ANY SUCCESSOR SECURITIES DEPOSITORY), THAT DEPOSITORY OR ITS NOMINEE IS FOR ALL PURPOSES OF THE BOND INDENTURE CONSIDERED THE OWNER OR HOLDER OF THE SERIES 2009 BONDS, AND THE OWNERS OF BOOK ENTRY INTERESTS WILL NOT BE CONSIDERED OWNERS OR HOLDERS AND WILL HAVE NO RIGHTS AS HOLDERS OR OWNERS UNDER THE BOND INDENTURE.

Issuance of Additional Bonds

UMCC may issue Additional Bonds on a parity with the Series 1993 Bonds, the Series 2004 Bonds, Series 2005 Bonds and the Series 2009 Bonds as provided under the Bond Indenture, from time to time for any purpose or combination of purposes permitted under the Act upon complying with the provisions of the Bond Indenture, which include:

(a) Compliance with the requirements of the Master Indenture for the incurrence of the form of Indebtedness which the Additional Bonds constitute thereunder (see "MASTER INDENTURE — Restrictions on Indebtedness");

(b) Delivery by UMCC to the Bond Trustee of a Note issued under the Master Indenture evidencing its obligation to pay Bond Service Charges on the Additional Bonds; and

(c) Additional Bonds may be secured by the 2004/2005 Bond Reserve Account if, at the time of the issuance of such Additional Bonds, the amount on deposit in the 2004/2005 Bond Reserve Account equals at least the Reserve Requirement for the Bonds Secured by the 2004/2005 Bond Reserve Account after giving effect to such Additional Bonds; provided that if the amount on deposit is less than such Reserve Requirements, then such Additional Bonds shall not be secured by the 2004/2005 Bond Reserve Account and any Reserve Fund Account for such Additional Bonds shall not secure the Series 2004 Bonds, the Series 2005 Bonds and the Series 2009 Bonds.

Additional Bonds shall be on a parity with the Series 1993 Bonds, the Series 2004 Bonds, the Series 2005 Bonds and the Series 2009 Bonds and any Additional Bonds issued and outstanding at the time or thereafter as to payment from the Special Funds held under the Bond Indenture, subject to (c) above; provided that payment of Bond Service Charges on any series of Additional Bonds may be (i) secured and payable from sources or by property and instruments not applicable to the Series 1993 Bonds, the Series 2004 Bonds, the Series 2005 Bonds, the Series 2009 Bonds or any one or more series of Additional Bonds, or (ii) not secured or payable from sources or by property or instruments applicable to the Series 1993, the Series 2004 Bonds, the Series 2005 Bonds, the Series 2009 Bonds or one or more series of Additional Bonds.

Deposits to Special Funds

UMCC shall pay directly to the Bond Trustee the following amounts which the Bond Trustee shall deposit into the Special Funds held under the Bond Indenture as set forth below:

(a) To the Bond Fund: (i) on or prior to the last Business Day of the month, not less than one-sixth of the amount necessary to pay interest due on the Bonds on the next succeeding Interest Payment Date; and (ii) on or prior to the last Business Day of the month, not less than one-twelfth of the amount necessary to pay the principal of the Bonds payable on the next succeeding July 1 (whether at stated maturity or by mandatory sinking fund redemption), less in the case of mandatory sinking fund redemption, a credit for any Bonds which UMCC delivers to the Bond Trustee for cancellation and any Bonds purchased or redeemed (other than through the operation of the mandatory sinking fund redemption) by the Bond Trustee for cancellation as provided in the Bond Indenture.

(b) To the 2004/2005 Bond Reserve Account securing the Bonds Secured by the 2004/2005 Bond Reserve Account: (i) in the event that on the last business day of each month (a "Deposit Date") the Reserve Fund Value of the 2004/2005 Bond Reserve Account shall be reduced below an amount equal to 90% of the 2004/2005

Bond Reserve Requirement as a result of a withdrawal therefrom or annual valuation thereof, then commencing on or prior to the Deposit Date in the next month and each Deposit Date thereafter, an amount at least equal to $1/24^{th}$ of the amount necessary to restore such 2004/2005 Bond Reserve Requirement, or (ii) commencing on or prior to the Deposit Date which occurs in the twelfth month prior to the expiration of any Reserve Fund Guaranty held in the 2004/2005 Reserve Fund Account and on the next eleven monthly Deposit Dates, UMCC shall make deposits of money equal to $1/12^{th}$ of such 2004/2005 Bond Reserve Requirements. A separate springing reserve fund, the 1993 Reserve Account, secures the Series 1993 Bonds, which is described below under "Application of Special Funds – Reserve Funds – Provisions Applicable only the 1993 Reserve Account."

(c) To the Bond Fund, Bond Reserve Fund or 2004/2005 Bond Reserve Account, on each Deposit Date, any amount which may be necessary to make up any previous deficiency in any of the payments described above and to make up any deficiency or loss in the respective Funds or Accounts to which payments are required to be made in connection with investments or otherwise.

Application of Special Funds

Bond Fund. The Bond Fund shall be used solely for the payment of Bond Service Charges as they become due at stated maturity, pursuant to mandatory sinking fund redemption or for the payment of the purchase or redemption price of the Bonds.

Reserve Funds. The Bond Reserve Fund held under the Bond Indenture includes the following two subaccounts: (i) the 1993 Reserve Account securing the Series 1993 Bonds, and the (ii) 2004/2005 Bond Reserve Account securing the Bonds Secured by the 2004/2005 Bond Reserve Account, including the Series 2009 Bonds. The Bond Reserve Fund is funded in an amount equal to the reserve requirement. Funding of the 1993 Reserve Account is subject to the provisions below.

At the time of closing of the Series 2009 Bonds, the 2004/2005 Bond Reserve Account will be funded in an amount equal to the 2004/2005 Bond Reserve Requirement. UMCC may substitute a Reserve Fund Guaranty for Eligible Investments in the 2004/2005 Bond Reserve Account or for any Reserve Fund Guaranty then outstanding, so long as the applicable reserve requirement is maintained and such substitution does not result in a reduction of the rating then assigned to the applicable series of Bonds by S&P and Moody's, if applicable.

Provisions applicable only to the 1993 Reserve Account. With respect to the Series 1993 Bonds only, if the Cushion Ratio of UMCC is 2.0 or more and the Debt Service Coverage Ratio of UMCC is 1.5 or more, then UMCC (1) is not required to maintain the Bond Reserve Fund and (2) may direct Bond Trustee to transfer any money or Reserve Fund Guaranty on deposit in the Bond Reserve Fund to UMCC. Within 30 days of receipt of its audited financial statements and of each December 31, UMCC shall file with the Bond Trustee an Officer's Certificate demonstrating compliance with such Cushion Ratio and the Debt Service Coverage Ratio. If the Officer's Certificate indicates noncompliance with either Ratio and if a liquidation of the Bond Reserve Fund has occurred, then UMCC covenants to deposit with the Bond Trustee within thirty days of filing the Officer's Certificate an amount of money or Eligible Investments equal to the Bond Reserve Requirement for the Series 1993 Bonds or a Reserve Fund Guaranty satisfying the requirements of the Bond Indenture. The Bond Trustee shall hold such funds or Reserve Fund Guaranty in the Bond Reserve Fund until (a) UMCC files an Officer's Certificate with the Bond Trustee based on audited financial statements for two subsequent fiscal years, demonstrating compliance with both such Ratios in each of such years, or (b) the 1993 Insurer consents to release the Bond Reserve Fund, in which case the Bond Trustee shall immediately release the funds or Reserve Fund Guaranty to UMCC. Failure of UMCC to fund the Bond Reserve Fund within such thirty day periods shall constitute an Event of Default as described under (c) under "Events of Default" below, unless the 1993 Insurer grants a waiver.

Events of Default

Events of Default under the Bond Indenture include:

(a) Failure to pay any interest on any Bond when due;

(b) Failure to pay principal of or any premium on any Bond when due;

(c) Failure of UMCC to observe any of its covenants or obligations in the Bond Indenture or in any Bonds, which failure shall have continued for a period of 90 days after written notice, given by the Bond Trustee upon the written request of the 1993 Insurer or of the Holders of 25% in aggregate amount of the Bonds Outstanding with extensions of time as permitted under the Bond Indenture;

(d) UMCC shall be ejected from the Hospital Premises by reason of a defect in, or a termination of, the leasehold estate of UMCC thereto or for any other reason, except for termination as permitted under the Lease and Conveyance Agreement; or

(e) Receipt by the Bond Trustee of a declaration by the Master Trustee of the acceleration of all Notes.

Remedies Upon Default

If the Master Trustee has accelerated the Notes and is pursuing its available remedies under the Master Indenture, the Bond Trustee shall not pursue its available remedies under the Bond Indenture (except for remedies against the 1993 Insurer for the Series 1993 Bonds or any Reserve Fund Guarantor) so as to hinder or frustrate the Master Trustee from its remedies under the Master Indenture.

Acceleration of Bonds. If all the Notes have been accelerated (but without regard to whether the Series 1993 Note is accelerated), then, the Bond Trustee shall declare the Bond Service Charges of all Bonds then outstanding to be immediately due and payable (provided acceleration of the Series 1993 Bonds requires consent of the 1993 Insurer). Upon the occurrence of an Event of Default under the Bond Indenture, the Bond Trustee may, and upon the written request of the Holders of 25% in aggregate amount of the Bonds Outstanding shall, declare the Bond Service Charges of all Bonds to be immediately due and payable (provided acceleration of the Series 1993 Bonds requires consent of the 1993 Insurer).

If after acceleration of the Bonds, payment shall be made of all sums payable under the Bond Indenture (other than Bond Service Charges which are due and payable solely by reason of the acceleration), all existing Events of Default shall have been cured, and the declaration of acceleration of the Notes shall have been rescinded and annulled in accordance with the provisions of the Master Indenture, then the Bond Trustee shall waive the Event of Default and shall rescind the declaration of acceleration.

Notice of Default. If an Event of Default occurs and the Bond Trustee has notice thereof pursuant to the Bond Indenture, within 30 days after the Bond Trustee's receipt of that notice, the Bond Trustee shall give written notice thereof to each Holder; provided that except in the case of an Event of Default in the payment of Bond Service Charges, the Bond Trustee shall be protected in withholding that notice, if the Bond Trustee determines in good faith that the withholding of the notice is in the interests of the Holders.

Application of Moneys. All moneys received by the Bond Trustee pursuant to the exercise of any right or power under the Bond Indenture and after payment of expenses incurred by the Bond Trustee, shall be applied by the Bond Trustee as follows:

(i) Unless the principal of all of the Bonds has become due and payable: First - to the payment of interest then due on the Bonds in the order of maturity, and if the amount available is not sufficient to pay in full all amounts due, then ratably, according to the amounts due; and Second - to the payment of the unpaid principal of any Bonds then due, whether at maturity, by call for redemption, redemption pursuant to the mandatory sinking fund redemption, in the order of their due dates, and if the amount available is not sufficient to pay in full all Bonds due on any particular date, then ratably, according to the amounts of principal due on that date.

(ii) If the principal of all of the Bonds has become or has been declared to be due and payable, to the payment of the Bond Service Charges then due and unpaid upon the Bonds, without preference or priority, ratably, according to the amounts due.

Waivers. In its discretion, the Bond Trustee may waive any Event of Default under the Bond Indenture and its consequences and may rescind and annul any declaration of acceleration. The Bond Trustee shall do so upon the written request of the Holders of (i) a majority in aggregate amount of all Outstanding Bonds in respect of which an

Event of Default in the payment of Bond Service Charges; or (ii) a majority in aggregate amount of all Outstanding Bonds, in the case of any other Event of Default. For purposes of the Series 1993 Bonds, the Bond Trustee shall not waive any Event of Default without the prior written consent of the 1993 Insurer for the Series 1993 Bonds.

No such waiver of acceleration may be rescinded or annulled, unless at the time of the waiver, rescission or annulment, payments have been duly made of the amounts provided in the Bond Indenture.

Right of Bondholders to Direct Proceedings. The Holders of a majority in aggregate principal amount of Bonds then Outstanding shall have the right, at any time during the continuance of an Event of Default, to direct the Bond Trustee as to the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Bond Indenture (with the 1993 Insurer giving such direction on behalf of Holders of the Series 1993 Bonds).

Supplemental Indentures and Amendments to Bond Indenture

Supplemental Indentures Not Requiring Consent of Holders. The Bond Indenture may be amended without the consent of or notice to the Bondholders or the Master Trustee but with the written consent of the 1993 Insurer (with certain exceptions): to cure any ambiguity, inconsistency or formal defect or omission in the Bond Indenture; to grant to or confer upon the Bond Trustee for the benefit of the Holders any additional rights, remedies, powers or authority which lawfully may be granted to or conferred upon the Bondholders or the Bond Trustee; to pledge or assign additional revenues and/or property; to add to the covenants and obligations of UMCC under the Bond Indenture, other obligations for the protection of the Holders; to achieve compliance of the Bond Indenture with any applicable federal securities or tax law; to make changes in connection with issuances of Additional Bonds, which do not, in judgment of the Bond Trustee, adversely affect interests of Outstanding Bonds including creation of a separate reserve fund for the Additional Bonds; and to make any other change which is not prejudicial to the Bond Trustee or the Bondholders, in the judgment of the Bond Trustee.

Supplemental Indentures Requiring Consent of Holders. Other than the amendments referred to above, the Bond Indenture may be amended with the consent of the Holders of a majority in aggregate amount of the Outstanding Bonds (with the 1993 Insurer giving such consent on behalf of Holders of the Series 1993 Bonds), to add any provisions to, change in any manner, or eliminate any of the provisions of the Bond Indenture or any supplemental indenture, or restrict in any manner the rights of the Holders.

No supplement may (a) change payment of Bond Service Charges without the consent of the Holder of each Bond so affected; or (b) create a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or reduce in the aggregate principal amount of the Bonds required for consent to a supplemental indenture, without the consent of the Holders of all Outstanding Bonds.

Defeasance

If UMCC shall pay all of the Outstanding Bonds and provision shall also be made for the payment of all other sums payable under the Bond Indenture, then the Bond Indenture shall be released. All or any part of the Bonds shall be deemed to have been paid and discharged within the meaning of the Bond Indenture, if the Bond Trustee shall have received, in trust for and committed irrevocably thereto, sufficient moneys or Defeasance Obligations (defined below) which are to be sufficient, without reinvestments thereof, for the payment of all Bond Service Charges on those Bonds, at their maturity or redemption dates.

As used herein, "Defeasance Obligations" means: (a) the obligations described in clauses (i) (ii), (xii), (xiii), (xiv) and (xv) of the definition of Eligible Investments so long as the obligations described in clauses (ii), (xii), (xiii), (xiv) and (xv) are rated at the time of purchase by the Bond Trustee in the highest long-term rating categories by Moody's or S&P. If the obligations described in clause (xii) are rated only by S&P, then the pre-refunded bonds must have been pre-refunded with money, Federal Securities, pre-refunded municipals that are rated at the time of purchase by S&P in the highest long-term rating category, or any combination.

Removal of the Bond Trustee

The Bond Trustee may be removed at any time by the Holders of a majority in aggregate amount of the Outstanding Bonds. In addition, the Bond Trustee may be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any of its duties, including without limitation, any of its covenants, agreements and obligations, under the Bond Indenture.

Any successor Bond Trustee shall be appointed by UMCC with the written consent of the 1993 Insurer or, under certain circumstances, by a majority of Holders, and shall have capital and surplus of not less than $25,000,000.

APPENDIX D

Form of Bond Counsel Opinion

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[Closing Date]

To: University Medical Center Corporation
Tucson, Arizona

We have examined the transcript of proceedings (the "Transcript") relating to the issuance by the University Medical Center Corporation, an Arizona nonprofit corporation (the "Issuer"), of its $_____ Hospital Revenue Bonds, Series 2009, dated as of the date hereof (the "Bonds"). The Bonds are being issued pursuant to the Bond Indenture, identified below, and to the provisions of Section 15-1637, Arizona Revised Statutes, as amended. Proceeds of the Bonds will be used by the Issuer to pay costs of expanding, improving and equipping its health care facilities and to pay related financings costs, as provided in the Bond Indenture. The documents in the Transcript examined include an executed counterpart of the following: (i) the Bond Trust Indenture, dated as of January 1, 1991, as supplemented to date, including by the Fifth Supplemental Bond Trust Indenture, dated as of May 1, 2009 (as supplemented, the "Bond Indenture"), from the Issuer to U.S. Bank National Association, as successor trustee (the "Bond Trustee"); (ii) the Supplemental Indenture Number Nine, dated as of May 1, 2009 (the "Supplemental Indenture Number Nine"), between the Issuer and U.S. Bank National Association, as successor trustee (the "Master Trustee"), which supplements the Master Trust Indenture, dated as of June 1, 1986, as amended and restated as of July 1, 1987, as supplemented to date (as supplemented, the "Master Indenture"), between the Master Trustee and Issuer; and (iii) the Series 2009 Note of the Issuer issued under the Supplemental Indenture Number Nine (collectively, the "Documents"). We have also examined a conformed copy of a Bond.

Based on this examination, we are of the opinion that, under existing law:

1. The Bonds and the Documents are legal, valid, binding and enforceable in accordance with their respective terms, except that the binding effect and enforceability thereof are subject to bankruptcy laws and other laws affecting creditors' rights and to the exercise of judicial discretion.

2. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and is not treated as an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations. Further, so long as the interest on the Bonds is excluded from gross income for federal income tax purposes, it is exempt from Arizona state income taxes. We express no opinion as to any other tax consequences regarding the Bonds.

Under the Code, interest on the Bonds is excluded from the calculation of a corporation's adjusted current earnings for purposes of the corporate alternative minimum tax, but interest on the Bonds may be subject to a branch profits tax imposed on certain foreign corporations doing business in the United States and to a tax imposed on excess net passive income of certain S corporations.

In giving the foregoing opinions, we have assumed and relied upon continuing compliance with the covenants of the Issuer and the accuracy, which we have not independently verified, of the representations and certifications of the Issuer contained in the Transcript. The accuracy of certain of those representations and certifications, and compliance by the Issuer with certain of those covenants may be necessary for the interest on the Bonds to be and to remain excluded from gross income for federal income tax purposes and for certain of the other tax effects stated above. Failure to comply with certain of these covenants subsequent to issuance of the Bonds could cause interest thereon to be included in gross income for federal tax purposes retroactively to the date of issuance of the Bonds.

We have also relied, without independent investigation, on the opinion of Lewis and Roca LLP, as counsel to the Issuer, dated as of the date hereof, as to all matters relating to: the Issuer being an organization described in Section 501(c)(3) of the Code; use of the Project (as defined in the Bond Indenture) in the manner described in the Bond Indenture not constituting use in any unrelated trade or business within the meaning of Section 513 of the Code; the due organization and valid existence of the Issuer; the due adoption of the resolution authorizing the Bonds and the Documents; and that the issuance of the Bonds and the consummation of the transactions contemplated by the Documents will not cause a breach or default under any resolution of the Issuer or any agreements to which the Issuer is a party. We have also assumed the due authorization, execution and delivery by the Bond Trustee and by the Master Trustee of the Bond Indenture and the Master Indenture, respectively. Furthermore, we express no opinion as to the status of the Issuer's property interest in the University Medical Center nor as to the perfection or priority of the security interests granted by the Issuer in the Master Indenture in the Issuer's Gross Revenues (as defined therein).

Respectfully submitted,

APPENDIX E

Form of Continuing Disclosure Agreement

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CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "***Agreement***"), dated as of May 1, 2009 by and between University Medical Center Corporation ("***UMCC***") and U.S. Bank National Association, as bond trustee (the "***Bond Trustee***") under a Bond Trustee Indenture, dated as of January 15, 1991, (as amended and supplemented to date (collectively, the "***Bond Indenture***") by and between UMCC and the Bond Trustee, is executed and delivered in connection with the issuance of UMCC's Hospital Revenue Bonds, Series 2009 (the "***Series 2009 Bonds***"). Capitalized terms used in this Agreement which are not otherwise defined in the Bond Indenture shall have the respective meanings specified in Article II hereof. The parties agree as follows:

ARTICLE I

The Undertaking

Section 1.1. Purpose. This Agreement shall constitute a written undertaking for the benefit of the holders of the Bonds, and is being executed and delivered solely to assist the Merill Lynch, Pierce, Fenner & Smith Incorporated in complying with subsection (b)(5) of the Rule.

Section 1.2. Annual Financial Information. (a) UMCC shall provide Annual Financial Information with respect to each fiscal year, commencing with the first fiscal year ended June 30, 2009, by no later than one hundred and fifty (150) days after the end of the fiscal year, to (i) each NRMSIR, (ii) the SID, (iii) the Bond Trustee and (iv) each Holder or beneficial owner (as such term is used in connection with the book-entry only procedures of The Depository Trust Company) who has requested such information in writing from UMCC.

(b) The Bond Trustee shall provide, in a timely manner, notice of any failure of UMCC to provide the Annual Financial Information by the date specified in subsection (a) above, in each case to (i) either the MSRB or each NRMSIR and (ii) the SID.

Section 1.3. Audited Financial Statements. If not provided as part of Annual Financial Information by the date required by Section 1.2 hereof, UMCC shall provide Audited Financial Statements, when and if available, to (i) each NRMSIR, and (ii) the SID.

Section 1.4. Material Event Notices. (a) If a Material Event occurs, UMCC shall provide, in a timely manner, notice of such Material Event to the Bond Trustee. The Bond Trustee shall provide notice of each such Material Event to (i) either the MSRB or each NRMSIR and (ii) the SID in each case as soon as practicable after receipt by the Bond Trustee.

(b) Any such notice of a defeasance of Series 2009 Bonds shall state whether the Series 2009 Bonds have been escrowed to maturity or to an earlier redemption date and the timing of such maturity or redemption.

(c) The Bond Trustee shall promptly advise UMCC whenever, in the course of performing its duties as Bond Trustee under the Bond Indenture, the Bond Trustee has actual notice of an occurrence which, if material, would require UMCC to provide notice of a Material Event hereunder; provided, however, that the failure of the Bond Trustee so to advise UMCC shall not constitute a breach by the Bond Trustee of any of its duties and responsibilities under this Agreement or the Bond Indenture.

Section 1.5. Additional Information. Nothing in this Agreement shall be deemed to prevent UMCC 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 Annual Financial Information or notice of Material Event hereunder, in addition to that which is required by this Agreement. If UMCC chooses to do so, UMCC shall not have any obligation under this Agreement to update such additional information or include it in any future Annual Financial Information or notice of a Material Event hereunder.

Section 1.6. No Previous Non-Compliance. UMCC represents that since July 3, 1995, it has not failed to comply in any material respect with any previous undertaking in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule.

Section 1.7. Quarterly Report. The UMCC hereby agrees to provide to those parties receiving information pursuant to Section 1.2 hereof, financial and utilization information in any reasonable manner containing in substance such information and data set forth in the charts under the headings "UTILIZATION OF PATIENT CARE SERVICES" and "SUMMARY OF HISTORIC REVENUE AND EXPENSES" in "APPENDIX A" to the Official Statement, and year-to-date balance sheet and cash flow statements by no later than sixty (60) days after [the end of each fiscal quarter. The utilization statistics and summary of historic revenue and expenses shall be for the period from July 1 of the applicable fiscal year through the end of the most recent fiscal quarter and shall include statements for the corresponding period of the preceding fiscal year. Financial information delivered pursuant to this Section 1.7 shall be prepared in accordance with GAAP.

ARTICLE II

Operating Rules

Section 2.1. Reference to Other Documents. It shall be sufficient for purposes of Section 1.2 hereof if the UMCC provides Annual Financial Information by specific reference to documents (i) either (1) provided to each NRMSIR existing at the time of such reference and the SID or (2) filed with the SEC, or (ii) if such document is an Official Statement, available from the MSRB.

Section 2.2. Submission of Information. Annual Financial Information may be provided in one document or multiple documents, and at one time or in part from time to time.

Section 2.3. Material Event Notices. Each notice of a Material Event hereunder shall be captioned "Notice of Material Event" and shall prominently state the title and date of the Series 2009 Bonds.

Section 2.4. Transmission of Information and Notices. Unless otherwise required by law and, in the Bond Trustee's sole determination, subject to technical and economic feasibility, the Bond Trustee shall employ such methods of information and notice transmission as shall be requested or recommended by the herein-designated recipients of UMCC's information and notices. The Bond Trustee shall use the cover sheet attached hereto as *Exhibit B,* or any other generally accept municipal secondary market disclosure information cover sheet succeeding or supplementing such form, to accompany information and notice transmissions.

Section 2.5. Fiscal Year. (a) UMCC's current fiscal years are July 1 to June 30, and UMCC shall promptly notify the Bond Trustee in writing of each change in its fiscal year. The Bond Trustee shall provide such notice to (i) each NRMSIR, and (ii) the SID, as soon as practicable after receipt by the Bond Trustee.

(b) Annual Financial Information shall be provided at least annually notwithstanding any fiscal year longer than 12 calendar months.

ARTICLE III

Effective Date; Termination; Amendment and Enforcement

Section 3.1. Effective Date, Termination. (a) This Agreement shall be effective upon the issuance of the Series 2009 Bonds.

(b) UMCC's and the Bond Trustee's obligations under this Agreement shall terminate upon a legal defeasance, prior redemption or payment in full of all of the Series 2009 Bonds.

(c) If UMCC's obligations under the Bond Indenture, are assumed in full by some other entity, such person shall be responsible for compliance with this Agreement in the same manner as if it were UMCC, as the case may be.

(d) This Agreement, or any provision hereof, shall be null and void in the event that (1) UMCC delivers to the Bond Trustee an Opinion of Counsel, addressed to the Bond Trustee, to the effect that those portions of the Rule which require this Agreement, or such provision, as the case may be, do not or no longer apply to the Series 2009 Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) the Bond Trustee delivers copies of such opinion to (i) each NRMSIR, and (ii) the SID.

Section 3.2. Amendment. (a) This Agreement may be amended, by written agreement of the parties, without the consent of the holders of the Series 2009 Bonds (except to the extent required under clause (4)(ii) in this Section 3.2(a), if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of UMCC or the type of business conducted thereby, (2) this Agreement as so amended would have complied with the requirements of the Rule as of the date of this Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) UMCC shall have delivered to the Bond Trustee an opinion of Counsel, addressed to the Bond Trustee, to the same effect as set forth in clause (2) above, (4) either (i) UMCC shall have delivered to the Bond Trustee an opinion of Counsel or a determination by a person, in each case unaffiliated with UMCC (such as bond counsel) and acceptable to UMCC, addressed to the Bond Trustee, to the effect that the amendment does not materially impair the interests of the holders of the Series 2009 Bonds or (ii) the holders of the Bonds consent to the amendment to this Agreement pursuant to the same procedures as are required for amendments to the Bond Indenture with consent of holders of Bonds pursuant to the Bond Indenture as in effect on the date of this Agreement, and (5) the Bond Trustee shall have delivered copies of such opinion(s) and amendment to (i) each NRMSIR, (ii) the SID. The Bond Trustee shall so deliver such opinion(s) and amendment as soon as practicable after receipt by the Bond Trustee.

(b) In addition to subsection (a) above, this Agreement may be amended by written agreement of the parties, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Agreement which is applicable to this Agreement, (2) UMCC shall have delivered to the Bond Trustee an opinion of Counsel, addressed to UMCC and the Bond Trustee, to the effect that performance by UMCC and the Bond Trustee under this Agreement as so amended will not result in a violation of the Rule and (3) the Bond Trustee shall have delivered copies of such opinion and amendment to (i) each NRMSIR and, (ii) the SID. The Bond Trustee shall so deliver such opinion and amendment as soon as practicable after receipt by the Bond Trustee.

(c) To the extent any amendment to this Agreement results in a change in the type of financial information or operating data provided pursuant to this Agreement, the first Annual Financial Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(d) If an amendment is made pursuant to Section 3.2(a) hereof to the accounting principles to be followed by UMCC in preparing its financial statements, the Annual Financial Information for the fiscal 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.

Section 3.3. Benefit; Third-Party Beneficiaries; Enforcement. (a) The provisions of this Agreement shall constitute a contract with and inure solely to the benefit of the holders from time to time of the Series 2009 Bonds, except that beneficial owners of Series 2009 Bonds shall be third-party beneficiaries of this Agreement and shall be deemed to be holders of Series 2009 Bonds for purposes of Section 3.3(b) hereof. The provisions of this Agreement shall create no rights in any person or entity except as provided in this subsection (a).

(b) The obligations of UMCC to comply with the provisions of this Agreement shall be enforceable (i) in the case of enforcement of obligations to provide financial statements, financial information, operating data and notices, by any holder of Outstanding Series 2009 Bonds, or by the Bond Trustee on behalf of the holders of Outstanding Series 2009 Bonds, or (ii), in the case of challenges to the adequacy of the financial statements, financial information and operating data so provided, by the Bond Trustee on behalf of the holders of Outstanding Series 2009 Bonds; provided, however, that the Bond Trustee shall not be required to take any enforcement action except at the written direction of the holders of not less than a majority in aggregate principal amount of the Series 2009 Bonds at the time Outstanding, who shall have provided the Bond Trustee with security and indemnity satisfactory to the Bond Trustee. The holders' and Bond Trustee's rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of UMCC's obligations under this Agreement.

(c) Any failure by UMCC or the Bond Trustee to perform in accordance with this Agreement shall not constitute a default or an Event of Default under the Bond Indenture, and the rights and remedies provided by the Bond Indenture upon the occurrence of a default or an Event of Default shall not apply to any such failure.

(d) This Agreement shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Agreement shall be instituted in a court of competent jurisdiction in the State; provided, however, that to the extent this Agreement addresses matters of federal securities laws, including the Rule, this Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

ARTICLE IV

Definitions

Section 4.1. Definitions. The following terms used in this Agreement shall have the following respective meanings:

(1) "Annual Financial Information" means, collectively, (i) the financial information and operating data with respect to UMCC, for each fiscal year, to be provided in any reasonable manner and containing, in substance, such information and data as set forth in the charts under the headings "UTILIZATION OF PATIENT CARE SERVICES", "SUMMARY OF HISTORIC REVENUE AND EXPENSES – Financial Information", "SUMMARY OF HISTORIC REVENUE AND EXPENSES – Historical/Pro Forma Coverage of Principal and Interest Requirements", "SUMMARY OF HISTORIC REVENUE AND EXPENSES – Historic and Pro Forma Capitalization" and "SUMMARY OF HISTORIC REVENUE AND EXPENSE - Historic Cash and Investments and Days Cash on Hand" in "APPENDIX A" to the Official Statement; and (ii) the information regarding amendments to this Agreement required pursuant to Section 3.2(c) and (d) of this Agreement. Annual Financial Information shall include Audited Financial Statements, if available, or Unaudited Financial Statements.

The descriptions contained in clause (i) above of financial information and operating data constituting Annual Financial Information are of general categories of financial information and operating data. When such descriptions include information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided in lieu of such information.

(2) "Audited Financial Statements" means the annual financial statements, if any, of UMCC, audited by such auditor as shall then be required or permitted by the laws of the State or the Bond Indenture. Audited Financial Statements shall be prepared in accordance with GAAP.

(3) "Counsel" means any nationally recognized bond counsel or counsel expert in federal securities laws.

(4) "GAAP" means generally accepted accounting principles as prescribed from time to time by the accounting profession.

(5) "Material Event" means any of the following events with respect to the Series 2009 Bonds, relating to the UMCC or otherwise, if 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 security;

(vii) modifications to rights of security holders;

(viii) bond calls (other than mandatory sinking fund redemptions);

(ix) defeasances;

(x) release, substitution, or sale of property securing repayment of the securities; and

(xi) rating changes.

(6) "MSRB" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(l) of the Securities Exchange Act of 1934.

(7) "NRMSIR" means, at any time, a then-existing, nationally recognized municipal securities information repository, as recognized from time to time by the SEC for the purposes referred to in the Rule. The NRMSIRs as of the date of this Agreement and as of July 1, 2009 are listed in *Exhibit A* attached hereto. Filing information relating to such NRMSIRs is set forth in *Exhibit A* hereto.

(8) "Official Statement" means a "final official statement", as defined in paragraph (f)(3) of the Rule.

(9) "Quarterly Report" means the Quarterly Report provided by UMCC under Section 1.7 hereof.

(10) "Rule" means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as in effect on the date of this Agreement, including any official interpretations thereof issued either before or after the effective date of this Agreement which are applicable to this Agreement.

(11) "SEC" means the United States Securities and Exchange Commission.

(12) "SID" means, at any time, a then-existing, state information depository, if any, as operated or designated as such by or on behalf of UMCC for the purposes referred to in the Rule. As of the date of this Agreement, there is no SID.

(13) "State" means the State of Arizona

(14) "Unaudited Financial Statements" means the same as Audited Financial Statements, except that they shall not have been audited.

ARTICLE V

Miscellaneous

Section 5.1. Duties; Immunities and Liabilities of Bond Trustee. The Bond Trustee shall have only such duties under this Agreement as are specifically set forth in this Agreement, and UMCC agrees to indemnify and save the Bond Trustee, 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 Bond Trustee's negligence or willful misconduct in the performance of its duties hereunder. Such indemnity shall be separate from and in addition to that provided to the Bond Trustee under the Bond Indenture. The obligations of UMCC under this Section shall survive resignation or removal of the Bond Trustee and payment of the Series 2009 Bonds.

The Bond Trustee shall be paid compensation by UMCC for its services provided hereunder as are mutually agreed upon by the parties hereto and those expenses, legal fees and advances made or incurred by the Bond Trustee in the performance of its duties hereunder as are mutually agreed upon by the parties hereto. The Bond Trustee shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for UMCC, the Holder, or any other party with respect to this Agreement. In entering into and performing pursuant to this Agreement, the Bond Trustee shall be entitled to the same protections and limitations from liability afforded it as Bond Trustee under the Bond Indenture.

Section 5.2. 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.

Section 5.3. UMCC Officials. No covenant, obligation or agreement contained herein shall be considered to be a covenant, obligation or agreement of any member of the board, officer or employee of UMCC in his or her individual capacity, nor shall any official executing this Agreement on behalf of UMCC be liable personally or be subject to any personal liability or accountability by reason of anything stated in or omitted from this Agreement. No person shall have any claims against such member of the Board, officers, or employees of UMCC for damages suffered as a result of the failure of UMCC to perform any covenant, undertaking or obligation under this Agreement unless the member of the board, officers or employees of UMCC has willfully acted in a fraudulent manner.

[Remainder of Page Intentionally Left blank]

IN WITNESS WHEREOF, the parties have each caused this Agreement to be executed by their duly authorized representatives, all as of the date first above written.

UNIVERSITY MEDICAL CENTER CORPORATION

By: _____
Name: _____
Title: _____

U.S. BANK NATIONAL ASSOCIATION,
as Bond Trustee

By: _____
Name: _____
Title: _____

EXHIBIT A

to Continuing Disclosure Agreement

Filing information relating to the Nationally Recognized Municipal Securities Information Repositories approved by the Securities and Exchange Commission (subject to change):

Bloomberg Municipal Repository
Bloomberg Business Park
100 Business Park Drive
Skillman, New Jersey 08558-3629
Telephone: (609) 279-3225
Fax: (609) 279-5962
Website: http://www.bloomberg.com/markets/rates/municontacts.html
E-Mail: Munis@Bloomberg.com

Standard and Poor's (NRMSIR)
55 Water Street, 45th Floor
New York, New York 10041
Telephone: (212) 438-4595 (Repository)
Fax: (212) 438-3975
Website: http://www.disclosuredirectory.standardandpoors.com
E-Mail: nrmsir_repository@sandp.com

Interactive Data Pricing and Reference Data, Inc.
Attn: NRMSIR
100 William Street, 15th Floor
New York, New York 10038
Telephone: (212) 771-6999; (800) 689-8466
Fax: (212) 771-7390
Website: http://www.interactivedata-prd.com
E-Mail: NRMSIR@interactivedata.com

DPC Data Inc.
Attn: NRMSIR
One Executive Drive
Fort Lee, New Jersey 07024
Telephone: (201) 346-0701
Fax: (201) 947-0107
Website: http://www.MuniFILINGS.com
E-Mail: nrmsir@dpcdata.com

On December 8, 2008, the Securities and Exchange Commission announced in Release No. 34-59062 that effective, July 1, 2009, the MSRB will be the sole NRMSIR:

Municipal Securities Rulemaking Board (MSRB):
Website: http://emma.msrb.org/

EXHIBIT B

MUNICIPAL SECONDARY MARKET
DISCLOSURE INFORMATION COVER SHEET

This cover sheet should be sent with all submissions made to the Municipal Securities Rulemaking Board, Nationally Recognized Municipal Securities Information Repositories, and any applicable State Information Depository, whether the filing is voluntary or made pursuant to Securities and Exchange Commission rule 15c2-12 or any analogous state statute.

See www.sec.gov/info/municipal/nrmsir.htm for list of current NRMSIRs and SIDs

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IF THIS FILING RELATES TO A SINGLE BOND ISSUE:

Provide name of bond issue exactly as it appears on the cover of the Official Statement
(please include name of state where issuer is located):

_____

_____

_____

_____

_____

Provide nine-digit CUSIP* numbers if available, to which the information relates:

_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

IF THIS FILING RELATES TO ALL SECURITIES ISSUED BY THE ISSUER OR ALL SECURITIES OF A SPECIFIC CREDIT OR ISSUED UNDER A SINGLE INDENTURE:

Issuer's Name (please include name of state where Issuer is located): _____

Other Obligated Person's Name (if any): _____
(Exactly as it appears on the Official Statement Cover)

Provide six-digit CUSIP* number(s), if available, of Issuer: _____

* (Contact CUSIP's Municipal Disclosure Assistance Line at 212.438.6518 for assistance with obtaining the proper CUSIP numbers.)

TYPE OF FILING:

☐ Electronic (number of pages attached) _____ ☐ Paper (number of pages attached)_____

If information is also available on the Internet, give URL: _____

WHAT TYPE OF INFORMATION ARE YOU PROVIDING? (Check all that apply)

A. ☐ **Annual Financial Information and Operating Data pursuant to Rule 15c2-12**
(Financial information and operating data should not be filed with the MSRB.)
Fiscal Period Covered: _____

B. ☐ **Audited Financial Statements or CAFR pursuant to Rule 15c2-12**
Fiscal Period Covered: _____

C. ☐ **Notice of a Material Event pursuant to Rule 15c2-12** (Check as appropriate)

1. ☐ Principal and interest payment delinquencies
2. ☐ Non-payment related defaults
3. ☐ Unscheduled draws on debt service reserves reflecting financial difficulties
4. ☐ Unscheduled draws on credit enhancements reflecting financial difficulties
5. ☐ Substitution of credit or liquidity providers, or their failure to perform
6. ☐ Adverse tax opinions or events affecting the tax-exempt status of the security
7. ☐ Modifications to the rights of security holders
8. ☐ Bond calls
9. ☐ Defeasances
10. ☐ Release, substitution, or sale of property securing repayment of the securities
11. ☐ Rating changes

D. ☐ **Notice of Failure to Provide Annual Financial Information as Required**

E. ☐ **Other Secondary Market Information** (Specify)**:** _____

I hereby represent that I am authorized by the issuer or obligor or its agent to distribute this information publicly:

Issuer Contact:

Name _____ Title _____
Employer _____
Address _____ City _____ State _____ Zip Code _____
Telephone _____ Fax _____
Email Address _____ Issuer Web Site Address _____

Dissemination Agent Contact, if any:

Name _____ Title _____
Employer _____
Address _____ City _____ State _____ Zip Code _____
Telephone _____ Fax _____
Email Address _____ Issuer Web Site Address _____

Obligor Contact, if any:

Name _____ Title _____
Employer _____
Address _____ City _____ State _____ Zip Code _____
Telephone _____ Fax _____
Email Address _____ Issuer Web Site Address _____

Investor Relations Contact, if any:

Name _____ Title _____
Employer _____
Address _____ City _____ State _____ Zip Code _____
Telephone _____ Fax _____
Email Address _____ Issuer Web Site Address _____

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UNIVERSITY MEDICAL CENTER CORPORATION (TUCSON, ARIZONA) • HOSPITAL REVENUE BONDS, SERIES 2009

UMC

UNIVERSITY MEDICAL CENTER

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