NEW ISSUE
BOOK ENTRY ONLY

See "RATINGS" herein.

In the opinion of Ice Miller LLP, Indianapolis, Indiana, Bond Counsel, under federal statutes, decisions, regulations and rulings, interest on the Bonds (as defined herein) is excludable for federal income tax purposes from gross income pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Bonds is not treated as an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, but is taken into account in determining adjusted current earnings for the purpose of computing the federal alternative minimum tax imposed on certain corporations. Such exclusion is conditioned on continuing compliance by the Credit Group (as defined herein) and the Indiana Finance Authority (the "Authority") with the Tax Covenants (as defined herein). Failure to comply with the Tax Covenants could cause interest on the Bonds to lose the exclusion from gross income for federal income tax purposes retroactive to the date of issue. In the opinion of Ice Miller LLP, under existing statutes, decisions, regulations and rulings, interest on the Bonds is exempt from income taxation in the State of Indiana (the "State"). See "TAX MATTERS" herein and APPENDIX D hereto.

Indiana University Health

$228,195,000
INDIANA FINANCE AUTHORITY
HOSPITAL REVENUE BONDS
(INDIANA UNIVERSITY HEALTH OBLIGATED GROUP)
SERIES 2011A, SERIES 2011B, SERIES 2011C, SERIES 2011D AND SERIES 2011E
(NON-AMT)

$41,550,000 Series 2011A, due March 1, 2033 (CUSIP No.: 45471A DT6)
$47,135,000 Series 2011B, due March 1, 2033 (CUSIP No.: 45471A DZ2)
$46,210,000 Series 2011C, due March 1, 2033 (CUSIP No.: 45471A DV1)
$23,075,000 Series 2011D, due March 1, 2033 (CUSIP No.: 45471A DX7)
$70,225,000 Series 2011E, due March 1, 2036 (CUSIP No.: 45471A EB4)

Dated: Date of Delivery **Price: 100%**

Each series of the Bonds will be issued by the Authority under and secured by the provisions of the respective Indenture described herein. The Bonds will be 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 (as defined herein) for the Bonds and individual purchases of the Bonds will be made in book-entry form only, all as described herein. Principal of and interest on the Bonds will be payable from the sources set forth herein by The Bank of New York Mellon Trust Company, N.A., as trustee, to the registered owners of the Bonds (as long as the book-entry system is in effect, Cede & Co.). Subsequent disbursements of such principal and interest will be made to the individual purchasers of beneficial interests in the Bonds as described herein.

The Bonds will initially bear interest at a Weekly Interest Rate, as described herein, at a price equal to 100% of the principal amount thereof. At the election of Indiana University Health, Inc. (the "Corporation"), each series of the Bonds may be converted, in whole, to another Interest Rate Period (as defined herein). Upon any such conversion, the Bonds of such series will be subject to mandatory tender, as described herein. Interest on the Bonds, while bearing interest at a Weekly Interest Rate, will be payable on the first Wednesday of each calendar month, commencing May 4, 2011, or if such Wednesday is not a Business Day (as defined herein), on the next succeeding Business Day. Interest on the Bonds, while bearing interest at a Daily Interest Rate, will be payable on the fifth Business Day of each calendar month.

The Bonds are subject to optional, extraordinary optional and mandatory sinking fund redemption prior to maturity as described herein. The Bonds are subject to optional and mandatory tender for purchase as described herein.

The Bonds are limited obligations of the Authority, a public body politic and corporate under the laws of the State, secured under the provisions of the respective Indenture and the respective Loan Agreement described herein, and payable from loan repayments made by the Corporation and LaPorte Regional Health System, Inc. d/b/a Indiana University Health LaPorte Hospital ("LaPorte," and together with the Corporation, the "Obligated Group"), under the respective Loan Agreement, and from certain funds held under the respective Indenture. The obligation of the Obligated Group to make such payments is evidenced and secured by the 2011 Obligations (as defined herein) under and pursuant to the terms of the Master Indenture described herein, whereunder the Obligated Group is obligated to make payments on the 2011 Obligations according to the terms thereof. Payments on the 2011 Obligations are required to be in an amount sufficient to pay the principal of and premium, if any, and interest on the Bonds when due. The Bonds are secured solely by the respective Indenture and are payable solely from payments under the respective Loan Agreement and the respective 2011 Obligation and from moneys drawn under the respective Credit Facility (as defined below).

The payment of the principal and Tender Price of and interest on each series of the Bonds will be secured by a separate irrevocable, direct-pay Letter of Credit (each, a "Credit Facility," and collectively, the "Credit Facilities") issued by The Northern Trust Company, with respect to the Series 2011A Bonds, the Series 2011C Bonds and the Series 2011D Bonds, and Bank of America, N.A., with respect to the Series 2011B Bonds and the Series 2011E Bonds (each a "Credit Facility Provider," and collectively, the "Credit Facility Providers"), pursuant to which the Trustee will be permitted to draw up to (a) an amount equal to the aggregate principal amount of the applicable series of Bonds outstanding for the payment of the principal of such series of Bonds or the principal component of the Tender Price of such series of Bonds, plus (b) an amount equal to 53 days' interest on such series of Bonds outstanding (computed at a rate of 12% per annum) for the payment of interest on such series of Bonds or the interest component of the Tender Price of such series of Bonds, all as further described herein. Each Credit Facility securing the Series 2011A Bonds, the Series 2011C Bonds and the Series 2011D Bonds will expire on October 19, 2016, and each Credit Facility securing the Series 2011B Bonds and the Series 2011E Bonds will expire on April 17, 2015, unless a particular Credit Facility is extended or earlier terminated as described herein.

EACH SERIES OF THE BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF THE AUTHORITY AND WILL BE PAYABLE SOLELY FROM AND SECURED EXCLUSIVELY BY PAYMENTS, REVENUES AND OTHER AMOUNTS PLEDGED THERETO PURSUANT TO THE RESPECTIVE INDENTURE AND BY MONEYS DRAWN UNDER THE RESPECTIVE CREDIT FACILITY. THE BONDS DO NOT REPRESENT OR CONSTITUTE A DEBT OF THE AUTHORITY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE PROVISIONS OF THE CONSTITUTION OR STATUTES OF THE STATE OR A PLEDGE OF THE FAITH AND CREDIT OF THE AUTHORITY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, AND THE BONDS DO NOT GRANT TO THE OWNERS OR HOLDERS THEREOF ANY RIGHT TO HAVE THE AUTHORITY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF LEVY ANY TAXES OR APPROPRIATE FUNDS FOR THE PAYMENT OF THE PRINCIPAL THEREOF OR PREMIUM, IF ANY, OR INTEREST THEREON. THE AUTHORITY HAS NO TAXING POWER.

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

The Bonds are offered when, as and if issued by the Authority and received by the Underwriters, subject to prior sale and to the approval of legality by Ice Miller LLP, Indianapolis, Indiana, Bond Counsel, and the approval of certain matters for the Authority by its special counsel, Ice Miller LLP, for the Corporation by its general counsel, Norman G. Tabler, Jr., Esq., for the Underwriters by their counsel, Baker & Daniels LLP, Indianapolis, Indiana, and for the Credit Facility Providers by their counsel, Chapman and Cutler LLP, Chicago, Illinois (and, additionally, with respect to The Northern Trust Company, the Legal Department thereof). It is expected that the Bonds in definitive form will be available for delivery through the facilities of The Depository Trust Company in New York, New York, on or about April 19, 2011.

BofA Merrill Lynch **Citi** **US Bancorp**

(Underwriter for Series 2011B and Series 2011E) **(Underwriter for Series 2011A and Series 2011C)** **(Underwriter for Series 2011D)**

April 12, 2011

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This Official Statement does not constitute an offer to sell the Bonds or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any state or other jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale in such state or jurisdiction. No dealer, salesman or any other person has been authorized to give any information or to make any representation other than those contained herein in connection with the offering of the Bonds and, if given or made, such information or representation must not be relied upon.

The information set forth under the captions "INTRODUCTION—The Authority," "THE AUTHORITY" and "ABSENCE OF MATERIAL LITIGATION—Authority" has been furnished by the Authority. The information set forth under APPENDIX E hereto has been furnished by the Credit Facility Providers. Other than with respect to information concerning the Credit Facility Providers and the Credit Facilities contained under the caption "THE CREDIT FACILITIES AND THE CREDIT FACILITY AGREEMENTS" herein, and in APPENDIX E hereto, none of the information in this Official Statement has been supplied or verified by the Credit Facility Providers, and the Credit Facility Providers make no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Bonds; or (iii) the tax status of the interest on the Bonds. The information set forth under the caption "BOOK-ENTRY SYSTEM" has been furnished by DTC. All other information set forth herein has been obtained from the Corporation and other sources that are believed to be reliable, but the adequacy, accuracy or completeness of such information is not guaranteed by the Authority or the Underwriters. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement, nor any sale made hereunder, shall under any circumstances create any implication that there has been no change in the affairs of the Authority, the Credit Facility Providers, DTC or the Corporation since the date hereof.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The prices and other terms respecting the offering and sale of the Bonds may be changed from time to time by the Underwriters after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including to dealers who may sell the Bonds into investment accounts.

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

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE INDENTURES AND THE MASTER INDENTURE HAVE NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF LAWS OF THE STATES IN WHICH BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NONE OF THESE STATES NOR ANY OF THEIR AGENCIES HAS PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

The statements contained in this Official Statement, including, but not limited to, under the captions "FORECASTED DEBT SERVICE REQUIREMENTS," "BONDHOLDERS' RISKS" and "MANAGEMENT'S DISCUSSION OF FINANCIAL PERFORMANCE" in APPENDIX A hereto, and any other information provided by the Corporation that are not purely historical, are forward-looking statements, including statements of the Corporation's expectations, hopes and intentions, or strategies regarding the future.

The forward-looking statements herein are necessarily based on various assumptions and estimates, and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and, therefore, there can be no assurance that the forward-looking statements contained in this Official Statement would prove to be accurate.

Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the Corporation on the date hereof, and the Corporation assumes no obligation to update any such forward-looking statements.

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OFFICIAL STATEMENT

$228,195,000
Indiana Finance Authority Hospital Revenue Bonds
(Indiana University Health Obligated Group)
Series 2011A, Series 2011B, Series 2011C, Series 2011D and Series 2011E
(Non-AMT)

INTRODUCTION

General

This Official Statement, including the cover page, preliminary pages and Appendices hereto (the "Official Statement"), is provided to furnish information with respect to the sale and delivery of $41,550,000 aggregate principal amount of Indiana Finance Authority Hospital Revenue Bonds (Indiana University Health Obligated Group) Series 2011A (the "Series 2011A Bonds"), $47,135,000 aggregate principal amount of Indiana Finance Authority Hospital Revenue Bonds (Indiana University Health Obligated Group) Series 2011B (the "Series 2011B Bonds"), $46,210,000 aggregate principal amount of Indiana Finance Authority Hospital Revenue Bonds (Indiana University Health Obligated Group) Series 2011C (the "Series 2011C Bonds"), $23,075,000 aggregate principal amount of Indiana Finance Authority Hospital Revenue Bonds (Indiana University Health Obligated Group) Series 2011D (the "Series 2011D Bonds"), and $70,225,000 aggregate principal amount of Indiana Finance Authority Hospital Revenue Bonds (Indiana University Health Obligated Group) Series 2011E (the "Series 2011E Bonds," and together with the Series 2011A Bonds, the Series 2011B Bonds, the Series 2011C Bonds and the Series 2011D Bonds, the "Bonds"), issued by the Indiana Finance Authority (the "Authority").

The Indentures and Loan Agreements

Each series of the Bonds will be issued pursuant to a separate Trust Indenture each dated as of April 1, 2011 (individually, an "Indenture," and collectively, the "Indentures"), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The proceeds of each series of the Bonds will be loaned to the Corporation (as defined below) pursuant to five separate Loan Agreements each dated as of April 1, 2011 (individually, a "Loan Agreement," and collectively, the "Loan Agreements"), between the Authority and the Corporation.

All capitalized terms used in this Official Statement and not otherwise defined herein shall have the same meanings as in the applicable Indenture or the Master Indenture (as defined below), as applicable. See "DEFINITIONS OF CERTAIN TERMS" in APPENDIX C hereto.

Purpose

Indiana University Health, Inc. (the "Corporation" or "Indiana University Health") is an Indiana nonprofit corporation exempt from federal income taxation as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"). For additional information regarding the Corporation and its affiliates, see APPENDIX A hereto. The proceeds of the Bonds, together with other funds of the Corporation, will be used to (i) finance a portion of the costs of the acquisition, construction and equipping of certain capital improvements to facilities operated or to be operated by Members of the Obligated Group or Obligated Group Affiliates (all as defined herein), including the refinancing of lines of credit and term loans used to finance or refinance such costs on an interim basis (collectively, the "2011 Project"); (ii) currently refund the outstanding Series 2008 Bonds (as defined in "—Outstanding Indebtedness" below) and pay a portion of a line of credit relating to the Series 2008 Bonds (collectively, the "Refunded Bonds"); and (iii) pay certain costs of issuance of the Bonds, including the cost of credit enhancement. See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

The Authority

The Authority was created pursuant to Indiana Code 4-4-10.9 and Indiana Code 4-4-11, each as amended (the "IFA Act"), as a body corporate and politic, not a state agency but an independent instrumentality exercising

essential public functions. In 2007, the Authority became the statutory successor to the Indiana Health and Educational Facility Financing Authority (the "IHEFFA"), which had been the statutory successor to the Indiana Health Facility Financing Authority (the "IHFFA"). As successor, the Authority has power to issue bonds pursuant to the provisions of Indiana Code 5-1-16, as amended (the "Healthcare Finance Act," and together with the IFA Act, the "Act"). Under the Healthcare Finance Act, the Authority is authorized to make loans to "participating providers" (as defined in the Healthcare Finance Act) in order to provide funds to finance, refinance and provide reimbursement for all or a portion of any and all costs authorized under the Healthcare Finance Act and related to the acquisition, lease, construction, repair, restoration, reconditioning, refinancing, installation or housing of "health facility property" (as defined in the Healthcare Finance Act).

THE BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF THE AUTHORITY AND THE PRINCIPAL OF AND PREMIUM, IF ANY, AND INTEREST ON THE BONDS WILL BE PAYABLE SOLELY FROM AND SECURED EXCLUSIVELY BY PAYMENTS, REVENUES AND OTHER AMOUNTS PLEDGED THERETO PURSUANT TO THE RESPECTIVE INDENTURE AND BY MONEYS DRAWN UNDER THE RESPECTIVE CREDIT FACILITY (AS HEREINAFTER DEFINED). THE BONDS DO NOT REPRESENT OR CONSTITUTE A DEBT OF THE AUTHORITY, THE STATE OF INDIANA (THE "STATE") OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE PROVISIONS OF THE CONSTITUTION OR STATUTES OF THE STATE OR A PLEDGE OF THE FAITH AND CREDIT OF THE AUTHORITY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, AND THE BONDS DO NOT GRANT TO THE OWNERS OR HOLDERS THEREOF ANY RIGHT TO HAVE THE AUTHORITY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF LEVY ANY TAXES OR APPROPRIATE FUNDS FOR THE PAYMENT OF THE PRINCIPAL THEREOF OR PREMIUM, IF ANY, OR INTEREST THEREON. THE AUTHORITY HAS NO TAXING POWER.

The Master Indenture

Each series of the Bonds is secured under the provisions of the respective Indenture and the respective Loan Agreement and is payable from payments required to be made by Members of the Obligated Group (as defined herein) under the Master Indenture and from certain funds held under the respective Indenture. The Master Note Obligation, Series 2011A, the Master Note Obligation, Series 2011B, the Master Note Obligation, Series 2011C, the Master Note Obligation, Series 2011D, and the Master Note Obligation, Series 2011E (collectively, the "2011 Obligations") will be issued by the Corporation under and pursuant to the terms of the Master Indenture, under which Members of the Obligated Group jointly and severally are obligated to make payments on the 2011 Obligations according to the terms thereof when due. As of the date of issuance of the Bonds, the Corporation and LaPorte Regional Health System, Inc. d/b/a Indiana University Health LaPorte Hospital ("LaPorte") will be the only Members of the Obligated Group under the Master Indenture. Payments on the 2011 Obligations are required to be in an amount sufficient to pay when due the principal of and premium, if any, and interest on the Bonds. Each series of the Bonds is secured solely by the respective Indenture and is payable solely from payments under the respective Loan Agreement and the respective 2011 Obligation and from moneys drawn under the respective Credit Facility.

As of the date of this Official Statement, the Corporation and LaPorte are parties to a Master Trust Indenture dated as of December 1, 1996, with The Bank of New York Mellon Trust Company, N.A., as successor master trustee (the "Master Trustee"), which has been heretofore supplemented and amended from time to time and will be further supplemented and amended by the Series 2011A Supplemental Master Indenture, the Series 2011B Supplemental Master Indenture, the Series 2011C Supplemental Master Indenture, the Series 2011D Supplemental Master Indenture and the Series 2011E Supplemental Master Indenture, each to be dated as of April 1, 2011, between the Corporation and the Master Trustee (the Master Trust Indenture, as so supplemented and amended and as further supplemented and amended from time to time, shall hereinafter be referred to as the "Master Indenture"). The Corporation, LaPorte and other entities which become jointly and severally liable with the Corporation and LaPorte with respect to the obligations (the "Obligations") issued under the Master Indenture will be referred to herein collectively as the "Obligated Group," "Members of the Obligated Group" or "Members," and, each individually, as a "Member of the Obligated Group" or "Member."

Subject to certain conditions described herein, additional Members may be added from time to time to the Obligated Group and made jointly and severally liable with the Corporation and LaPorte with respect to Obligations Outstanding under the Master Indenture. Additionally, Members may withdraw from the Obligated Group from time to time and be released from all liability with respect to the Obligations. See "SUMMARY OF CERTAIN

PROVISIONS OF THE MASTER INDENTURE—General Covenants," "—Entrance into the Obligated Group" and "—Cessation of Status as a Member of the Obligated Group" in APPENDIX C hereto.

Outstanding Indebtedness

As of the date of this Official Statement, certain other obligations described below are outstanding under the Master Indenture.

On June 26, 2003, the IHFFA issued $112,500,000 of its Taxable Hospital Revenue Bonds, Series 2003E and Series 2003F (Clarian Health Obligated Group), and $112,500,000 of its Taxable Hospital Revenue Bonds, Series 2003G (Clarian Health Obligated Group) (collectively, the "Series 2003 Bonds"). The Series 2003F Bonds were subsequently refinanced by a taxable term loan (the "2003F Term Loan"). The currently outstanding Series 2003 Bonds, as well as the liquidity facilities relating to the variable rate portion of the Series 2003 Bonds and interest rate swap agreements relating to the Series 2003 Bonds, and the 2003F Term Loan are secured by Obligations (the "2003 Obligations") issued by the Corporation under the Master Indenture.

On November 15, 2005, the IHEFFA issued $328,425,000 of its Revenue Bonds (Clarian Health Obligated Group), Series 2005A, Series 2005B, Series 2005C, and Series 2005D (collectively, the "Series 2005 Bonds"). The Series 2005 Bonds, as well as obligations under certain liquidity facilities relating to the variable rate portion of the Series 2005 Bonds and certain insurance agreements and interest rate swap agreements relating to the Series 2005 Bonds, are secured by Obligations (the "2005 Obligations") issued by the Corporation under the Master Indenture.

On January 24, 2006, the IHEFFA issued $327,170,000 of its Hospital Revenue Bonds, Series 2006A (Clarian Health Obligated Group) (the "Series 2006A Bonds"). The Series 2006A Bonds are secured by Obligations (the "2006A Obligations") issued by the Corporation under the Master Indenture.

On September 14, 2006, the IHEFFA issued $375,485,000 of its Hospital Refunding Revenue Bonds, Series 2006B (Clarian Health Obligated Group) (the "Series 2006B Bonds"). The Series 2006B Bonds are secured by Obligations (the "2006B Obligations") issued by the Corporation under the Master Indenture.

On September 11, 2008, the Authority issued $170,960,000 of its Hospital Revenue Refunding Bonds (Clarian Health Partners, Inc. Obligated Group) Series 2008A, Series 2008B, Series 2008C and Series 2008D (collectively, the "Series 2008 Bonds"). The Series 2008B Bonds were subsequently refinanced by a taxable line of credit (the "Line of Credit"). The currently outstanding Series 2008 Bonds, as well as obligations under certain liquidity facilities relating to the variable rate portion of the Series 2008 Bonds, and the portion of the Line of Credit which refinanced the Series 2008B Bonds are secured by Obligations (the "2008 Obligations") issued by the Corporation under the Master Indenture. A portion of the proceeds of the Bonds will be used to currently refund the currently outstanding Series 2008 Bonds and to pay such portion of the Line of Credit. See "PLAN OF FINANCE."

On March 18, 2010, the Corporation secured a $45,000,000 loan from PNCEF, LLC by Obligations (the "2010 Loan Obligations") issued by the Corporation under the Master Indenture. In addition, the Line of Credit, in the maximum amount of $86,000,000, is secured by an Obligation (the "Line of Credit Obligation") issued by the Corporation under the Master Indenture.

The 2003 Obligations, the 2005 Obligations, the 2006A Obligations, the 2006B Obligations, the 2008 Obligations, the 2010 Loan Obligations and the Line of Credit Obligations are, together with Obligations securing certain collateralized long-term basis swap agreements (as described in Footnote 8 of the audited consolidated financial statements of the Obligated Group in APPENDIX B hereto), collectively referred to herein as the "Prior Obligations." The 2011 Obligations will be issued on a parity with the Prior Obligations under the Master Indenture. See "SECURITY FOR THE BONDS—The Master Indenture" and "PLAN OF FINANCE."

Credit Facilities

The payment of the principal and Tender Price of and interest on each series of Bonds will be secured by a separate irrevocable, direct-pay Letter of Credit (each a "Credit Facility," and collectively, the "Credit Facilities") issued by The Northern Trust Company (with respect to the Series 2011A Bonds, the Series 2011C Bonds and the Series 2011D Bonds) and Bank of America, N.A. (with respect to the Series 2011B Bonds and the Series 2011E Bonds) (each a "Credit Facility Provider," and collectively, the "Credit Facility Providers"), pursuant to which the Trustee will be permitted to draw up to (a) an amount equal to the aggregate principal amount of the applicable

series of Bonds outstanding for the payment of the principal of such series of Bonds or the principal component of the Tender Price of such series of Bonds, plus (b) an amount equal to 53 days' interest on such series of Bonds outstanding (computed at a rate of 12% per annum) for the payment of interest on such series of Bonds or the interest component of the Tender Price of such series of Bonds, all as further described herein. Each Credit Facility securing the Series 2011A Bonds, the Series 2011C Bonds and the Series 2011D Bonds will expire on October 19, 2016, and each Credit Facility securing the Series 2011B Bonds and the Series 2011E Bonds will expire on April 17, 2015, unless a particular Credit Facility is extended or earlier terminated as described herein. See "THE CREDIT FACILITIES AND THE CREDIT FACILITY AGREEMENTS" herein and APPENDIX E hereto.

Tender Agent; Remarketing Agents

The Bank of New York Mellon Trust Company, N.A. (the "Tender Agent") will serve as tender agent for each series of Bonds pursuant to each Indenture.

Citigroup Global Markets Inc. will serve as remarketing agent for the Series 2011A Bonds and the Series 2011C Bonds pursuant to the applicable Indenture and two separate Remarketing Agreements dated as of April 1, 2011, between the Corporation and Citigroup Global Markets Inc. Merrill Lynch, Pierce, Fenner & Smith Incorporated will serve as remarketing agent for the Series 2011B Bonds and the Series 2011E Bonds pursuant to the applicable Indenture and two separate Remarketing Agreements dated as of April 1, 2011, between the Corporation and Merrill Lynch, Pierce, Fenner & Smith Incorporated. U.S. Bank Municipal Securities Group, a division of U.S. Bank National Association ("USB MSG") and U.S. Bancorp Investments, Inc. ("USBII") will serve as remarketing agent for the Series 2011D Bonds pursuant to the applicable Indenture and a Remarketing Agreement dated as of April 1, 2011, between the Corporation and USB MSG and USBII. Each of the remarketing agents described in this paragraph shall be defined herein individually as a "Remarketing Agent," and collectively as the "Remarketing Agents." The five Remarketing Agreements described in this paragraph shall be defined herein individually as a "Remarketing Agreement," and collectively as the "Remarketing Agreements."

Bondholders' Risks

Certain risk factors associated with the purchase of the Bonds are described under the caption "BONDHOLDERS' RISKS" herein.

Availability of Documents

This Official Statement contains descriptions of, among other matters, the Bonds, the 2011 Obligations, the Indentures, the Loan Agreements, the Master Indenture, the Credit Facilities, the Credit Facility Agreements (as hereinafter defined), the Credit Facility Providers and the Corporation. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Indentures, the Loan Agreements, the Remarketing Agreements, the Credit Facilities, the Credit Facility Agreements and the Master Indenture are qualified in their entirety by reference to such documents, and references herein to the Bonds and the 2011 Obligations are qualified in their entirety by reference to the forms thereof included in the applicable Indenture and the Master Indenture, respectively. Copies of the Bonds, the 2011 Obligations, the Indentures, the Loan Agreements, the Master Indenture and certain other documents described herein are available for inspection at the principal corporate trust office of the Trustee. Until the issuance of the Bonds, copies of the Credit Facilities and the Credit Facility Agreements may be obtained from the Corporation, at Indiana University Health, Inc., 950 North Meridian Street, Suite 1200, Indianapolis, Indiana 46204, Attention: Jennifer Alvey, Director of Cash & Debt Management.

THE AUTHORITY

The Authority was created pursuant to the IFA Act as a body corporate and politic, not a state agency but an independent instrumentality exercising essential public functions. In 2007, the Authority became the statutory successor to the IHEFFA, which had been the statutory successor to the IHFFA. As successor, the Authority has power to issue bonds pursuant to the provisions of the Healthcare Finance Act. Under the Healthcare Finance Act, the Authority is authorized to make loans to "participating providers" (as defined in the Healthcare Finance Act) in order to provide funds to finance, refinance and provide reimbursement for all or a portion of any and all costs authorized under the Healthcare Finance Act and related to the acquisition, lease, construction, repair, restoration,

reconditioning, refinancing, installation or housing of "health facility property" (as defined in the Healthcare Finance Act).

The Authority has undertaken and will continue to undertake other types of financings for the purposes authorized by the Healthcare Finance Act, the IFA Act and certain other statutes.

THE BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF THE AUTHORITY AND THE PRINCIPAL OF AND PREMIUM, IF ANY, AND INTEREST ON THE BONDS WILL BE PAYABLE SOLELY FROM AND SECURED EXCLUSIVELY BY PAYMENTS, REVENUES AND OTHER AMOUNTS PLEDGED THERETO PURSUANT TO THE RESPECTIVE INDENTURE AND BY MONEYS DRAWN UNDER THE RESPECTIVE CREDIT FACILITY. THE BONDS DO NOT REPRESENT OR CONSTITUTE A DEBT OF THE AUTHORITY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE PROVISIONS OF THE CONSTITUTION OR STATUTES OF THE STATE OR A PLEDGE OF THE FAITH AND CREDIT OF THE AUTHORITY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, AND THE BONDS DO NOT GRANT TO THE OWNERS OR HOLDERS THEREOF ANY RIGHT TO HAVE THE AUTHORITY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF LEVY ANY TAXES OR APPROPRIATE FUNDS FOR THE PAYMENT OF THE PRINCIPAL THEREOF OR PREMIUM, IF ANY, OR INTEREST THEREON. THE AUTHORITY HAS NO TAXING POWER.

THE OBLIGATED GROUP AND THE OBLIGATED GROUP AFFILIATES

The Obligated Group consists of the Corporation and LaPorte. As of the Issue Date, the Corporation expects the following affiliates to be Obligated Group Affiliates: Goshen Health System, Inc. d/b/a Indiana University Health Goshen ("GHS") and Goshen Hospital Association, Inc. d/b/a Indiana University Health Goshen Hospital ("GHA," and together with GHS, "Goshen"); Methodist Occupational Health Centers, Inc. d/b/a Indiana University Health Occupational Services; and Tipton Hospital, Inc. d/b/a Indiana University Health Tipton Hospital ("Tipton"). See "THE OBLIGATED GROUP AFFILIATES" in APPENDIX A hereto. Entities may be designated Obligated Group Affiliates by the Corporation from time to time, and such designation may be rescinded by the Corporation from time to time. The Obligated Group Affiliates are not Members of the Obligated Group. See "SECURITY FOR THE BONDS—The Master Indenture—*Obligations*." The Obligated Group and the Obligated Group Affiliates are referred to herein collectively as the "Credit Group." The health care facilities operated by the entities constituting the Credit Group are referred to herein as the "Indiana University Health System."

THE BONDS

The following is a summary of certain provisions of the Bonds. Reference is made to the Bonds for the complete text thereof and to the Indentures for all of the provisions relating to the Bonds. The discussion herein is qualified by such reference. See APPENDIX C hereto for a more detailed description of the provisions of the Bonds and the Indentures. Any reference herein to the Bonds or to the Indentures or other documents shall be deemed to mean the Bonds, the Indentures or such documents, unless the context or use clearly indicates otherwise. Certain terms used under this caption are defined in APPENDIX C hereto.

The Bonds may be converted to other Interest Rate Periods in accordance with the terms of the applicable Indenture. This Official Statement does <u>not</u> provide any information regarding any Bonds after the date, if any, on which such Bonds are converted to bear interest at interest rates other than a Weekly Interest Rate or a Daily Interest Rate. Such Bonds are subject to mandatory tender in the event of any such conversion. See "—Tender and Purchase of Bonds" below. If any Bonds are converted to bear interest at a rate other than a Weekly Interest Rate or a Daily Interest Rate, it is expected that a new reoffering circular, supplement to this Official Statement or other disclosure document will be distributed describing such Bonds while they bear interest at any such interest rate.

General

Upon the issuance of the Bonds, the Bonds will bear interest at the Weekly Interest Rate as described below under "—Determination of the Weekly Interest Rate" unless and until, at the direction of the Corporation on behalf

of the Authority and upon compliance with the conditions set forth in the Indentures and the Loan Agreements, the interest rate borne by the Bonds is converted to a Daily Interest Rate, a Long-Term Interest Rate, Bond Interest Term Rates or an Index Interest Rate.

The Bonds are to (i) mature on March 1, 2033 (with respect to the Series 2011A Bonds, the Series 2011B Bonds, the Series 2011C Bonds and the Series 2011D Bonds) and on March 1, 2036 (with respect to the Series 2011E Bonds) subject to prior redemption as described under "— Redemption" below, (ii) be dated the date of their original issuance and (iii) bear interest from that date until paid. So long as the Bonds bear interest at the Weekly Interest Rate or the Daily Interest Rate, interest will be computed on the basis of a 365- or 366-day year for the actual days elapsed for the Bonds.

The Bonds will be issued as fully registered Bonds in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of DTC. The Bonds may be purchased by the beneficial owners in denominations, during a Weekly Interest Rate Period or a Daily Interest Rate Period, of $100,000 or any integral multiple of $5,000 in excess of $100,000 (during a Weekly Interest Rate Period or a Daily Interest Rate Period, an "Authorized Denomination").

While the Bonds bear interest (i) at the Weekly Interest Rate, interest on the Bonds will be payable monthly in arrears on the first Wednesday of each month, commencing May 4, 2011, or the next succeeding Business Day if any such Wednesday is not a Business Day, and (ii) at the Daily Interest Rate, interest on the Bonds will be payable monthly in arrears on the fifth Business Day of the next succeeding calendar month (during a Weekly Interest Rate Period or a Daily Interest Rate Period, an "Interest Payment Date").

During a Weekly Interest Rate Period, interest on the Bonds will be payable on each Interest Payment Date for the period commencing on the first Wednesday of the preceding month and ending on the Tuesday immediately preceding the Interest Payment Date (or, if sooner, the last day of the Weekly Interest Rate Period). During a Daily Interest Rate Period, interest on the Bonds will be payable on each Interest Payment Date for the period commencing on the first day of the month immediately preceding such Interest Payment Date and ending on the last day of such month (or, if sooner, the last day of the Daily Interest Rate Period). In any event, interest on the Bonds will be payable for the final Interest Rate Period to the date on which the Bonds have been paid in full.

At no time will any Bond (other than a Bank Bond) bear interest at a Weekly Interest Rate or a Daily Interest Rate that is in excess of the lesser of 12% per annum and the maximum rate of interest on the relevant obligation permitted by applicable law.

Principal of and premium, if any, and interest on the Bonds will be paid by the Trustee. Principal is payable upon presentation of the Bonds by the Holders thereof as the Bonds become due and payable. Except as otherwise provided in the Indentures, interest on the Bonds will be payable on each Interest Payment Date by the Trustee by check mailed on the date on which interest is due to the Holders of the Bonds at the close of business on the Record Date in respect of such Interest Payment Date at the registered addresses of such Holders as they appear on the registration books maintained by the Trustee. The Record Date with respect to any Interest Payment Date for the Bonds bearing interest at a Weekly Interest Rate is the Business Day immediately preceding such Interest Payment Date. The Record Date with respect to any Interest Payment Date for the Bonds bearing interest at a Daily Interest Rate is the last Business Day of each calendar month (or, in the case of the last Interest Payment Date with respect to a Daily Interest Rate Period, the Business Day immediately preceding such Interest Payment Date). Notwithstanding the foregoing, so long as records of ownership of the Bonds are maintained through the book-entry system described under "BOOK-ENTRY SYSTEM," all payments to the Beneficial Owners of such Bonds will be made in accordance with the procedures described under "BOOK-ENTRY SYSTEM."

The initial Weekly Interest Rate for the Series 2011A Bonds and the Series 2011C Bonds for the period commencing on the date of delivery of the Bonds, to and including April 26, 2011, will be determined by Citigroup Global Markets Inc., as the Underwriter of the Series 2011A Bonds and the Series 2011C Bonds. The initial Weekly Interest Rate for the Series 2011B Bonds and the Series 2011E Bonds for the period commencing on the date of delivery of the Bonds, to and including April 26, 2011, will be determined by Merrill Lynch, Pierce, Fenner & Smith Incorporated, as the Underwriter of the Series 2011B Bonds and the Series 2011E Bonds. The initial Weekly Interest Rate for the Series 2011D Bonds for the period commencing on the date of delivery of the Bonds to and including April 26, 2011, will be determined by U.S. Bank Municipal Securities Group, a division of U.S. Bank National Association ("USB MSG"), as the Underwriter of the Series 2011D Bonds. Pursuant to the applicable Indenture and the applicable Remarketing Agreement, each Remarketing Agent will thereafter determine

the Weekly Interest Rate for the respective series of Bonds. Each of the Remarketing Agents shall use their best efforts to remarket such respective series of Bonds subject to optional and mandatory tender for purchase.

Determination of the Weekly Interest Rate

During each Weekly Interest Rate Period, the Bonds of each series will bear interest at the Weekly Interest Rate, which will be determined by the applicable Remarketing Agent on Tuesday of each week during such Weekly Interest Rate Period, or if such day is not a Business Day, then on the next succeeding Business Day. The first Weekly Interest Rate for each Weekly Interest Rate Period will be determined on or prior to the first day of such Weekly Interest Rate Period and will apply to the period commencing on the first day of such Weekly Interest Rate Period and ending on and including the next succeeding Tuesday. Thereafter, each Weekly Interest Rate will apply to the period commencing on and including Wednesday and ending on and including the next succeeding Tuesday, unless such Weekly Interest Rate Period will end on a day other than Tuesday, in which event the last Weekly Interest Rate for such Weekly Interest Rate Period will apply to the period commencing on and including the Wednesday preceding the last day of such Weekly Interest Rate Period and ending on and including the last day of such Weekly Interest Rate Period.

The Weekly Interest Rate will be the rate of interest per annum determined by the respective Remarketing Agent (based on the examination of tax-exempt obligations comparable, in the judgment of the respective Remarketing Agent, to the respective series of Bonds and known by the respective Remarketing Agent to have been priced or traded under then prevailing market conditions) to be the minimum interest rate which, if borne by the respective series of Bonds, would enable the respective Remarketing Agent to sell all of the Bonds of such respective series on such date of determination at a price (without regarding accrued interest) equal to the principal amount thereof.

In the event that a Remarketing Agent fails to establish a Weekly Interest Rate for any week with respect to a series of the Bonds bearing interest at such rate, then the Weekly Interest Rate for such week with respect to such Bonds will be the same as the immediately preceding Weekly Interest Rate if such Weekly Interest Rate was determined by such Remarketing Agent. If the immediately preceding Weekly Interest Rate was not determined by such Remarketing Agent, or if the Weekly Interest Rate determined by such Remarketing Agent is held to be invalid or unenforceable by a court of law, then the Weekly Interest Rate for such week, as determined by such Remarketing Agent, will be equal to 110% of the SIFMA Index or, if such index is no longer made available, 85% of the interest rate on 30-day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in *The Wall Street Journal* on the day such Weekly Interest Rate would otherwise be determined as provided in the Indentures.

Determination of the Daily Interest Rate

During each Daily Interest Rate Period, the Bonds of each series will bear interest at the Daily Interest Rate, which will be determined by the applicable Remarketing Agent on each Business Day for such Business Day. The Daily Interest Rate will be the rate of interest per annum determined by the respective Remarketing Agent (based on the examination of tax-exempt obligations comparable, in the judgment of the respective Remarketing Agent, to the respective series of Bonds and known by the respective Remarketing Agent to have been priced or traded under then prevailing market conditions) on or before 9:30 a.m., New York City time, on a Business Day to be the minimum interest rate which, if borne by the respective series of Bonds, would enable the respective Remarketing Agent to sell all of the Bonds of such respective series on such Business Day at a price (without regarding accrued interest) equal to the principal amount thereof. The Daily Interest Rate for any day which is not a Business Day will be the same as the Daily Interest Rate for the immediately preceding Business Day.

In the event that a Remarketing Agent fails to establish a Daily Interest Rate with respect to a series of the Bonds bearing interest at such rate, then the Daily Interest Rate for such Business Day with respect to such Bonds will be the same as the Daily Interest Rate for the immediately preceding day and such rate shall continue until the earlier of (A) the date on which such Remarketing Agent determines a new Daily Interest Rate or (B) the seventh day succeeding the first such day on which such Daily Interest Rate is not determined by such Remarketing Agent. If the Daily Interest Rate is not determined by such Remarketing Agent for a period of seven (7) days, or if the Daily Interest Rate determined by such Remarketing Agent is held to be invalid or unenforceable by a court of law, then the Daily Interest Rate, as determined by such Remarketing Agent, will be equal to 110% of the SIFMA Index or, if such index is no longer made available, 85% of the interest rate on 30-day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in *The Wall Street Journal* as reported for each

Business Day (and for the immediately preceding Business Day for each day which is not a Business Day) until such Daily Interest Rate is again validly determined by such Remarketing Agent.

Conversion of Interest Rates on Bonds

Conversion from Weekly Interest Rate or Daily Interest Rate. The Corporation on behalf of the Authority may direct that the interest rate on a series of the Bonds be converted to another Interest Rate Period upon satisfaction of certain conditions set forth in the Indentures.

If the Interest Rate Period is to be converted from the Weekly Interest Rate or the Daily Interest Rate, then such series of Bonds will be subject to mandatory tender for purchase on the effective date of the conversion to another Interest Rate Period, at a purchase price equal to the principal amount thereof, without premium, plus accrued interest (if any) to the effective date of the conversion. The Indentures provide that the Trustee is required to give notice of any conversion to another Interest Rate Period to the holders of such Bonds on a Business Day not less than ten (10) days prior to the proposed effective date of such conversion.

Certain Conditions to Conversion of Interest Rates on Bonds. In connection with any conversion of the Interest Rate Period from a Weekly Interest Rate Period or a Daily Interest Rate Period, the Corporation will cause to be provided to the Trustee a Favorable Opinion of Bond Counsel dated the effective date of such conversion. In the event that Bond Counsel fails to deliver a Favorable Opinion of Bond Counsel on any such date, then the Interest Rate Period will not be converted, and such Bonds will continue to bear interest at a Weekly Interest Rate or a Daily Interest Rate, as applicable, as in effect immediately prior to such proposed conversion of the Interest Rate Period.

In any event, if notice of such conversion has been mailed to the holders of a series of the Bonds, and Bond Counsel fails to deliver a Favorable Opinion of Bond Counsel on the effective date of the proposed conversion, such Bonds will continue to be subject to mandatory purchase on the date which would have been the effective date of such conversion as provided in the applicable Indenture.

The Corporation may rescind its election to convert the Interest Rate Period from a Weekly Interest Rate Period or a Daily Interest Rate Period by delivering a rescission notice to the Authority, the Trustee, the applicable Remarketing Agent, the Tender Agent and the applicable Credit Facility Provider on or prior to 10:00 a.m., New York City time, on the Business Day preceding the proposed effective date of the conversion. However, if a notice of the proposed conversion has been given to the Holders of such Bonds, then such Bonds nevertheless will still be subject to mandatory tender for purchase on the date which would have been the effective date of the conversion, regardless of the rescission.

If, at any time, the Interest Rate Period for a series of the Bonds is to be changed from one Interest Rate Period to another, the Interest Rate Period for all of the Bonds of such series must be changed.

Tender and Purchase of Bonds

The Indentures provide that, so long as Cede & Co. is the sole registered owner of the Bonds, all tenders and deliveries of Bonds under the provisions of the Indentures will be made pursuant to DTC's procedures as in effect from time to time, and none of the Authority, the Corporation, the Trustee or the Remarketing Agents will have any responsibility for or liability with respect to the implementation of such procedures.

Tender for Purchase Upon Election of Holder During Weekly Interest Rate Period. During any Weekly Interest Rate Period, any Bond (other than a Bank Bond) bearing interest at a Weekly Interest Rate will be purchased in whole (or in part if both the amount to be purchased and the amount remaining unpurchased will consist of Authorized Denominations) from the Holder thereof at the option of such Holder on any Business Day so designated by such Holder in an irrevocable written notice which also states the principal amount of such Bond and the principal amount thereof to be purchased; provided, however, that such Business Day must be at least seven (7) days after the date of the delivery of such notice to the Tender Agent, the Trustee and the applicable Remarketing Agent. A Holder must deliver the notice to the Tender Agent at its Principal Office for delivery of the Bonds, to the Trustee at its Principal Office and to the applicable Remarketing Agent. Any notice delivered to the Tender Agent after 4:00 p.m., New York City time, will be deemed to have been received on the next succeeding Business Day. A Bond so tendered will be purchased at a Tender Price equal to the principal amount thereof tendered for purchase, without premium, plus accrued interest to the Tender Date (if the Tender Date is not an Interest Accrual Date), payable in immediately available funds.

Tender for Purchase Upon Election of Holder During Daily Interest Rate Period. During any Daily Interest Rate Period, any Bond (other than a Bank Bond) bearing interest at a Daily Interest Rate will be purchased in whole (or in part if both the amount to be purchased and the amount remaining unpurchased will consist of Authorized Denominations) from the Holder thereof at the option of such Holder on any Business Day so designated by such Holder in an irrevocable written notice delivered to the Tender Agent, the Trustee and the Remarketing Agent by no later than 11:00 a.m., New York City time, on such Business Day, which also states the principal amount of such Bond and the principal amount thereof to be purchased. A Holder must deliver the notice to the Tender Agent at its Principal Office for delivery of the Bonds, to the Trustee at its Principal Office and to the applicable Remarketing Agent. A Bond so tendered will be purchased at a Tender Price equal to the principal amount thereof tendered for purchase, without premium, plus accrued interest to the Tender Date (if the Tender Date is not an Interest Accrual Date), payable in immediately available funds.

Mandatory Tender for Purchase Upon Conversion to a Different Interest Rate Period. The Bonds will be subject to mandatory tender for purchase on the effective date of a conversion to a different Interest Rate Period, or on the day which would have been the effective date of such a conversion to a new Interest Rate Period had certain events described in the applicable Indenture not occurred which resulted in the interest rate on such Bonds not being converted, at a Tender Price equal to the principal amount thereof tendered for purchase, without premium, plus accrued interest to the Tender Date (if the Tender Date is not an Interest Accrual Date), payable in immediately available funds.

Mandatory Tender for Purchase upon Termination, Replacement or Expiration of Credit Facility. If at any time the Trustee gives notice pursuant to the applicable Indenture that Bonds tendered for purchase will on the date specified in such notice cease to be subject to purchase pursuant to the Credit Facility related to such series of Bonds then in effect as a result of the termination, replacement or expiration of the term, as extended, of such Credit Facility, including but not limited to termination at the option of the Corporation in accordance with the terms of such Credit Facility, then such Bonds will be purchased or deemed purchased at a Tender Price equal to the principal amount thereof tendered for purchase, without premium, plus accrued interest to the Tender Date (if the Tender Date is not an Interest Accrual Date), payable in immediately available funds.

Any purchase of Bonds under the circumstances described in the preceding paragraph will occur: (1) on the fifth Business Day preceding any expiration or termination of such Credit Facility without replacement by an Alternate Credit Facility or a Liquidity Facility, and (2) on the proposed date of the replacement of a Credit Facility, in any case where an Alternate Credit Facility is to be delivered to the Trustee pursuant to the applicable Indenture or a Liquidity Facility is to be delivered to the Tender Agent pursuant to the applicable Indenture or a Self Liquidity Arrangement becomes effective pursuant to the applicable Indenture. No mandatory tender under the circumstances described in the preceding paragraph will be effected upon the replacement of a Credit Facility in the event such Credit Facility Provider is failing to honor properly presented and conforming draws.

In the event that funds from the remarketing of Bonds are not sufficient to pay the purchase price of all the Bonds subject to mandatory tender upon replacement of an existing Credit Facility, funds for such purchase will be drawn under the then-existing Credit Facility, not the Alternate Credit Facility. The existing Credit Facility shall not be surrendered until such draw has been honored.

The Trustee is required to give notice by first class mail to the Holders of the applicable series of Bonds on or before the tenth day preceding the expiration or termination of a Credit Facility in accordance with its terms or the proposed replacement of such Credit Facility. The notice must state, among other things, (A) the date of the expiration, termination or proposed replacement of such Credit Facility, (B) that such Bonds are subject to mandatory tender for purchase as a result of such expiration, termination or proposed replacement, and (C) the date on which such purchase will occur and the Tender Price and the place of delivery for the purchase of such Bonds.

Mandatory Tender for Purchase at the Direction of the Corporation. During the Weekly Interest Rate Period and the Daily Interest Rate Period, the Bonds are subject to mandatory tender for purchase on any Business Day designated by the Corporation, with the consent of the applicable Remarketing Agent and the Liquidity Facility Provider or the Credit Facility Provider, if any, at a Tender Price equal to the principal amount thereof tendered for purchase, without premium, plus accrued interest to the Tender Date (if the Tender Date is not an Interest Accrual Date), payable in immediately available funds. Such purchase date must be a Business Day not earlier than the tenth day following the second Business Day after receipt by the Trustee of such designation.

The Trustee is required to give notice by first-class mail to the Holders of a mandatory tender for purchase not less than ten (10) days prior to a Tender Date occurring at the direction of the Corporation.

Mandatory Tender for Purchase at the Direction of the Credit Facility Provider. If a Credit Facility is in effect, the Bonds of the series secured by such Credit Facility are subject to mandatory tender for purchase on the fourth Business Day after receipt by the Trustee of a written notice from the related Credit Facility Provider directing the Trustee to cause a mandatory tender of the Bonds of such series on such date because either (a) an "Event of Default" under the related Credit Facility Agreement has occurred and is continuing or (b) there has not been a reinstatement of a draw on the applicable Credit Facility with respect to the Bonds (other than a draw relating to the permanent reduction of the stated amount of such Credit Facility).

The Trustee is required to give notice by first-class mail to the Holders of a mandatory tender for purchase not less than three (3) days prior to a Tender Date occurring at the direction of a Credit Facility Provider.

Irrevocable Notice Deemed to be Tender of Bonds. The giving of notice by a Holder of its election to have its Bond purchased during a Weekly Interest Rate Period or a Daily Interest Rate Period will constitute the irrevocable tender for purchase of such Bond with respect to which such notice has been given, regardless of whether such Bond is delivered to the Tender Agent for purchase on the relevant Tender Date.

Undelivered Bonds. If any Holder who has given notice of its election to have its Bonds purchased during a Weekly Interest Rate Period or a Daily Interest Rate Period or any Holder of a Bond subject to mandatory tender for purchase pursuant to the applicable Indenture fails to deliver such Bond to the Tender Agent at the place and on the Tender Date and at the time specified, or fails to deliver such Bond properly endorsed, such Bond will constitute an Undelivered Bond. If funds in the amount of the Tender Price of the Undelivered Bond are available for payment to the Holder thereof on the Tender Date and at the time specified, from and after the Tender Date and time of that required delivery, (1) such Undelivered Bond will be deemed to be purchased and will no longer be deemed to be Outstanding under the applicable Indenture; (2) interest will no longer accrue thereon; and (3) funds in the amount of the Tender Price of such Undelivered Bond will be held by the Tender Agent uninvested for the benefit of the Holder thereof (provided that the Holder will have no right to any investment proceeds derived from such funds), to be paid on delivery (and proper endorsement) of such Undelivered Bond to the Tender Agent at its Principal Office for delivery of Bonds.

Refusal to Accept Without Proper Instrument of Transfer. The Tender Agent may refuse to accept delivery of any Bond for which a proper instrument of transfer has not been provided. However, such refusal will not affect the validity of the purchase of such Bond as described in the applicable Indenture.

Payment of Tender Price. For payment of the Tender Price of any Bond required to be purchased as provided in the applicable Indenture on the Tender Date specified in the applicable notice, such Bond must be delivered on the date specified in such notice, to the Tender Agent at its principal office for delivery of the Bonds, accompanied by an instrument of transfer thereof, in form satisfactory to the Tender Agent, executed in blank by the Holder thereof or his duly authorized attorney, with such signature guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange.

Sources of Funds for Purchase of Bonds

On the date on which Bonds are required to be purchased pursuant to the applicable Indenture, the Tender Agent will purchase such Bonds from the Holders thereof at the Tender Price thereof. Funds for the payment of such Tender Price will be received from the following sources and used in the order of priority indicated:

(a) proceeds of the sale of Bonds remarketed by the applicable Remarketing Agent;

(b) moneys received from draws on the Credit Facility related to the applicable series of Bonds; and

(c) moneys provided to the Tender Agent by the Corporation at its option for the purchase of Bonds.

If sufficient funds are not available for the purchase of all Bonds tendered or deemed tendered and required to be purchased on any Tender Date, the failure to pay the Tender Price of all tendered Bonds when due and payable will constitute an Event of Default under the applicable Indenture and all tendered Bonds will be returned to their respective Holders and will bear interest at the Maximum Bond Interest Rate from the date of such failed purchase

until all such Bonds are purchased as required in accordance with the applicable Indenture. Thereafter, the Trustee will continue to take all such action available to it to obtain remarketing proceeds from the Remarketing Agent for the related series of Bonds and sufficient other funds from the applicable Credit Facility Provider or the Corporation.

Special Considerations Relating to the Bonds

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

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

Bonds May be Offered at Different Prices on Any Date Including an Interest Rate Determination Date. Pursuant to the Indentures and the Remarketing Agreements, each Remarketing Agent is required to determine the applicable rate of interest that, in its judgment, is the lowest rate that would permit the sale of the respective series of Bonds bearing interest at the applicable interest rate at par plus accrued interest, if any, on and as of the applicable interest rate determination date. The interest rate will reflect, among other factors, the level of market demand for the Bonds (including whether the Remarketing Agent is willing to purchase Bonds for its own account). There may or may not be Bonds tendered and remarketed on an interest rate determination date, the Remarketing Agent may or may not be able to remarket any Bonds tendered for purchase on such date at par and the Remarketing Agent may sell Bonds at varying prices to different investors on such date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third party buyers for all of the Bonds at the remarketing price. In the event a Remarketing Agent owns any Bonds for its own account, it may, in its sole discretion in a secondary market transaction outside the tender process, offer such Bonds on any date, including the interest rate determination date, at a discount to par to some investors.

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

Redemption

Optional Redemption. Bonds bearing interest at the Weekly Interest Rate or the Daily Interest Rate are subject to optional redemption by the Authority, at the written direction of the Corporation at any time, in whole or in part, at a redemption price of 100% of the principal amount thereof plus accrued interest thereon to the redemption date.

Mandatory Sinking Fund Redemption. The Bonds bearing interest at the Weekly Interest Rate or the Daily Interest Rate shall be redeemed in part on the Interest Payment Date in March of each year listed below,

commencing on the Interest Payment Date in March 2012, at a redemption price equal to 100% of the principal amount redeemed plus accrued interest thereon to the redemption date, in the principal amount set forth below next to such year:

Mandatory Sinking Fund Redemption Amount

Year	Series 2011A	Series 2011B	Series 2011C	Series 2011D	Series 2011E
2012	$ 1,285,000	$ 1,460,000	$ 1,395,000	$ 715,000	---
2013	1,330,000	1,515,000	1,440,000	735,000	---
2014	1,375,000	1,560,000	1,395,000	765,000	---
2015	1,425,000	1,615,000	1,550,000	790,000	---
2016	1,475,000	1,670,000	1,620,000	825,000	$ 2,295,000
2017	1,530,000	1,735,000	1,665,000	850,000	2,380,000
2018	1,580,000	1,790,000	1,735,000	875,000	2,465,000
2019	1,635,000	1,855,000	1,795,000	905,000	2,550,000
2020	1,690,000	1,920,000	1,795,000	940,000	2,645,000
2021	1,750,000	1,985,000	1,940,000	975,000	2,740,000
2022	1,810,000	2,060,000	2,010,000	1,005,000	2,840,000
2023	1,875,000	2,130,000	2,095,000	1,040,000	2,940,000
2024	1,940,000	2,195,000	2,180,000	1,080,000	3,045,000
2025	2,010,000	2,275,000	2,205,000	1,115,000	3,155,000
2026	2,080,000	2,360,000	2,345,000	1,155,000	3,270,000
2027	2,155,000	2,445,000	2,430,000	1,195,000	3,385,000
2028	2,230,000	2,530,000	2,525,000	1,240,000	3,510,000
2029	2,305,000	2,615,000	2,615,000	1,280,000	3,635,000
2030	2,385,000	2,710,000	2,715,000	1,325,000	3,765,000
2031	2,475,000	2,805,000	2,795,000	1,375,000	3,900,000
2032	2,560,000	2,900,000	2,930,000	1,420,000	4,040,000
2033	2,650,000†	3,005,000†	3,035,000†	1,470,000†	4,185,000
2034	---	---	---	---	4,335,000
2035	---	---	---	---	4,490,000
2036	---	---	---	---	4,655,000†

† Final maturity

Extraordinary Redemption. The Bonds shall be redeemed in whole or in part by the Authority at any time, at the written direction of the Corporation, at a redemption price equal to 100% of the principal amount thereof plus accrued interest thereon to the redemption date, without premium, in the event that the Project (as defined in the applicable Indenture) or any portion of the Project shall have been damaged, taken or condemned so as to render the Project or such portion thereof, in the judgment of the Corporation, unsatisfactory for its intended use for a period of time longer than one (1) year.

Notice of Redemption; Effect of Redemption. In the event any of the Bonds are called for redemption, the Trustee shall give notice, in the name of the Authority, of the redemption of such Bonds, which notice shall (i) specify the Bonds to be redeemed, the redemption date, the redemption price, and the place or places where amounts due upon such redemption will be payable (which shall be the principal corporate trust office of the Trustee) and, if less than all of the Bonds are to be redeemed, the numbers of the Bonds, and the portions of the Bonds, to be so redeemed, (ii) state any condition to such redemption, and (iii) state that on the redemption date, and upon the satisfaction of any such condition, the Bonds to be redeemed shall cease to bear interest. CUSIP number identification shall accompany all redemption notices. Such notice shall be given by mail, postage prepaid, at least fifteen (15) days (or, in the case of acceleration of the Bonds, immediately) but not more than sixty (60) days prior to the date fixed for redemption to each Holder of Bonds to be redeemed at its address shown on the registration books kept by the Trustee; provided, however, that failure to give such notice to any Bondholder or any defect in such notice shall not affect the validity of the proceedings for the redemption of any of the other Bonds. The Trustee shall send a second notice of redemption by certified mail return receipt requested to any registered Holder who has not submitted Bonds called for redemption thirty (30) days after the redemption date, provided, however, that the failure to give any second notice by mailing, or any defect in such notice, shall not affect the validity of any

proceedings for the redemption of any of the Bonds and the Trustee shall not be liable for any failure by the Trustee to send any second notice.

Any Bonds and portions of Bonds which have been duly selected for redemption and which are paid in accordance with the applicable Indenture shall cease to bear interest on the specified redemption date.

Unless a Credit Facility Provider has failed to honor a properly presented and conforming drawing under a Credit Facility for a series of the Bonds (and such failure remains uncured), no notice of optional redemption for such series of Bonds shall be given by the Trustee until (i) the Corporation has deposited with the Trustee moneys in an amount sufficient to reimburse such Credit Facility Provider in accordance with the terms of the applicable Credit Facility Agreement then in effect for the amount of any draw which is permitted to be made, if any, on such Credit Facility in connection with such redemption, or (ii) the Trustee has received the prior written consent from such Credit Facility Provider to such optional redemption and, if not otherwise permitted under such Credit Facility, to draw on such Credit Facility in connection with such redemption.

Securities Depository

Unless a successor Securities Depository (as defined herein) is designated pursuant to the Indentures, DTC will act as the Securities Depository for the Bonds. DTC and any successor securities depository appointed pursuant to the Indentures are referred to herein as the "Securities Depository." On the date of original issuance of the Bonds, one fully registered Bond for each maturity of each series will be issued in the name of Cede & Co., as nominee of DTC, in the aggregate principal amount of each maturity of each series of Bonds. So long as Cede & Co. is the registered owner of the Bonds as nominee of DTC, references herein to the owners or registered owners of the Bonds will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds. The Securities Depository or its nominee will be the owner of record of all issued and outstanding Bonds, and the Beneficial Owners may not obtain physical possession of the certificates representing the Bonds unless the Securities Depository resigns or is removed by the Corporation, as the "Obligated Group Agent," or by the Authority at the direction of the Obligated Group Agent in accordance with the Indentures and no successor Securities Depository is appointed. In such event the Beneficial Owners may obtain physical possession of certificates representing the Bonds that they beneficially own.

So long as DTC is the Securities Depository for the Bonds, payments of the principal of and premium, if any, and interest on the Bonds will be made directly by the Trustee to DTC or its nominee. Disbursement of such payments to the DTC Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners of the Bonds is the responsibility of the DTC Participants and Indirect Participants.

For further information regarding DTC and the book-entry-only system, see the information herein under the caption "BOOK-ENTRY SYSTEM."

The Beneficial Owners of the Bonds have no right to a Securities Depository. DTC or any successor Securities Depository may resign as Security Depository for the Bonds by giving notice to the Trustee and discharging its responsibilities under applicable law. In the event that the Obligated Group Agent determines that DTC is incapable of discharging its responsibilities or that it is in the best interest of the Beneficial Owners of the Bonds that they be able to obtain certificated Bonds, the Authority, at the direction of the Obligated Group Agent, shall appoint a successor Securities Depository qualified to act as such under Section 17(a) of the Securities Exchange Act of 1934, and the Trustee shall (i) notify the prior Securities Depository of the appointment of such successor Securities Depository and transfer certificated Bonds to such successor Securities Depository or (ii) notify the Securities Depository of the availability through the Securities Depository of certificated Bonds and transfer certificated Bonds to Securities Depository participants having Bonds credited to their accounts at the Securities Depository. In such event, the Bonds shall no longer be restricted to being registered in the name of the Securities Depository but may be registered in the name of the successor Securities Depository or its nominee or in such names as the Bondholders transferring or receiving the certificated Bonds shall designate in accordance with the Indentures.

In the event that no successor Securities Depository is appointed, such certificated Bonds shall be issued in fully registered form and shall be issued in Authorized Denominations to the Beneficial Owners.

BOOK-ENTRY SYSTEM

The following information concerning DTC and the book-entry-only system has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Authority, the Underwriters, the Trustee, the Master Trustee, the Corporation, any Credit Facility Provider or any Member of the Obligated Group.

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

DTC, the world's largest securities depository, is a limited purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants," and together with Direct Participants, "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 Bonds under the DTC System must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of the Bonds ("Beneficial Owners") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of 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 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

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

Principal, premium, if any, and interest payments on the Bonds will be made to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC). DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Trustee, the Obligated Group Agent or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

None of the Authority, the Obligated Group, any Credit Facility Provider or the Trustee has any responsibility or obligation to any DTC Participant or any Beneficial Owner with respect to: (1) the accuracy of any records maintained by DTC or any Participant; (2) the payment by DTC or any Participant of any amount due to any Beneficial Owner in respect of the principal of or any premium or interest on the Bonds; (3) the delivery by DTC or any Participant to any Beneficial Owner of any notice (including a notice of redemption) or other communication which is required or permitted to be given to Bondholders under the applicable Indenture; (4) the selection of the Beneficial Owners to receive payment in the event of a partial redemption of the Bonds; or (5) any consent given or other action taken by DTC as Bondholder.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not selected as provided in the Indentures, certificates for the Bonds are required to be printed and delivered.

The Obligated Group Agent, with the consent of the Authority and the Trustee, may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor Securities Depository). In that event, certificates for the Bonds will be printed and delivered to DTC.

The information contained in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, and none of the Authority, the Obligated Group, any Credit Facility Provider, the Trustee or the Underwriters take any responsibility for the accuracy thereof or for the accuracy of any information on the DTC website referenced herein.

Registration, Transfer and Exchange Provisions if Book-Entry System is Discontinued

The Beneficial Owners of the Bonds have no right to a Securities Depository for the Bonds. The following describes the provisions for registration, transfer and exchange of the Bonds if the book-entry system is discontinued.

The Trustee will maintain the Bond Register in which the registration of the Bonds and the registration of transfers and exchanges of the Bonds entitled to be transferred or exchanged will be recorded. The person in whose name a Bond is registered in the applicable Bond Register will be deemed the absolute owner thereof for all purposes.

Any registered owner of a Bond or its duly authorized attorney may transfer title to such registered owner's Bond in the applicable Bond Register upon surrender thereof at the corporate trust office of the Trustee, together with a written instrument of transfer (in substantially the form of assignment printed on the Bond or in such other form as shall be satisfactory to the Trustee) executed by the registered owner or its duly authorized attorney. The Bonds may be exchanged at the corporate trust office of the Trustee for a new Bond or Bonds of the same maturity and aggregate principal amount, but in different authorized denominations, as the Bonds being exchanged, upon

surrender thereof at the corporate trust office of the Trustee. Upon surrender for transfer or exchange of any Bond, the Authority shall execute and the Trustee shall authenticate and deliver in the name of the transferee or transferees or the registered owner thereof, as applicable, a new Bond or Bonds of the same maturity and aggregate principal amount as the Bond surrendered.

The Trustee may charge each holder of a Bond requesting a transfer or exchange any tax, fee or other governmental charge required to be paid with respect to such transfer or exchange. The Trustee is not required to transfer or exchange any Bonds after notice of redemption of such Bond or portion thereof has been given as herein described.

SECURITY FOR THE BONDS

Limited Obligations of Authority

The Bonds are special and limited revenue obligations of the Authority and, except to the extent payable from Bond proceeds or other moneys held under the applicable Indenture or insurance and condemnation proceeds, will be payable solely and only from and secured by the payments to be made by the Obligated Group under the Loan Agreements or the 2011 Obligations or from moneys drawn under the applicable Credit Facility.

THE BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF THE AUTHORITY AND WILL BE PAYABLE SOLELY FROM AND SECURED EXCLUSIVELY BY PAYMENTS, REVENUES AND OTHER AMOUNTS PLEDGED THERETO PURSUANT TO THE RESPECTIVE INDENTURE AND BY MONEYS DRAWN UNDER THE RESPECTIVE CREDIT FACILITY. THE BONDS DO NOT REPRESENT OR CONSTITUTE A DEBT OF THE AUTHORITY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE PROVISIONS OF THE CONSTITUTION OR STATUTES OF THE STATE OR A PLEDGE OF THE FAITH AND CREDIT OF THE AUTHORITY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, AND THE BONDS DO NOT GRANT TO THE OWNERS OR HOLDERS THEREOF ANY RIGHT TO HAVE THE AUTHORITY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF LEVY ANY TAXES OR APPROPRIATE FUNDS FOR THE PAYMENT OF THE PRINCIPAL THEREOF OR PREMIUM, IF ANY, OR INTEREST THEREON. THE AUTHORITY HAS NO TAXING POWER.

The Master Indenture

Obligations. Under the Master Indenture, the Corporation, LaPorte or any future Member of the Obligated Group is authorized to incur pursuant to a supplement to the Master Indenture, for itself and on behalf of the other Members of the Obligated Group, Obligations to evidence or secure Indebtedness (or other obligations of a Member not constituting Indebtedness). The Corporation, as Obligated Group Agent, must approve the issuance of Additional Obligations. As of the Issue Date, the Corporation and LaPorte are the only Members of the Obligated Group, and as such are solely liable for payment of the Obligations issued under the Master Indenture. Certain affiliates of the Corporation have been designated by the Corporation pursuant to the terms of the Master Indenture as "Obligated Group Affiliates" under the Master Indenture. The Obligated Group Affiliates are not Members of the Obligated Group and are not liable for payment of the 2011 Obligations. See "THE OBLIGATED GROUP AND THE OBLIGATED GROUP AFFILIATES" herein and APPENDIX A hereto for a description of the Corporation, LaPorte and the Obligated Group Affiliates. The Corporation, LaPorte and any future Members of the Obligated Group will be jointly and severally liable with respect to the payment of each Obligation incurred under the Master Indenture.

The 2011 Obligations are being issued by the Corporation under and pursuant to the Master Indenture on a parity with (i) the 2011 Bank Obligations (as hereinafter defined), (ii) the Prior Obligations, and (iii) any future Obligations to be issued and outstanding under the Master Indenture. Additional Obligations will also be issued to secure the Credit Facility Providers under the Credit Facilities (the "2011 Bank Obligations"). See "PLAN OF FINANCE" herein. All Members of the Obligated Group are required to make payments on the 2011 Obligations in amounts sufficient to pay when due the principal of and premium, if any, and interest on the Bonds. For a more detailed discussion of entry into or withdrawal from the Obligated Group, see "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE—General Covenants," "—Entrance into the Obligated Group" and "—Cessation of Status as a Member of the Obligated Group" in APPENDIX C hereto All capitalized terms

used and not defined in this section have the meanings listed in "DEFINITIONS OF CERTAIN TERMS" in APPENDIX C hereto.

The Master Indenture includes covenants that require the Corporation and LaPorte (as the sole Members of the Obligated Group) to maintain a minimum debt service coverage ratio and limit their ability to encumber certain of their respective assets. In determining whether the Corporation and LaPorte have satisfied such covenants, the Master Indenture requires the Corporation and LaPorte to include the income and assets of the Corporation and LaPorte and the Obligated Group Affiliates in calculating the related ratios and in testing for compliance even though the Obligated Group Affiliates are not obligated for the Obligations. The Master Indenture requires that each Obligated Group Affiliate be controlled by a Member of the Obligated Group (through corporate control or pursuant to contract), so as to assure compliance by the Obligated Group Affiliates with the covenants contained in the Master Indenture. The Corporation is currently the controlling member for all Obligated Group Affiliates. Management of the Corporation believes that the existing contractual relationships and corporate structure of the Corporation and the Obligated Group Affiliates allow the Corporation to exercise the necessary control over the Obligated Group Affiliates (including the ability of the Corporation to cause the Obligated Group Affiliates to transfer funds to the Corporation to make payments on Obligations) and ensure compliance with the Master Indenture covenants. While the Corporation has no current intention to allow such powers and policies to be modified in any material respect, the Master Indenture would not preclude those reserve powers or contractual relationships from being reduced or eliminated from time to time. In addition, no assurance can be given that the Corporation will, in all circumstances, be able to exercise such powers or to enforce such policies (including, without limitation, the ability of the Corporation to cause its Obligated Group Affiliates to transfer funds to make payments on the Obligations). See "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE—Payment of Amounts Due Under any Obligation; Obligated Group Affiliates" in APPENDIX C hereto.

Entities may be designated Obligated Group Affiliates by an Obligated Group Member from time to time, and such designation may be rescinded by an Obligated Group Member from time to time. Although, as discussed above, the Master Indenture requires each Obligated Group Member to include the income and assets of their respective Obligated Group Affiliates in calculations required under the Master Indenture, the Master Indenture imposes no limitations on the ability of any Obligated Group Member to rescind the designation of any entity as an Obligated Group Affiliate.

Pledge of Gross Revenues. The Master Indenture provides for a pledge to the payment of Obligations of the revenues of the Members of the Obligated Group consisting of all Accounts, Bank Accounts, General Intangibles, Contract Rights and Related Rights (each as defined in APPENDIX C hereto) of each Member, any moneys or securities held from time to time by the Master Trustee under the Master Indenture, any and all real or personal property from time to time conveyed or pledged by a Member of the Obligated Group to the Master Trustee as additional security under the Master Indenture, and all proceeds, cash proceeds, cash equivalents, products, replacements, additions, and improvements to, substitutions for and accessions of any and all such property. See "BONDHOLDERS' RISKS—Matters Relating to the Security for the Bonds."

Covenant Regarding Liens; Permitted Senior Indebtedness. Pursuant to the Master Indenture, each Member of the Obligated Group agrees that it will not create, incur or permit to be created or incurred, and will not allow its Obligated Group Affiliates to create, incur or permit to be created or incurred, the existence of any Lien upon its Property, other than Permitted Encumbrances. Permitted Encumbrances include Liens on Property of the Members of the Obligated Group and the Obligated Group Affiliates, including Liens which may be granted to secure Indebtedness, including Additional Obligations. Such Liens are not required to secure the 2011 Obligations and the 2011 Obligations would be subordinated to such Indebtedness with respect to the Property secured by such Liens. The definitions of "Liens," "Permitted Encumbrances" and "Property" are set forth in APPENDIX C hereto. See also "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE—Liens on Property" in APPENDIX C hereto.

Restrictions as to Incurrence of Additional Indebtedness. Prior to the incurrence of any long-term Indebtedness, the Obligated Group Agent must deliver to the Master Trustee an Officer's Certificate certifying that (i) the Credit Group is in compliance with the provisions of the Master Indenture as of the date of incurrence of such long-term Indebtedness and (ii) the Indebtedness Ratio, taking into account all long-term Indebtedness which will be Outstanding upon the incurrence of the proposed long-term Indebtedness and the long-term Indebtedness proposed to be incurred, for the most recent Fiscal Year for which audited financial statements are available, does not exceed 0.65:1.00.

Restrictions as to Transfer of Assets. Each of Methodist Hospital, University Hospital and Riley Hospital (each as described and defined in APPENDIX A) shall not be sold, transferred or otherwise conveyed to any person who is not a Member.

Reserved Powers and Contractual Relationships. Although each Obligated Group Affiliate operates and has beneficial use of its property, through contractual relationships and/or reserved powers as set forth in the articles of incorporation and/or bylaws of the Obligated Group Affiliates, the Corporation is of the opinion that it ultimately exercises sufficient control over the Obligated Group Affiliates to ensure covenant compliance, upstreaming and the use and disposition of their respective properties.

Participation Agreements

The Corporation has entered into Participation Agreements with LaPorte, GHS and GHA, and Tipton (each, a "Participation Agreement") pursuant to which the Corporation makes loans to LaPorte, GHS and GHA, and Tipton from time to time. Each Participation Agreement requires that LaPorte, GHS or GHA, or Tipton, as the case may be, (i) deliver a promissory note to evidence its obligation to repay such loan; (ii) pay an interest rate on such loan; (iii) repay the loan in monthly installments; (iv) maintain the tax-exempt status of the bonds and use the tax-exempt bond financed property solely for exempt purposes; (v) maintain its 501(c)(3) status; (vi) maintain its licensure and Joint Commission accreditation; and (vii) provide information to enable the Corporation to comply with its primary and secondary market disclosure obligations.

As an Obligated Group Member, LaPorte is jointly and severally liable under the Master Indenture. GHS and GHA and Tipton have agreed, pursuant to the Participation Agreement and their bylaws, respectively, to upstream funds to repay all indebtedness under the Master Indenture. However, each Participation Agreement establishes a payment priority to equitably allocate payments due under the Master Indenture. Potential shortfalls arising from payment defaults under the Master Indenture will be allocated among participating system groups (each, a "Participating System Group") as provided in the appropriate Participation Agreement. LaPorte and LaPorte Regional Physician Network, Inc. are members of the LaPorte Participating System Group. GHS and GHA are the members of the Goshen Participating System Group. Tipton is the sole member of the Tipton Participating System Group. The Corporation and Methodist Occupational Health Centers, Inc. d/b/a Indiana University Health Occupational Services are members of the Indiana University Participating System Group.

Any payment default for an entity within a Participating System Group would first be allocated to all entities within that particular Participating System Group. To the extent a Participating System Group does not meet payment requirements on the loans, the loss would then be allocated pro rata to the other Participating System Groups based on the respective principal amounts of the loans not in default.

The Corporation entered into an Integration Definitive Agreement with each of LaPorte, GHS and Tipton in connection with integration of such entity into the Indiana University Health System, which grants additional limited powers that would be triggered in the event of a payment default by LaPorte, GHS or GHA, or Tipton.

The Indentures

Assignment by Authority to the Trustee. Pursuant to each Indenture, the Authority has assigned to the Trustee, as security for the payment of the applicable series of Bonds and the amounts due and owing to each Credit Facility Provider under its respective Credit Facility Agreement, the following:

(1) all rights and interest of the Authority under the applicable Loan Agreement (except the Authority's rights to indemnification and payment of its expenses and certain expenses of collection in the event of default), including the right to receive payments from the Obligated Group under the applicable Loan Agreement and the applicable 2011 Obligation; and

(2) all moneys and securities on deposit from time to time in the funds established under the provisions of the applicable Indenture, including all moneys drawn by the Trustee under the applicable Credit Facility, permitting the application thereof for the purposes and on the terms and conditions set forth in the applicable Indenture (excluding moneys on deposit in the related Bond Purchase Fund and the related Rebate Fund).

THE CREDIT FACILITIES AND THE CREDIT FACILITY AGREEMENTS

General

The following description is a summary of certain provisions of the Credit Facilities and the Reimbursement Agreements, each dated as of April 1, 2011 and between the Corporation, as Obligated Group Agent, on its own behalf and on behalf of the other Members of the Obligated Group, and the related Credit Facility Provider (collectively, the "Credit Facility Agreements"), pursuant to which the Credit Facilities are issued. Such summary does not purport to be a complete description or restatement of the material provisions of the Credit Facility Agreements and the Credit Facilities. The Credit Facility Agreements are substantially similar, and the Credit Facilities are substantially similar. Accordingly, the majority of the discussion below is generic and applies equally to each Credit Facility Agreement and each Credit Facility. Investors should obtain and review a copy of each Credit Facility Agreement and each Credit Facility in order to understand all of the terms of such documents. The provisions of any Alternate Credit Facility and related reimbursement agreement may be different from those summarized below.

Credit Facilities

Each Credit Facility is an irrevocable transferable obligation of the related Credit Facility Provider and applies only to the applicable series of Bonds. Each Credit Facility will be issued in an amount equal to the aggregate principal amount of the outstanding applicable Bonds, plus 53 days' interest thereon at the rate of 12% per annum (the "Cap Interest Rate"). The Trustee, upon compliance with the terms of the related Credit Facility, is authorized and directed to draw up to (a) an amount sufficient (i) to pay principal of the applicable Bonds when due, whether at maturity or upon any redemption (including mandatory sinking fund redemption) or acceleration, and (ii) to pay the portion of the purchase price of the applicable Bonds tendered for purchase and not successfully remarketed or the purchase price of which has not been received by the Tender Agent by the time specified in the related Indenture (a "Liquidity Drawing"), equal to the principal amount of the applicable Bonds, plus (b) an amount not to exceed 53 days' of accrued interest on such Bonds at the Cap Interest Rate (i) to pay interest on the applicable Bonds when due, and (ii) to pay the portion of the purchase price of the applicable Bonds tendered for purchase and not successfully remarketed or the purchase price for which has not been received by the Tender Agent, equal to the interest accrued, if any, on such Bonds. Notwithstanding the foregoing, no drawings will be made under any Credit Facility for Bank Bonds (as defined in the related Credit Facility Agreement), for Bonds bearing interest in a mode other than the Daily Interest Rate or the Weekly Interest Rate (collectively, the "Covered Rates"), or for Bonds owned by or on behalf of the Corporation or any Member of the Obligated Group.

The amount available under each Credit Facility will be automatically reduced to the extent of any drawing thereunder, subject to reinstatement as described below. With respect to a drawing to pay interest on the applicable Bonds (an "Interest Drawing"), the amount available under the Credit Facility will be automatically reinstated effective on the seventh (7th) calendar day from the date of such drawing unless the Trustee shall have received from the related Credit Facility Provider written notice by the close of business, on the sixth (6th) calendar day after the date of such drawing that an Event of Default under the related Credit Facility Agreement has occurred and as a consequence thereof, the amount of such Interest Drawing shall not be reinstated and the Credit Facility Provider shall direct the Trustee to accelerate or cause a mandatory tender of the applicable Bonds. With respect to a Liquidity Drawing, each Credit Facility will automatically be reduced by an amount equal to the amount of said drawing. Prior to the Conversion Date (as defined below) upon a remarketing of the applicable Bonds (or portions thereof) previously purchased with the proceeds of such Liquidity Drawing, the related Credit Facility Provider's obligation to honor drawings under such Credit Facility will be automatically reinstated, in an amount set forth in a reinstatement certificate concurrently upon receipt by such Credit Facility Provider of such reinstatement certificate and amount set forth therein.

Each Credit Facility will terminate on the earliest of the related Credit Facility Provider's close of business on (a) the stated expiration date (April 17, 2015, as extended from time to time, for the Credit Facilities securing the Series 2011B Bonds and Series 2011E Bonds, and October 19, 2016, as extended from time to time, for the Credit Facilities securing the Series 2011A Bonds, the Series 2011C Bonds and the Series 2011D Bonds); (b) the earlier of (i) the date which is one (1) Business Day following the date on which the interest rate on all of the applicable Bonds have been converted to bear interest at a rate other than the Daily Interest Rate or the Weekly Interest Rate (the "Conversion Date") or (ii) the date on which the related Credit Facility Provider honors a drawing under such Credit Facility on or after the Conversion Date; (c) one (1) Business Day succeeding the date of the related Credit

Facility Provider's receipt of a certificate from the Trustee specifying that no Bonds remain Outstanding, within the meaning of the related Indenture, all drawings required to be made under the related Indenture and available under such Credit Facility have been made and honored, or that an Alternate Credit Facility has been issued in substitution for such Credit Facility pursuant to the related Indenture and the related Credit Facility Agreement; (d) the date on which an Acceleration Drawing (as defined in the related Credit Facility) or Stated Maturity Drawing (as defined in the related Credit Facility) is honored by the related Credit Facility Provider; or (e) the date which is fifteen (15) days following the date the Trustee receives a written notice from the related Credit Facility Provider specifying the occurrence of an "Event of Default" under the related Credit Facility Agreement and directing the Trustee to accelerate or cause a mandatory tender of the applicable Bonds.

Events of Default

Pursuant to each Credit Facility Agreement, the occurrence of any of the following events, among others, shall constitute an Event of Default thereunder. Reference is made to each Credit Facility Agreement for a complete listing of all Events of Default:

(a) the Corporation and the other Members of the Obligated Group shall fail to pay (i) any principal of or interest on any Drawing (as defined in the related Credit Facility Agreement), any Liquidity Advance (as defined in the related Credit Facility Agreement) or any Bank Bond (as defined in the related Credit Facility Agreement) as and when due under the related Credit Facility Agreement, or (ii) any other Obligations (as defined in the related Credit Facility Agreement) (other than Reimbursement Obligations (as defined in the related Credit Facility Agreement)) as and when due under the related Credit Facility Agreement or under the related Fee Letter (as defined in the related Credit Facility Agreement) and such failure continues for more than five (5) Business Days; or

(b) any material representation or warranty made by the Corporation in the related Credit Facility Agreement (or incorporated therein by reference) or in any of the other Related Documents (as defined in the related Credit Facility Agreement) or in any certificate, document, instrument, opinion or financial or other statement contemplated by or made or delivered pursuant to or in connection with the related Credit Facility Agreement or with any of the other Related Documents, shall prove to have been incorrect, incomplete or misleading in any material respect;

(c) any "event of default" shall have occurred under any of the Related Documents (as defined respectively therein), including, without limitation the Master Indenture;

(d) default in the due observance or performance of certain covenants set forth in the related Credit Facility Agreement;

(e) default in the due observance or performance of any other term, covenant or agreement set forth in the related Credit Facility Agreement or any Related Document and the continuance of such default for thirty (30) days after any such default;

(f) any material provision of the related Credit Facility Agreement or any Related Document shall cease to be valid and binding, or the Corporation or any other Member or any Governmental Authority (as defined in the related Credit Facility Agreement) of competent jurisdiction shall contest any such provision, or the Corporation, any other Member or any agent or trustee on their behalf shall deny that it has any or further liability under the related Credit Facility Agreement, the related 2011 Obligation, the related Master Bank Note (as defined in the related Credit Facility Agreement), or any of the other Related Documents to which it is a party;

(g) the Corporation, any other Member or any Material Obligated Group Affiliate shall (i) have entered involuntarily against it an order for relief under the United States Bankruptcy Code, as amended, (ii) not pay, or admit in writing its inability to pay, its debts generally as they become due, (iii) make an assignment for the benefit of creditors, (iv) apply for, seek, consent to, or acquiesce in, the appointment of a receiver, custodian, trustee, examiner, liquidator or similar official for it or any substantial part of its Property (as defined in the related Credit Facility Agreement), (v) institute any proceeding seeking to have entered against it an order for relief under the United States Bankruptcy Code, as amended, to adjudicate it

insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, marshalling of assets, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or fail to file an answer or other pleading denying the material allegations of any such proceeding filed against it, (vi) take any corporate action in furtherance of any matter described in parts (i) through (v) of this clause (g), or (vii) fail to contest in good faith any appointment or proceeding described in clause (h) under this heading "—Events of Default";

(h) a custodian, receiver, trustee, examiner, liquidator or similar official shall be appointed for the Corporation, any other Member or any Material Obligated Group Affiliate or any substantial part of any of their respective Property, or a proceeding described in clause (g)(v) under this heading "—Events of Default" shall be instituted against the Corporation, any other Member or any Material Obligated Group Affiliate and such appointment continues undischarged or any such proceeding continues undismissed or unstayed for a period of thirty (30) or more days;

(i) dissolution or termination of the existence of the Corporation, any other Material Member (as defined in the related Credit Facility Agreement) of the Obligated Group or any Material Obligated Group Affiliate (as defined in the related Credit Facility Agreement) (unless otherwise consented to by the related Credit Provider);

(j) (i) a default shall occur with respect to the payment of principal or interest with respect to any Indebtedness (as defined in the related Credit Facility Agreement) or any swap termination amount under a Swap Contract (as defined in the related Credit Facility Agreement) issued or entered into, as applicable, in an aggregate principal amount of $10,000,000 or more issued, assumed or guaranteed by the Corporation or any other Member of the Obligated Group or a default shall occur under any evidence of Indebtedness or any obligation under a Swap Contract issued or entered into, as applicable, in an aggregate principal amount of $10,000,000 or more (or in the case of a Swap Contract, would result in a swap termination amount of $10,000,000 or more) issued, assumed or guaranteed by the Corporation or any other Member of the Obligated Group under any indenture, agreement or other instrument under which the same may be issued, and such default shall continue for a period of time sufficient to permit the acceleration of the maturity of any such Indebtedness (whether or not such maturity is in fact accelerated) or the obligations under such Swap Contract (whether or not such maturity is in fact accelerated) or (ii) a default shall occur under any Indebtedness or obligations under a Swap Contract secured by a Master Indenture Obligation (as defined in the related Credit Facility Agreement) issued pursuant to the Master Indenture;

(k) any final non-appealable judgment or judgments, writ or writs or warrant or warrants of attachment, or any similar process or processes in an aggregate amount in excess of $10,000,000 (and not covered by insurance) shall be entered or filed against the Corporation, any other Member or the Obligated Group or against any of their respective Property and remain unsatisfied, unvacated, unbonded or unstayed for a period of thirty (30) days;

(l) the Corporation, any other Member or any Material Obligated Group Affiliate or any member of their respective Controlled Group (as defined in the related Credit Facility Agreement) shall fail to pay when due an amount or amounts aggregating in excess of $1,000,000 which it shall have become liable to pay to the PBGC (as defined in the related Credit Facility Agreement) or to a Plan (as defined in the related Credit Facility Agreement) under Title IV of ERISA (as defined in the related Credit Facility Agreement); or notice of intent to terminate a Plan or Plans having aggregate Unfunded Vested Liabilities (as defined in the related Credit Facility Agreement) in excess of $1,000,000 (collectively, a "Material Plan") shall be filed under Title IV of ERISA by the Corporation, any other Member or any Material Obligated Group Affiliate or any member of their respective Controlled Group, any plan administrator or any combination of the foregoing; or the PBGC shall institute proceedings under Title IV of ERISA to terminate or to cause a trustee to be appointed to administer any Material Plan or a proceeding shall be instituted by a fiduciary of any Material Plan against the Corporation, any other Member or any Material Obligated Group Affiliate or any member of their respective Controlled Group to enforce Section 515 or 4219(c)(5) of ERISA and such proceeding shall not have been dismissed within thirty (30) days thereafter; or a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any Material Plan must be terminated;

(m) (i) any of Moody's, Fitch or S&P shall downgrade their respective ratings of any long-term unenhanced Indebtedness of the Obligated Group secured by a Master Indenture Obligation to below "Baa2" (or its equivalent) by Moody's, "BBB" (or its equivalent) by Fitch or "BBB" (or its equivalent) by S&P, or (ii) any of Moody's, Fitch or S&P shall suspend or withdraw its ratings of any long-term unenhanced Indebtedness of the Obligated Group secured by a Master Indenture Obligation for credit-related reasons;

(n) any pledge or security interest created by the Master Indenture, the Indenture, the Master Bond Note, the Master Bank Note or the related Credit Facility Agreement to secure any amount due under any Bonds, the related Credit Facility Agreement or the related Fee Letter shall fail to be fully enforceable or fail to have the priority required thereunder; or

(o) a Governmental Authority with appropriate jurisdiction shall declare a debt moratorium, debt restructuring, debt adjustment or comparable restriction on the repayment when due of any Indebtedness secured by a Master Indenture Obligation.

Remedies

Upon the occurrence of any Event of Default described in "—Event of Default" above, a Credit Facility Provider may exercise under the related Credit Facility Agreement any one or more of the following rights and remedies in addition to any other remedies under such Credit Facility Agreement or by law provided:

(a) by notice to the Corporation require that the Corporation immediately prepay to such Credit Facility Provider in immediately available funds an amount equal to the Available Amount (as defined in the Credit Facility Agreement) (such amounts to be held by such Credit Facility Provider as collateral security for the Obligations), provided, however, that in the case of an Event of Default described in (g) or (h) under the subheading "—Events of Default" above, such prepayment Obligations shall automatically become immediately due and payable without any notice;

(b) declare all Obligations to be, and such amounts shall thereupon become, immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are waived by the Corporation, provided that upon the occurrence of an Event of Default described in (g) or (h) under the subheading "—Events of Default" above, such acceleration shall automatically occur without notice;

(c) give notice of the occurrence of an Event of Default to the Trustee, directing the Trustee to cause an acceleration or a mandatory tender of the applicable Bonds, thereby causing the related Credit Facility to expire fifteen (15) days thereafter;

(d) pursue any rights and remedies it may have under the Related Documents; or

(e) pursue any other action available at law or in equity.

For information regarding the provision by the Corporation of an Alternate Credit Facility for the Bonds, see "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES—Alternate Credit Facility; Delivery of Credit Facility to Replace Liquidity Facility; Surrender of Credit Facility" in APPENDIX C hereto.

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FORECASTED DEBT SERVICE REQUIREMENTS

The following table sets forth for each fiscal year ending December 31 the forecasted amounts required to be made available for the payment of principal due on the Bonds, at maturity or by mandatory sinking fund redemption, and for the payment of interest on the Bonds. The table also includes the forecasted debt service commencing with the fiscal year ending December 31, 2011 on the outstanding indebtedness of the Credit Group. Except as described in footnote 1 below, such debt service excludes debt service on the Refunded Bonds. (See footnotes 2 and 10 below for a description of currently planned (but not yet issued) debt service included in this table.)

Debt Service

Series 2011 A, B, C, D, E Bonds

Fiscal Year Ending	Existing Debt Service[1,2,3,4,5,6,7,8]	Principal	Interest [7,8,9]	Debt Service	Proposed New Money Debt Service[8, 9, 10]	Total Debt Service [11]
12/31/2011	$111,236,280	-----	$5,010,912	$5,010,912	$2,083,682	$118,330,874
12/31/2012	100,163,575	$ 4,855,000	7,864,249	12,719,249	3,902,035	116,784,858
12/31/2013	99,262,886	5,020,000	7,681,858	12,701,858	3,898,415	115,863,159
12/31/2014	98,430,328	5,095,000	7,507,334	12,602,334	3,900,225	114,932,887
12/31/2015	95,289,845	5,380,000	7,321,005	12,701,005	3,900,225	111,891,075
12/31/2016	86,582,012	7,885,000	7,069,085	14,954,085	7,451,528	108,987,625
12/31/2017	86,336,845	8,160,000	6,777,826	14,937,826	7,446,353	108,721,025
12/31/2018	86,171,556	8,445,000	6,492,736	14,937,736	7,449,668	108,558,960
12/31/2019	85,849,879	8,740,000	6,188,628	14,928,628	7,453,689	108,232,197
12/31/2020	84,999,566	8,990,000	5,877,944	14,867,944	7,449,194	107,316,704
12/31/2021	82,636,361	9,390,000	5,545,671	14,935,671	7,449,558	105,021,590
12/31/2022	82,667,096	9,725,000	5,209,913	14,934,913	7,449,311	105,051,320
12/31/2023	82,546,599	10,080,000	4,859,142	14,939,142	7,446,985	104,932,726
12/31/2024	82,700,977	10,440,000	4,504,714	14,944,714	7,448,288	105,093,979
12/31/2025	82,532,900	10,760,000	4,124,896	14,884,896	7,451,290	104,869,085
12/31/2026	82,545,816	11,210,000	3,737,444	14,947,444	7,447,089	104,940,349
12/31/2027	82,415,764	11,610,000	3,333,433	14,943,433	7,450,143	104,809,339
12/31/2028	82,153,251	12,035,000	2,915,904	14,950,904	7,447,319	104,551,474
12/31/2029	82,029,043	12,450,000	2,487,096	14,937,096	7,448,394	104,414,533
12/31/2030	81,508,215	12,900,000	2,039,678	14,939,678	7,446,609	103,894,501
12/31/2031	81,821,284	13,350,000	1,575,117	14,925,117	7,446,500	104,192,901
12/31/2032	81,789,240	13,850,000	1,093,753	14,943,753	7,453,836	104,186,828
12/31/2033	46,100,497	14,345,000	591,422	14,936,422	7,451,179	68,488,098
12/31/2034	53,217,278	4,335,000	356,240	4,691,240	7,447,225	65,355,743
12/31/2035	52,950,988	4,490,000	202,966	4,692,966	7,449,064	65,093,018
12/31/2036	52,952,988	4,655,000	39,249	4,694,249	7,449,386	65,096,622
12/31/2037	52,949,488	-----	-----	-----	-----	52,949,488
12/31/2038	52,950,113	-----	-----	-----	-----	52,950,113
12/31/2039	52,949,113	-----	-----	-----	-----	52,949,113
12/31/2040	52,949,369	-----	-----	-----	-----	52,949,369
Total:[11]	**$ 2,338,689,148**	**$ 228,195,000**	**$ 110,408,214**	**$ 338,603,214**	**$ 174,117,190**	**$ 2,851,409,552**

[1] For fiscal year ending December 31, 2011, the amount includes actual principal payments and pro forma interest on the Refunded Bonds prior to refunding.

[2] Includes forecasted debt service of proposed refunding bonds expected to be issued to refund the outstanding Series 2003 Bonds and Series 2005 Bonds. (For fiscal year ending December 31, 2011, the amount includes actual principal payments and pro forma interest on such Series 2003 Bonds and Series 2005 Bonds prior to the expected issuance date of such refunding bonds.)

[3] Includes estimated debt service for $14 million in capitalized lease, mortgage and bank note obligations, assuming amortization of debt using level debt service. Also includes $25 million note expected to be refunded in 2014 with substantially level debt service at 5.00%.

[4] Assumes interest on the (a) Series 2003E and Series 2003G Bonds (and corresponding refunding bonds) at the synthetic fixed swap rate of 4.924% per annum, (b) Series 2005A and Series 2005B Bonds (and corresponding refunding bonds) at the synthetic fixed swap rate of 3.19% per annum, and (c) Series 2005C and Series 2005D (and corresponding refunding bonds) at the synthetic fixed swap rate of 3.35% per annum (each on an actual/actual basis), plus 1.00% for remarketing and credit facility costs.

[5] Assumes interest on the 2003F Term Loan at the synthetic fixed swap rate of 4.924% per annum (on an actual/actual basis), plus 1.00% which includes the expected cost of a direct loan.

[6] Assumes floating rates received from the swap providers equal floating rates paid on the bonds. Actual results may vary. See "BONDHOLDERS' RISKS—Interest Rate Swap Risk."

[7] Remarketing and credit facility costs are estimates and are subject to change over the life of the transaction, which may impact total debt service cost.

[8] The assumed rates of interest used in this table are not calculated in accordance with the method prescribed for calculating debt service to determine compliance with various financial tests under the Master Indenture.

[9] Assumes interest on such bonds at the combined rate of 3.50% per annum (which combined rate is inclusive of remarketing and credit facility costs).

[10] Includes forecasted debt service on proposed $111,435,000 principal amount of bonds expected to be issued to provide additional funding for the 2011 Project.

[11] Totals may vary due to rounding.

Note: Debt service on the variable rate series are subject to future changes. Actual results may vary based upon market conditions.

PLAN OF FINANCE

Refunding of the Refunded Bonds

In order to provide for the current refunding of the Refunded Bonds, the Corporation will use a portion of the proceeds of the Bonds to redeem the outstanding Series 2008 Bonds on the date of issuance of the Bonds and to pay the portion of the Line of Credit which refinanced the Series 2008B Bonds.

2011 Project

Approximately $70,000,000 of the proceeds from the sale of the Bonds will be deposited to the Project Account of the Project Fund and used to finance the cost of buildings, machinery, equipment, fixtures and other capital assets, including the refinancing of lines of credit and term loans used to finance or refinance such costs on an interim basis (collectively, the "2011 Project"). The 2011 Project includes, among other things, construction and related costs on Clarian Saxony Medical Center, LLC d/b/a Indiana University Health Saxony Hospital ("Saxony"), which will operate as an acute care hospital and ambulatory care facility providing cardiology, cardiovascular, orthopedic and neurosurgery services in Fishers in Hamilton County, Indiana. Saxony is expected to begin operation in late 2011, upon completion of the first phase of construction to construct an approximately 40-bed hospital, a full-service emergency department, medical office building, pharmacy and imaging and laboratory services. Saxony will be the first and only hospital in the Town of Fishers. See "ESTIMATED SOURCES AND USES OF FUNDS."

Corporation Plan of Finance

The refunding of the Refunded Bonds is part of an overall plan of finance by the Corporation to refinance or restructure outstanding indebtedness secured by certain of the Prior Obligations. In particular, the Corporation intends to refinance or restructure all or a portion of the outstanding Series 2003 Bonds and Series 2005 Bonds (in addition to the Refunded Bonds). The amount of Bonds issued to refinance such outstanding indebtedness is dependent, among other things, on market conditions at the time of the proposed refinancing. In addition, the Corporation intends to issue additional Obligations to secure one or more series of bonds to be issued, the proceeds of which will be used to provide additional funds to finance the 2011 Project (as described above). Such Obligations would be issued pursuant to the Master Indenture on a parity with the 2011 Obligations and the Prior Obligations. See "FORECASTED DEBT SERVICE REQUIREMENTS," which shows the current assumptions and estimates related to the issuance of such future debt.

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds related to the Bonds.

Sources:	**Amount**
Par Amount of Bonds	$ 228,195,000.00
Total Sources	**$ 228,195,000.00**[1]
Uses:	
Deposit to Refunding Account of Project Fund	$ 157,455,000.00
Deposit to Project Account of Project Fund	70,000,000.00
Costs of Issuance[2]	740,000.00
Total Uses	**$ 228,195,000.00**[1]

1 The above estimated total sources and uses relates to the issuance of the Bonds described in this Official Statement. Subject to market conditions and related matters, the Corporation intends to issue additional Obligations within the next one to two months for purposes of refinancing the Series 2003 Bonds and the Series 2005 Bonds and to provide additional funds for the 2011 Project. See "FORECASTED DEBT SERVICE REQUIREMENTS," which shows the current assumptions and estimates related to the issuance of such future debt.

2 Includes legal, printing, underwriting discount and other miscellaneous costs of issuance.

BONDHOLDERS' RISKS

The following is a discussion of certain risks that could affect payments to be made with respect to the Bonds. Such discussion is not exhaustive, should be read in conjunction with all other parts of this Official Statement, and should not be considered as a complete description of all risks that could affect such payments. Prospective purchasers of the Bonds should analyze carefully the information contained in this Official Statement, including the Appendices hereto, and additional information in the form of the complete documents summarized herein, copies of which are available as described in this Official Statement. See "INTRODUCTION—Availability of Documents."

General

The Bonds will be payable by the Authority solely from amounts payable under the Loan Agreements and the 2011 Obligations issued to the Trustee or from moneys drawn under the applicable Credit Facility. See "SECURITY FOR THE BONDS." The ability of the Members of the Obligated Group to realize revenues in amounts sufficient to pay debt service on the Bonds when due is 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. No representation or assurance is given or can be made that revenues will be realized by the Obligated Group in amounts sufficient to pay debt service when due on the Bonds and the Obligations of the Obligated Group. None of the provisions of the Indentures, the Loan Agreements or the Master Indenture provide any assurance that the Obligations of the Obligated Group will be paid as and when due if the Obligated Group becomes unable to pay its debts as they come due or the Obligated Group otherwise becomes insolvent.

The receipt of future revenues by the Members of the Obligated Group and any Obligated Group Affiliate is subject to, among other factors, federal and state laws, regulations and policies affecting the health care industry and the policies and practices of major managed care providers, private insurers and other third-party payors and private purchasers of health care services. The effect on the Members of the Obligated Group of recently enacted laws and regulations and recently adopted policies, and of future changes in federal and state laws, regulations and policies, and private policies, cannot be determined at this time. Loss of established managed care contracts of a Member of the Obligated Group could also adversely affect its future revenues.

Future economic conditions, which may include an inability to control expenses in periods of inflation, and other conditions, including demand for health care services, the availability and affordability of insurance, including without limitation, malpractice and casualty insurance, availability of nursing and other professional personnel, the capability of management of each Member of the Obligated Group, the receipt of grants and contributions, referring physicians' and self-referred patients' confidence in the Members of the Obligated Group, economic and demographic developments in the United States, the State of Indiana and the service areas of the Members of the Obligated Group, and competition from other health care institutions in the service areas, together with changes in rates, costs, third-party payments and governmental laws, regulations and policies, may adversely affect revenues and expenses and, consequently, the ability of the Obligated Group to make payments under the Obligations.

Impact of Market Turmoil

Since 2008, the financial sector of the economies of the United States and other countries has experienced severe disruption, prompting a number of banks and other financial institutions to seek additional capital, including capital provided through the federal government, to merge, and, in some cases, to cease operations. These events collectively have led to significant reductions in lending capacity and extension of credit, erosion of investor confidence in the financial sector, and historically aberrant fluctuations in interest rates. This disruption of the credit and financial markets has led to volatility in the securities markets, significant losses in investment portfolios, increased business failures and consumer and business bankruptcies.

The health care sector has been materially adversely affected by these developments, including realized and unrealized investment portfolio losses, reduced investment income, limitations on access to the credit markets, difficulties in extending existing or obtaining new liquidity facilities, difficulties in rolling maturing commercial paper and remarketing revenue bonds subject to tender, requiring the expenditure of internal liquidity to fund principal payments on commercial paper or tenders of revenue bonds, and increased borrowing costs.

The current economic climate has adversely affected the health care sector generally. Patient service revenues and inpatient volumes have not increased as historic trends would otherwise indicate. Unemployment rates are increasing nationally which has resulted in increases in self-pay admissions, increased levels of bad debt and

uncompensated care, reduced demand for elective procedures, and reduced availability and affordability of health insurance. The economic climate is also increasing stresses on the budget of the State of Indiana, potentially resulting in reductions in Medicaid payment rates or Medicaid eligibility standards, and delays of payment of amounts due under Medicaid and other state or local payment programs.

Banking and Bond Insurance Industry Risk

The market turmoil discussed above has had a serious adverse effect on the financial condition of a number of bond insurers and financial institutions, weakening their credit status as reflected in their credit ratings. These developments may have seriously weakened the existing bond insurers' ability to pay such claims. Continued weakening of the existing bond insurers' financial condition and of financial institutions that provide liquidity and credit support for the Obligated Group's bonds, may result in higher interest rates paid by the Corporation and therefore may have a financial impact on the Obligated Group. Further, the financial condition of the existing bond insurers and credit enhancers of the Obligated Group's bonds may also lead to rating downgrades or adverse rating actions concerning the Obligated Group's bonds that also could affect the market price and interest rates paid by the Corporation.

Health Care Reform

In March 2010, the Patient Protection and Affordable Care Act (the "Health Care Reform Act") was enacted and approved by the President.

Some of the provisions of the Health Care Reform Act took effect immediately, while others will take effect or will be phased in over time, ranging from a few months following approval to ten years. Because of the complexity of the Health Care Reform Act generally, additional legislation is likely to be considered and enacted over time. The Health Care Reform Act will also require the promulgation of substantial regulations with significant effects on the health care industry and third-party payors. In response, third-party payors and suppliers and vendors of goods and services to health care providers are expected to impose new and additional contractual terms and conditions. Thus, the health care industry will be subjected to significant new statutory and regulatory requirements and contractual terms and conditions, and consequently to structural and operational changes and challenges, for a substantial period of time.

Management of the Corporation is analyzing the Health Care Reform Act and will continue to do so in order to assess the effects of the legislation and evolving regulations on current and projected operations, financial performance and financial condition. However, management cannot predict with any reasonable degree of certainty or reliability any interim or ultimate effects of the legislation.

A significant component of the Health Care Reform Act is reformation of the sources and methods by which consumers will pay for health care for themselves and their families and by which employers will procure health insurance for their employees and dependents and, as a consequence, expansion of the base of consumers of health care services. One of the primary drivers of the Health Care Reform Act is to provide or make available, or subsidize the premium costs of, health care insurance for some of the millions of currently uninsured (or underinsured) consumers who fall below certain income levels. The Health Care Reform Act proposes to accomplish that objective through various provisions, summarized as follows: (i) the creation of active markets (referred to as exchanges) in which individuals and small employers can purchase health care insurance for themselves and their families or their employees and dependents, (ii) providing subsidies for premium costs to individuals and families based upon their income relative to federal poverty levels, (iii) mandating that individual consumers obtain and certain employers provide a minimum level of health care insurance, and providing for penalties or taxes on consumers and employers that do not comply with these mandates, (iv) expansion of private commercial insurance coverage generally through such reforms as prohibitions on denials of coverage for pre-existing conditions and elimination of lifetime or annual cost caps and (v) expansion of existing public programs, including Medicaid, for individuals and families. The Congressional Budget Office (CBO) has estimated that, in federal fiscal year 2015, 19 million consumers who are currently uninsured will become insured, followed by an additional 11 million consumers in federal fiscal year 2016. To the extent all or any of those provisions produce the expected result, an increase in utilization of health care services by those who are currently avoiding or rationing their health care can be expected and bad debt expenses may be reduced. Associated with increased utilization will be increased variable and fixed costs of providing health care services, which may or may not be offset by increased revenues.

Some of the specific provisions of the Health Care Reform Act that may affect hospital operations, financial performance or financial conditions, including those of the Hospital, are described below. This listing is not, is not intended to be, nor should be considered by the reader as, comprehensive. The Health Care Reform Act is complex and comprehensive, and includes a myriad of new programs and initiatives and changes to existing programs, policies, practices and laws.

Some provisions of the Health Care Reform Act may adversely affect the Hospital. The demographics of the markets in which individual health care facilities of the Hospital provide services, the mix of services that any such health care facility provides to its community and other factors that are unique to such health care facilities will affect individual outcomes. At this time, management of the Hospital cannot predict the aggregate effect of the Health Care Reform Act upon the Obligated Group, as a whole.

- Commencing upon enactment through September 30, 2019, the annual Medicare market based updates for hospitals will be reduced. Beginning October 1, 2011, the market based updates will be subject to productivity adjustments. The reductions in market based updates and the productivity adjustment will have a disproportionately negative effect upon those providers that are relatively more dependent upon Medicare than other providers. Additionally, the reductions in market based updates will be effective prior to the periods during which insurance coverage and the insured consumer base will expand, which may have an interim negative effect on revenues. The combination of reductions to the market based updates and the imposition of the productivity adjustments may, in some cases and in some years, result in reductions in Medicare payment per discharge on a year-to-year basis.

- Commencing October 1, 2010 through September 30, 2019, payments under the "Medicare Advantage" programs (Medicare managed care) will be reduced, which may result in increased premiums or out-of-pocket costs to Medicare beneficiaries enrolled in Medicare Advantage plans. Those beneficiaries may terminate their participation in those plans and opt for the traditional Medicare fee-for-service program. The reduction in payments to Medicare Advantage programs may also lead to decreased payments to providers by managed care companies operating Medicare Advantage programs. All or any of these outcomes will have a disproportionately negative effect upon those providers with relatively high dependence upon Medicare managed care revenues.

- Commencing October 1, 2012, a value-based purchasing program will be established under the Medicare program designed to provide incentive payments to hospitals based on performance on quality and efficiency measures. These incentive payments are funded through a pool of money collected from all hospital providers.

- Commencing October 1, 2013, Medicare disproportionate share hospital (DSH) payments will be reduced initially by 75%. DSH payments will be increased thereafter to account for the national rate of consumers who do not have health care insurance and are provided uncompensated care. Commencing October 1, 2013, a state's Medicaid DSH allotment from federal funds will be reduced.

- There will be an expansion of Medicaid programs to a broader population with incomes up to 133% of federal poverty levels. CBO has estimated that 16 million consumers who are currently uninsured will become newly eligible for Medicaid through 2019 as a result of this expansion. Providers operating in markets with large Medicaid and uninsured populations are anticipated to benefit from increased revenues resulting from increased utilization and reductions in bad debt or uncompensated care. The increase in utilization can also be expected to increase the costs of providing that care, which may or may not be balanced by increased revenues.

- Commencing October 1, 2012, Medicare payments that would otherwise be made to hospitals that have a high rate of potentially preventable readmissions of Medicare patients for certain clinical conditions will be reduced by specified percentages to account for those excess and "preventable" hospital readmissions.

- Commencing October 1, 2014, Medicare payments to certain hospitals for hospital-acquired conditions will be reduced by 1%. Commencing July 1, 2011, federal payments to states for Medicaid services related to health care-acquired conditions will be prohibited.

- Commencing October 1, 2011, health care insurers will be required to include quality improvement covenants in their contracts with hospital providers, and will be required to report their progress on such actions to the Secretary of Health and Human Services (HHS). Commencing January 1, 2015, health care insurers participating in the health insurance exchanges will be allowed to contract only with hospitals that have implemented programs designed to ensure patient safety and enhance quality of care. The effect of these provisions upon the process of negotiating contracts with insurers or the costs of implementing such programs cannot be predicted.

- With varying effective dates, the Health Care Reform Act may enhance the ability to detect and reduce waste, fraud, and abuse in public programs through provider enrollment screening, enhanced oversight periods for new providers and suppliers, and enrollment moratoria in areas identified as being at elevated risk of fraud in all public programs, and by requiring Medicare and Medicaid program providers and suppliers to establish compliance programs. The Health Care Reform Act requires the development of a database to capture and share health care provider data across federal health care programs and provides for increased penalties for fraud and abuse violations, and increased funding for anti-fraud activities.

- Effective for tax years commencing immediately after approval, additional requirements for tax-exemption will be imposed upon tax-exempt hospitals, including obligations to adopt and publicize a financial assistance policy; limit charges to patients who qualify for financial assistance to the lowest amount charged to insured patients; and control the billing and collection processes. Additionally, effective for tax years after March 23, 2012, tax-exempt hospitals must conduct a community needs assessment and adopt an implementation strategy to meet those identified needs. Failure to satisfy these conditions may result in the imposition of fines and the loss of tax-exempt status.

- The establishment of an Independent Payment Advisory Board (the "Advisory Board") to develop proposals to improve the quality of care and limitations on cost increases. Beginning January 15, 2019, if the Medicare growth rate exceeds the target, the Advisory Board is required to develop proposals to reduce the growth rate and require the Secretary of HHS to implement those proposals, unless Congress enacts legislation related to the proposals.

The Health Care Reform Act creates a Center for Medicare and Medicaid Innovation to test innovative payment and service delivery models and to implement various demonstration programs and pilot projects to test, evaluate, encourage and expand new payment structures and methodologies to reduce health care expenditures while maintaining or improving quality of care, including bundled payments under Medicare and Medicaid, and comparative effectiveness research programs that compare the clinical effectiveness of medical treatments and develop recommendations concerning practice guidelines and coverage determinations. Other provisions encourage the creation of new health care delivery programs, such as accountable care organizations or combinations of provider organizations, that voluntarily meet quality thresholds to share in the cost savings they achieve for the Medicare program. The outcomes of these projects and programs, including their effect on payments to providers and financial performance, cannot be predicted.

Additional Debt

Except as described above under the subheading "SECURITY FOR THE BONDS—The Master Indenture—*Restrictions as to Incurrence of Additional Indebtedness*," the Master Indenture does not limit the issuance of additional Obligations on a parity with the 2011 Obligations and the other outstanding Obligations or the incurrence of additional indebtedness by the Members of the Obligated Group and any Obligated Group Affiliate. See "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE—Authorization, Amount and Designation of Obligations" in APPENDIX C hereto. The Members of the Obligated Group have previously issued Obligations, all of which are secured by the Master Indenture on a parity with the 2011 Obligations. See "SECURITY FOR THE BONDS—The Master Indenture—*Obligations*" above.

Federal Laws and Regulations

Medicare and Medicaid Programs; General

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 program and

Medicaid is jointly funded by federal and state government. 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 care given to the medically indigent, is funded by federal and state appropriations, and is administered by the individual states. Hospital benefits are available under 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 the disabled.

Health care providers have been and will be affected significantly by changes in the last several years in 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 reduce the rate of increase in health care costs, particularly costs paid under the Medicare and Medicaid programs. Diverse and complex mechanisms to limit the amount of money paid to health care providers under both the Medicare and Medicaid programs have been enacted, and have caused severe reductions in reimbursement from the Medicare program. Specifically, the Balanced Budget Act of 1997 (the "BBA") which was signed into law on August 5, 1997, was intended to decrease significantly reimbursement or payment to health care providers. Congress has also affected reimbursement levels to providers in the Medicare and Medicaid and State Children's Health Insurance Program Balanced Budget Refinement Act of 1999 ("BBRA") and the Benefits Improvement and Protection Act of 2000 ("BIPA"). The Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "2003 Act") was signed into law on December 8, 2003. The 2003 Act, among other things described below, generally increased reimbursement levels. Most recently, the Deficit Reduction Act of 2005 was signed into law on February 8, 2006, which, among other things, is expected to reduce federal entitlements through 2015, impacting both Medicare and Medicaid. The following is a summary of the Medicare and Medicaid programs and certain risk factors related thereto.

Medicare

General

Approximately 37.7% of the gross patient service revenues of the Indiana University Health System for the fiscal year ended December 31, 2010 were derived from Medicare. Medicare pays acute care hospitals for most services provided to inpatients under a payment system known as the "Prospective Payment System" or "PPS" pursuant to which hospitals are paid for services based on predetermined rates. Separate PPS payments are made for inpatient operating costs and inpatient capital costs. Such payments are not based upon a hospital's actual costs of providing service.

Inpatient Operating Costs

Acute care hospitals that participate in Medicare are paid on the basis of PPS, on a per-discharge basis at fixed rates based on the Diagnosis Related Group ("DRG") to which each Medicare patient is assigned. The DRG is determined by the diagnoses, procedures and other factors for each particular Medicare inpatient stay. The amount to be paid for each DRG is established prospectively by the Centers for Medicare and Medicaid Services ("CMS"), an agency of the United States Department of Health and Human Services ("HHS"), and is not, with certain exceptions, related to a hospital's actual costs or variations in service or length of stay.

The BBA also has affected DRG reimbursement by reducing it to, in effect, a per diem rate for a select group of DRGs when the patient is transferred to almost any post acute care setting prior to the geometric mean length of stay for the appropriate DRG. Affected by this rule are transfers to post acute care settings such as rehabilitation, skilled nursing facilities, psychiatric services and home health. This rule, which now applies to 30 DRGs (as opposed to 10, the number of DRGs affected prior to October 1, 2003), could adversely affect the Medicare reimbursement of the Members of the Obligated Group because hospitals transferring patients who are classified under one of the designated DRGs to a post-acute setting prior to the geometric mean length of stay for that DRG will receive less than the full DRG rate for those patients.

For certain Medicare beneficiaries who have unusually long or costly hospital stays ("outliers"), CMS will provide additional payments above those specified for the DRG. To determine whether a case qualifies for outlier payments, hospital-specific cost-to-charge ratios are applied to the total covered charges for the case. Operating and capital costs for the case are calculated separately by applying separate operating and capital cost-to-charge ratios and combining these costs to compare them with a defined fixed-loss outlier threshold for the specific DRG.

On June 9, 2003, CMS promulgated a final regulation revising how Medicare outlier payments for inpatient services are calculated. The regulation closed certain loopholes through which some hospitals manipulated their cost-to-charge ratios in order to increase their Medicare outlier payments. Hospitals receiving a large proportion of their Medicare revenues as outlier payments have an increased likelihood of triggering a review by CMS, not only of their outlier payments, but also of all of their billing practices. In 2009, outlier payments represented approximately 5% of the total Medicare inpatient payments, or approximately $6 billion per year. As part of its 2011 Work Plan, the HHS Office of Inspector General intends to continue to evaluate trends of payments and whether claims for outlier payments have been submitted in accordance with Medicare law and regulations. Although the Members of the Obligated Group believe that their cost-to-charge ratios were not manipulated in order to increase Medicare outlier payments, any such investigation or suit involving the outlier payments of the Members of the Obligated Group could have a material adverse impact on the financial condition and the results of operations of the Members of the Obligated Group.

While PPS payments are adjusted annually using an inflation index, based on the change in a "market basket" of hospital costs of providing health care services, there is no assurance that future updates in the PPS payments will keep pace with the increases in the cost of providing hospital services. If a hospital incurs costs in treating Medicare inpatients which exceed the DRG level of reimbursement plus any outlier payments, the hospital will experience a loss from such services. Other third-party payers have begun implementing their own limitations on reimbursement payable to hospitals to avoid "cost-shifting," that is, the practice of offsetting losses from Medicare patients by increasing charges to other payors.

Inpatient Capital Costs

Medicare payments for inpatient capital costs (*e.g.*, depreciation, interest, taxes and similar expenses for plant and equipment), are based upon a PPS system similar to the inpatient operating cost PPS. A separate per-case standardized amount is paid for capital costs, adjusted to take into account certain hospital characteristics and weighted by DRG. Such capital costs are reimbursed exclusively on the basis of a standard federal rate (based upon average national costs of capital), subject to certain adjustments specific to the hospital.

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

Skilled Nursing Facility Services

Medicare covers nursing services furnished by or under the supervision of a registered professional nurse, as well as physical, occupational and speech therapy provided by skilled nursing facilities ("SNFs") that are certified for participation in the Medicare program. Medicare coverage of SNF services is available only if the patient is hospitalized for at least three consecutive days, the need for SNF services is related to the reason for the hospitalization, and the patient is admitted to the SNF within 30 days following discharge from a Medicare participating hospital. Medicare coverage of SNF services is limited to 100 days per benefit period after discharge from a Medicare participating hospital or critical access hospital. The patient must pay coinsurance amounts for the twenty-first and each of the remaining days of covered care per benefit period.

Medicare payments for SNF services are paid on a case-mix adjusted per diem PPS for all routine, ancillary and capital related costs. The prospective payment for SNF services is based solely on the adjusted federal per diem rate. On August 11, 2009, CMS published a final rule updating the schedule of prospective payment rates applicable to Medicare Part A SNF services for federal fiscal years 2010 and 2011 and will effect a decrease from the payment rates. There can be no assurance that the SNF PPS rates will be sufficient to cover the actual costs of providing SNF services.

SNFs are also required to perform consolidated billing for items and services furnished to patients during a Part A covered stay and therapy services furnished during Part A and Part B covered stays. The consolidated billing requirement essentially confers on the SNF itself the Medicare billing responsibility for the entire package of care that its residents receive in these situations. The BBA also affected SNF payments by requiring that post-hospitalization SNF services be "bundled" into the hospital's DRG payment in certain circumstances. Where this rule applies, the hospital and the SNF must, in effect, divide the payment which otherwise would have been paid to the hospital alone for the patient's treatment, and no additional funds are paid by Medicare for SNF care of the patient. At present this provision applies to a limited number of DRGs, but already is apparently having a negative

effect on SNF utilization and payments, either because hospitals are finding it difficult to place patients in SNFs which will not be paid as before or because hospitals are reluctant to discharge the patients to SNFs and lose part of their payment. It is possible that the bundling requirement could be extended to more DRGs in the future, increasing the negative impact on SNF utilization and payments.

There is no guarantee that SNF prospective payment rates, as they may change from time to time, will cover the actual costs of the Members of the Obligated Group for providing skilled nursing services to Medicare patients. In addition, there is no assurance that the Members of the Obligated Group will be fully reimbursed for all services for which each bills through consolidated billing.

Costs of Medical Education

Medicare pays for costs associated with both direct and indirect medical education (including the salaries of residents and teachers and other overhead costs directly attributable to approved medical education programs for training residents, nurses and allied health professionals). Payment for direct medical education ("DME") reimburses hospitals for the direct costs of their medical education programs, including faculty and resident salaries and other costs incurred directly in support of the teaching programs. However, prior legislation capped the number of residents for which DME reimbursement would be available to the number of residents that were included in the hospital's cost report ending December 31, 1996. Different rules apply to new residency programs, but the DME amounts payable for new programs are also limited based on certain other factors. Further, there is a debate over whether the training of residents at off-site facilities will impact the payment made to hospitals. The Members of the Obligated Group may be negatively impacted if payment for such off-site training of residents is decreased. There can be no assurance that payments to the Members of the Obligated Group for providing medical education will be adequate to cover the costs attributable to medical education programs.

Home Health Reimbursement

As of October 1, 2000, Medicare began paying all home health agencies for services delivered to home-bound Medicare beneficiaries on the basis of a home health prospective payment system. Home health providers are paid a predetermined base payment, adjusted to the health condition of the beneficiary. Medicare will also provide outlier payments in addition to the case-mix adjusted payment for cases involving an unusually high level of services in a 60-day period. There can be no assurance that the prospective payment amounts for home health services provided by the Members of the Obligated Group will be sufficient to cover the actual costs of providing such services.

Inpatient Psychiatric and Rehabilitation

Prior to April 1, 2001, rehabilitation, psychiatric, long term care, children's and cancer hospitals and distinct inpatient rehabilitation and psychiatric units of hospitals were exempt from the PPS. As a result, providers of these services were paid on the basis of the cost of, or a portion of the cost of, providing such service. As of January 1, 2002, all inpatient services furnished by a hospital enrolled in the Medicare program as a rehabilitation hospital or by a rehabilitation unit of a hospital are reimbursed by Medicare on a prospective payment system specifically established for such hospitals and units. On January 27, 2011, CMS proposed a rule to update the prospective payment rates for Medicare inpatient hospital services provided by inpatient psychiatric facilities for discharges occurring during the rate year beginning July 1, 2011 through September 30, 2012. The proposed rule would also change the PPS payment rate update period to a rate year that coincides with a fiscal year. Methodist Hospital, LaPorte and Goshen (as described in APPENDIX A hereto) have psychiatric and/or rehabilitation units. While the effect of these changes on the Members of the Obligated Group cannot be predicted at this time, proposed new prospective payment systems could have a material adverse effect on the financial condition or results of operations of the Members of the Obligated Group if their costs for providing such services exceed the reimbursement paid under the respective prospective payment systems.

Cost of Outpatient Services

The BBA provided authority for CMS to implement PPS for hospital outpatient services, certain Part B services furnished to hospital inpatients who have no Part A coverage, and partial hospitalization services furnished by community mental health centers ("Outpatient PPS"). All services paid under the new Outpatient PPS are classified into groups called Ambulatory Payment Classifications or "APCs." Services in each APC are similar clinically and in terms of the resources they require. A payment rate is established for each APC which is based on 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 for an encounter. There can be no assurance that payments under Outpatient PPS will be sufficient to cover the actual costs of providing such services.

Physician Payments

Reimbursement for certain physician services is based on a Medicare fee schedule based on a "resource-based relative value scale" ("RBRVS"). The RBRVS fee schedule establishes payment amounts for all physician services, including services provided by hospital employed physicians (other than anesthesiologists) and is subject to annual updates. There can be no assurance that the payments for physician services will be sufficient to cover the actual costs of providing such services.

Hospice and Outpatient Renal Dialysis Reimbursement

Hospice services are reimbursed on a cost-based prospective payment method, subject to a "cap" amount. CMS establishes daily payment amounts, which are adjusted to reflect local differences in wages. Under the BBA and BBRA, the amounts paid to the hospice program are less than the market basket increase for the fiscal year involved.

Renal dialysis services are reimbursed on the basis of prospective reimbursement, though different rates are paid for hospital-based and free-standing facilities, and are adjusted for geographic differences in labor costs. This composite rate is the same regardless of whether the treatment is furnished in the facility or in the patient's home to incentivize home dialysis, and must be accepted by the facility as payment in full for covered outpatient dialysis.

There can be no assurance that the prospective payment amounts for hospice or renal dialysis services provided by the Members of the Obligated Group will be sufficient to cover the actual costs of providing such services.

Provider-Based Designation

CMS regulations describe the criteria and procedures for determining whether a facility or organization is "provider-based" and thereby treated as part of another Medicare provider, rather than as a freestanding entity. The current regulations impose significantly greater requirements for obtaining provider-based status than was the case under previous regulations, and may lead to reclassification of facilities or departments of the Members of the Obligated Group currently classified as "provider-based." Proposed CMS regulations would add "rural health clinics" to the list of facilities for which provider-based status is not available. Reclassification of any of the provider-based facilities or departments of the Members of the Obligated Group could reduce reimbursement under the Medicare program. In addition, in the event that a facility or department that bills for outpatient services as a provider-based entity is found to be out of compliance with the current provider-based regulations, the Members of the Obligated Group could be liable for Medicare overpayments.

Medicare Conditions of Participation

Hospitals must comply with standards called "Conditions of Participation" in order to be eligible for Medicare and Medicaid reimbursement. CMS is responsible for ensuring that hospitals meet these regulatory Conditions of Participation. Under the Medicare rules, hospitals accredited by certain independent accrediting organizations, including the Joint Commission, are deemed to meet the Conditions of Participation. However, CMS may request that the state agency responsible for approving hospitals on behalf of CMS, conduct a "sample validation survey" of a hospital to determine whether it is complying with the Conditions of Participation. Failure to maintain Joint Commission accreditation or other noncompliance with the Conditions of Participation could have a material adverse effect on the continued participation in the Medicare and Medicaid programs, and ultimately, the financial condition and results of operations of the Members of the Obligated Group.

Medicare Audits and Withholds

Hospitals participating in Medicare and Medicaid are subject to audits and retroactive audit adjustments with respect to reimbursement claimed under those programs. Although management of the Corporation believes recorded valuation allowances are adequate for the purpose, any such future adjustments could be material. Both Medicare and Medicaid regulations also provide for withholding payments in certain circumstances. Any such

withholding with respect to any Member of the Obligated Group could have a material adverse effect on the financial condition and results of operations of the Members of the Obligated Group. In addition, contracts between hospitals and third-party payers often have contractual audit, setoff and withhold language that may cause substantial, retroactive adjustments. Such contractual adjustments also could have a material adverse effect on the financial condition and results of operations of the Members of the Obligated Group. Management of the Corporation is not aware of any situation in which a Medicare or other payment is being, or may in the future be, withheld that would materially and adversely affect the financial condition or results of operations of the Members of the Obligated Group.

Under both Medicare and Medicaid programs, certain health care providers, including hospitals, are required to report certain financial information on a periodic basis, and with respect to certain types of classifications of information, penalties are imposed for inaccurate reports. As these requirements are numerous, technical and complex, there can be no assurance that the Members of the Obligated Group will avoid incurring such penalties in the future. These penalties may be material and adverse and could include criminal or civil liability for making false claims and/or exclusion from participation in the federal healthcare programs. Under certain circumstances, payments made may be determined to have been made as a consequence of improper claims subject to the federal False Claims Act or other federal statutes, subjecting the provider to civil, administrative, or criminal sanctions. The United States Department of Justice has initiated a number of national investigations, including in the State of Indiana, involving proceedings under the federal False Claims Act relating to alleged improper billing practices by hospitals. These actions have resulted in substantial settlement amounts being paid in certain cases.

Management of the Members of the Obligated Group does not anticipate that Medicare audits or cost report settlements for the Medicare program will materially adversely affect the financial condition or results of operations of the Members of the Obligated Group, taken as a whole, nor does it believe that any Member of the Obligated Group has improperly submitted claims; however, in light of the complexity of the regulations relating to the Medicare program, and the threat of ongoing investigations as described above, there can be no assurance that significant difficulties will not develop in the future.

Medicare Advantage

Medicare Advantage plans (formerly known as Medicare+Choice Plans prior to the 2003 Act) are alternate insurance products offered by private companies that engage in direct managed care risk contracting with the Medicare program. Under the Medicare Advantage program these private companies agree to accept a fixed, per-beneficiary payment from the Medicare program to cover all care that the beneficiary may require. In recent years, many private managed care companies discontinued their Medicare+Choice plans. The result has been that the beneficiaries who were covered by the now-discontinued Medicare+Choice have been shifted back into the Medicare fee-for-service program or into a Medicare cost plan.

Future legislation or regulations may be created to encourage increased participation in the Medicare Advantage program. The effect of such future legislation/regulation is unknown but could materially and adversely affect the Obligated Group.

Medicaid

Medicaid is the joint federal/state program, created under the Social Security Act, by which hospitals receive reimbursement for services provided to eligible infants, children, adolescents and indigent adults. Approximately 17.5% of the gross patient service revenues of the Indiana University Health System for the fiscal year ended December 31, 2010 were derived from Medicaid.

Payments made to health care providers under the Medicaid program are subject to change as a result of federal or state legislative and administrative actions, including changes in the methods for calculating payments, the amount of payments that will be made for covered services and the types of services that will be covered under the program. Such changes have occurred in the past and may be expected to occur in the future, particularly in response to federal and state budgetary constraints.

Indiana Medicaid Program

Since a portion of the Medicaid program's costs in Indiana are paid by the State, the absolute level of Medicaid revenues paid to the Indiana University Health System, as well as the timeliness of their receipt, may be

affected by the financial condition of and budgetary factors facing the State. The actions the State could take to reduce Medicaid expenditures to accommodate any budgetary shortfalls include, but are not limited to, changes in the method of payment to hospitals, changes in eligibility requirements for Medicaid recipients and delays of payments due to hospitals. Any such action taken by the State could have a material adverse effect upon the Indiana University Health System's operations and financial results.

Since November 4, 1994, the Indiana Medicaid program has made payments to hospitals using a DRG system that bases payments on patient discharges. Previously, the Indiana Medicaid program reimbursed hospitals for inpatient services on the basis of the hospital's reasonable costs, as determined under Medicare cost reimbursement principles, and limited such reimbursement by allowing increases in the per discharge target rates based upon certain fiscal year inflationary adjustment percentages.

Effective March 1, 1994, the Indiana Medicaid Program adopted a rule establishing an outpatient payment system that reimburses hospitals based upon established fee schedule allowances and rates for surgery groups. Previously, outpatient reimbursement was made on a prospective reimbursement methodology providing a predetermined percentage based upon an aggregate "cost-to-charge" ratio, with no year-end costs settlement. Consequently, no assurance can be given that Medicaid payments received or to be received by the Indiana University Health System will be sufficient to cover costs for inpatient and outpatient services, debt service obligations or other expenses otherwise eligible for reimbursement.

Like most states, Indiana has implemented managed care programs to serve the Medicaid population as a cost saving strategy for the State. Initiatives currently in place are intended to expand participation in the State sponsored managed care programs. Increased participation may impact hospital reimbursements through the Medicaid programs.

Disproportionate Share Payments

The federal Medicaid law permits states to include a "disproportionate share" adjustment in payments to hospitals in order to compensate those hospitals that serve a disproportionate share of indigent patients. Approximately 1.7% of the gross patient revenues of the Indiana University Health System for the fiscal year ended December 31, 2010 are represented by gross disproportionate share payments. There is no guarantee that, in the future, the Indiana University Health System will continue to receive distributions at this level.

Federal Regulatory and Contractual Matters

Recent Legislation

The 2003 Act, in addition to adding outpatient prescription drug coverage, makes significant changes to the Medicare program affecting hospitals, and provides certain economic benefits to hospitals over the next 10 years. Among other things, the 2003 Act's hospital-related provisions (i) increased payments to rural providers; (ii) ensured that inpatient PPS payment updates remain at the full market basket, provided hospitals participate in a voluntary CMS-sponsored hospital reporting initiative; (iii) increased home health payments; and (iv) established a competitive acquisition program for durable medical equipment beginning in 2007.

While it is believed that the 2003 Act will provide a measure of financial relief to hospitals, it is impossible to predict the effect that the 2003 Act will have on Members of the Obligated Group, especially given the 2003 Act's length, complexity and long phase-in period, as well as the potential for future amendment and alteration of the benefits provided by the 2003 Act.

In addition, the current trend of federal Medicare legislation and regulation favors the replacement of cost-based, provider-specific reimbursement with prospectively determined national payment rates. The net effect of this trend could be lower revenues that would have a material adverse effect on the future financial condition and results of operations of the Members of the Obligated Group.

On February 8, 2006, the President signed the Deficit Reduction Act of 2005 ("DRA"). The DRA is expected to generate $39 billion in federal entitlement reductions over the 2006 to 2010 period and $99 billion over the 2006 to 2015 period. The DRA includes net reductions of $4.8 billion over the next five (5) years and $26.1 billion over the next ten (10) years from Medicaid. Many of the policy changes in the DRA would shift costs to beneficiaries and have the effect of limiting health care coverage and access to services for low-income beneficiaries. The

Medicaid reductions in direct spending include the following five major categories: prescription drugs; asset transfer changes for long-term care eligibility; fraud, waste and abuse; cost-sharing and benefit flexibility; and state financing. The DRA also contains provisions involving quality reporting and a reduction in Medicare payments to hospitals that do not report quality-related data, and adjustments and payment methodology for imaging services, ambulatory surgical center services, physician services and therapy services. The DRA also contains provisions encouraging states to enact false claims acts. Under the DRA, if a state has in effect a law relating to false or fraudulent claims that meet the requirements of the DRA, the Federal medical assistance percentage with respect to any amounts recovered under a state action brought under such state false claims law shall be decreased by ten (10) percentage points, thereby entitling the state to retain more of the amounts recovered. This provision may increase state investigations related to Medicaid fraud and abuse.

The 2011 Medicare Inpatient Prospective Payment System regulation, released on July 30, 2010, and which appeared in the Federal Register on August 16, 2010, states that CMS is proceeding with the disclosure of financial relationship report (DFRR) process. The new regulation also made significant final changes to the Stark Law (as defined below) exceptions from previously recommended changes.

Anti-Fraud and Abuse Laws

The federal Anti-Kickback statute (the "Anti-Kickback Law") makes it a felony to knowingly and willfully offer, pay, solicit or receive remuneration, directly or indirectly, in order to induce business that is reimbursable under any federal health care program. The statute has been interpreted to cover any arrangement where one purpose of the remuneration was to obtain or pay money for the referral of services or to induce further referrals. Violation of the Anti-Kickback Law may result in imprisonment for up to five years and/or fines of up to $25,000 for each act. In addition, the Office of Inspector General ("OIG") of HHS 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. A party may seek an advisory opinion to determine whether an actual or proposed arrangement meets a particular safe harbor; however the failure of a party to seek an advisory opinion may not be introduced into evidence to prove that the party intended to violate the provisions of the statute. Failure to comply with a statutory exception or regulatory safe harbor does not mean that an arrangement is unlawful but may increase the likelihood of challenge.

The Health Insurance Portability and Accountability Act of 1996 ("HIPAA") created a new program operated jointly by HHS and the United States Attorney General to coordinate federal, state and local law enforcement with respect to fraud and abuse including the Anti-Kickback Law. HIPAA also provides for minimum periods of exclusion from a federal health care program for fraud related to federal health care programs, provides for intermediate sanctions and expands the scope of civil monetary penalties. The BBA expanded the authority of OIG to exclude persons from federal health care programs, increased certain civil and monetary penalties for violations of the Anti-Kickback Law and added a new monetary penalty for persons who contract with a provider that the person knows or should know is excluded from the federal health care programs. Finally, actions which violate the Anti-Kickback Law or similar laws may also involve liability under the federal civil False Claims Act which prohibits the knowing presentation of a false, fictitious or fraudulent claim for payment to the United States. Actions under the civil False Claims Act may be brought by the United States Attorney General or as a qui tam action brought by a private individual in the name of the government.

Pursuant to the mandates of HIPAA, increased emphasis is being placed on federal investigations and prosecutions of Medicare and Medicaid "fraud and abuse" cases, and increases in personnel investigations and prosecuting such cases have been reported, which will most likely result in a higher level of scrutiny of hospitals and health care providers, including Members of the Obligated Group.

The management of the Members of the Obligated Group believes that the Members of the Obligated Group are in compliance with the Anti-Kickback Law. However, because of the breadth of those laws and the narrowness of the safe harbor regulations, there can be no assurance that regulatory authorities will not take a contrary position or that the Members of the Obligated Group will not be found to have violated the Anti-Kickback Law. Specifically, the Corporation's hospital joint ventures, Indiana University Health West and Indiana University Health North, described in APPENDIX A, do not satisfy all of the criteria for any current safe harbor under the Anti-Kickback Law. While Management believes these joint ventures are in compliance despite not meeting a safe

harbor, they may be subject to closer scrutiny than an arrangement that complies with a safe harbor. No assurance can be given that, if investigated, these hospital joint ventures would be found in compliance with the Anti-Kickback Law.

Stark Law

Another federal law (known as the "Stark Law") prohibits, subject to limited exceptions, a physician who has a financial relationship, or whose immediate family has a financial relationship, with entities (including hospitals) providing "designated health services" from referring Medicare patients to such entities for the furnishing of such designated health services. Stark Law designated health services include physical therapy services, occupational therapy services, speech-language pathology, radiology or other diagnostic services (including MRIs, CT scans and ultrasound procedures), durable medical equipment, radiation therapy services, diagnostic and therapeutic nuclear medicine services, parenteral and enteral nutrients, equipment and supplies, prosthetics, orthotics and prosthetic devices, home health services, outpatient prescription drugs, inpatient and outpatient hospital services and clinical laboratory services. The Stark Law also prohibits the entity receiving the referral from filing a claim or billing for the services arising out of the prohibited referral. The prohibition applies regardless of the reasons for the financial relationship and the referral; that is, unlike the federal Anti-Kickback Law, no finding of intent to violate the Stark Law is required. Sanctions for violation of the Stark Law include denial of payment for the services provided in violation of the prohibition, refunds of amounts collected in violation, a civil penalty of up to $15,000 for each service arising out of the prohibited referral, exclusion from the federal healthcare programs, and a civil penalty of up to $100,000 against parties that enter into a scheme to circumvent the Stark Law's prohibition. Under an emerging legal theory, knowing violations of the Stark Law may also serve as the basis for liability under the False Claims Act. The types of financial arrangements between a physician and an entity that trigger the self-referral prohibitions of the Stark Law are broad, and include ownership and investment interests and compensation arrangements.

On August 8, 2006, the United States Department of Health and Human Services issued a final report to the Congress pursuant to Section 5006(a)(1) of the DRA recommending a strategic and implementation plan to address issues related to physician investments in specialty hospitals ("Final Report"). Although the Final Report does not recommend prohibiting physician investment in specialty hospitals, it notes the following recommendations: (i) reform payment rates for inpatient hospital services through DRG refinements; (ii) reform payment rates for ambulatory surgery centers; (iii) closer scrutiny of whether entities meet the definition of a hospital; and (iv) review of procedures for approval for participation in Medicare. In an August 8, 2006 press release from CMS, CMS notes that the plan in the Final Report "highlights the importance of moving forward with the major payment reforms to the hospital inpatient prospective and ambulatory surgical center payment systems that have been initiated by CMS. By eliminating the sometimes large difference between payments and costs for some types of hospital care, improper incentives can be eliminated for physicians and hospitals to invest in services simply because they are most profitable." It is unknown at this time what action, if any, Congress will take based upon the Final Report.

On March 26, 2004 and September 5, 2007, CMS issued the second and third phases of the regulations implementing the Stark Law. Those regulations changed the requirements to meet certain Stark Law exceptions and added new exceptions to the Stark Law. At a minimum, the new Stark regulations may require the Members of the Obligated Group to amend or terminate certain arrangements with physicians or other referral sources to comply with the new regulations' requirements. At this point, it is uncertain whether or how these regulations will affect the financial condition and results of operations of the Members of the Obligated Group.

Although management of the Members of the Obligated Group believes that the arrangements of the Members of the Obligated Group with physicians should not be found to violate the Stark Law, as currently interpreted, there can be no assurance that regulatory authorities will not take a contrary position or that the Members of the Obligated Group will not be found to have violated the Stark Law. Specifically, management has taken the position that the joint venture hospitals described in APPENDIX A, Indiana University Health North and Indiana University Health West, are general acute care hospitals rather than specialty hospitals. Sanctions under the Stark Law, including exclusion from the Medicare and Medicaid programs, could have a material adverse effect on the financial condition and results of operations of the Members of the Obligated Group.

False Claims Laws

There are principally three federal statutes addressing the issue of "false claims." First, the Civil False Claims Act imposes civil liability (including substantial monetary penalties and damages) on any person or corporation that

(1) knowingly presents or causes to be presented a false or fraudulent claim for payment to the United States government; (2) knowingly makes, uses, or causes to be made or used a false record or statement to obtain payment; or (3) engages in a conspiracy to defraud the federal government by getting a false or fraudulent claim allowed or paid. Specific intent to defraud the federal government is not required to act with knowledge. This statute authorizes private persons to file qui tam ("Qui Tam") actions on behalf of the United States. Qui Tam actions have been and, in the future, could be brought against the Indiana University Health System's hospitals.

In addition to the Civil False Claims Act, the Civil Monetary Penalties Law authorizes the imposition of substantial civil money penalties against an entity that engages in activities including, but not limited to, (1) knowingly presenting or causing to be presented, a claim for services not provided as claimed or which is otherwise false or fraudulent in any way; (2) knowingly giving or causing to be given false or misleading information reasonably expected to influence the decision to discharge a patient; (3) offering or giving remuneration to any beneficiary of a federal health care program likely to influence the receipt of reimbursable items or services; (4) arranging for reimbursable services with an entity which is excluded from participation from a federal health care program; (5) knowingly or willfully soliciting or receiving remuneration for a referral of a federal health care program beneficiary; or (6) using a payment intended for a federal health care program beneficiary for another use. The Secretary of HHS, acting through the OIG, also has both mandatory and permissive authority to exclude individuals and entities from participation in federal health care programs pursuant to this statute.

Finally, it is a criminal federal health care fraud offense to: (1) knowingly and willfully execute or attempt to execute any scheme to defraud any healthcare benefit program; or (2) obtain, by means of false or fraudulent pretenses, representations or promises any money or property owned or controlled by any healthcare benefit program. Penalties for a violation of this federal law include fines and/or imprisonment, and a forfeiture of any property derived from proceeds traceable to the offense.

Physician Recruitment

The Internal Revenue Service ("IRS") and OIG have issued various pronouncements that could limit physician recruiting and retention arrangements. In IRS Revenue Ruling 97-21, the IRS ruled that tax-exempt hospitals that provide recruiting and retention incentives to physicians risk loss of tax-exempt status unless the incentives are necessary to remedy a community need and, accordingly, provide a community benefit; improvement of a charitable hospital's financial condition does not necessarily constitute such a purpose. The OIG has taken the position that any arrangement between a federal healthcare program-certified facility and a physician that is intended to encourage the physician to refer patients may violate the federal Anti-Kickback Law unless a regulatory exception applies. Physician recruiting and retention arrangements may also implicate the Stark Law. While the OIG has promulgated a practitioner recruitment safe harbor and CMS has created a Stark Law exception for practitioner recruitment, the safe harbor and Stark Law exception are limited to practice recruitment in areas that are health professional shortage areas, and to the recruitment of new physicians who are relocating their practices, respectively. In addition, as noted above, recent Stark Law regulations have modified the Stark Law recruitment exception and apply both to new arrangements as well as recruitment arrangements already in existence.

Management of the Members of the Obligated Group believes that the physician recruitment programs of the Members of the Obligated Group are in material compliance with these laws and policies, but no assurance can be given that future laws, regulations or policies will not have a material adverse impact on the ability of the Members of the Obligated Group to recruit and retain physicians.

Emergency Medical Treatment and Labor Act

The federal Emergency Medical Treatment and Labor Act ("EMTALA") imposes certain requirements on hospitals and facilities with emergency departments. Generally, EMTALA requires that hospitals provide "appropriate medical screening" to patients who come to the emergency department to determine if an emergency medical condition exists. The hospital must stabilize the patient, and the patient cannot be transferred unless stabilization has occurred. On September 5, 2003, CMS issued rules clarifying hospital obligations under EMTALA. These rules expand the definition of hospital emergency department to include any department or facility of the hospital, regardless of whether it is located on or off the main hospital campus, that (i) is licensed by the state in which it is located under applicable state law as an emergency room or emergency department; (ii) is held out to the public as a place that provides care on an emergency medical or urgent care basis or (iii) provides at least one-third of all of its outpatient visits for the examination and treatment of emergency medical conditions. The new rules also clarify the physician "on-call" requirements, now allowing hospitals the discretion to develop their

on-call lists in a way that best meets the needs of their communities. Furthermore, the rules permit hospital departments that are off-campus to provide the most effective way for caring for emergency patients without requiring that the patient be moved to the main campus.

In addition, emergency room services provided to screen and stabilize a Medicare beneficiary furnished after January 1, 2004, 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.

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

Management of the Members of the Obligated Group believes its policies and procedures are in material compliance with EMTALA. Two inquiries about possible violations of EMTALA have been initiated against the Corporation. See "LITIGATION AND AUDITS" in APPENDIX A hereto. Any sanctions imposed as a result of an EMTALA violation could have a material adverse effect on the future operations or financial condition of the Members of the Obligated Group.

State Laws and Regulations

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

Due to this increased state oversight, the Members of the Obligated Group could be subject to a variety of state health care laws and regulations affecting both managed care organizations and health care providers. In addition, the Members of the Obligated Group could be subject to state laws and regulations prohibiting, restricting or otherwise governing preferred provider organizations, third-party administrators, physician-hospital organizations, independent practice associations or other intermediaries; fee-splitting; the "corporate practice of medicine"; selective contracting ("any willing provider" laws and "freedom of choice" laws); coinsurance and deductible amounts; insurance agency and brokerage; quality assurance, utilization review and credentialing activities; provider and patient grievances; mandated benefits; rate increases; and many other areas.

In the event that the Members of the Obligated Group choose to engage in transactions subject to such laws, or are considered by a state in which they operate to be engaging in such transactions, the Members of the Obligated Group may be required to comply with these laws or to seek the appropriate license or other authorization from that state. Such requirements may impose operational, financial and legal burdens, costs and risks upon the Members of the Obligated Group.

Joint Ventures

The OIG has expressed its concern in various advisory bulletins that many types of joint venture arrangements involving hospitals may implicate the Anti-Kickback Law, 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 concern 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 Law and expressing skepticism that existing statutory or regulatory safe-harbors would protect suspect contractual joint ventures.

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. See "BONDHOLDERS' RISKS—Tax-Exempt Status of the Members of the Obligated Group and the Bonds" for further discussion of risks related to the tax-exempt status of the Corporation and members of the Credit Group.

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

The Members of the Obligated Group have entered or are in the process of entering into several joint ventures with physicians. The ownership and operation of certain of these joint ventures may not meet safe harbors under the Anti-Kickback Law. Management of the Members of the Obligated Group has proceeded or is proceeding with the transactions related to the joint ventures on the assumption, after consultation with its legal counsel, that each of the transactions related to the joint ventures is in compliance with the Stark Law and the tax laws governing Section 501(c)(3) organizations, and is otherwise generally in compliance with the Anti-Kickback Law. However, there can be no assurance that regulatory authorities will not take a contrary position or that such transactions will not be found to have violated the Stark Law, the tax laws governing Section 501(c)(3) organizations and/or the Anti-Kickback Law. Any such determination could have a material adverse effect on the financial condition of the Obligated Group.

HIPAA Administrative Simplification

Providers of health care and operators of health plans are significantly affected by certain health information requirements contained in the "administrative simplification" provisions of HIPAA. Pursuant to HIPAA, most covered entities, including the Members of the Obligated Group, were required to make significant changes to hardware, software and operations. The Members of the Obligated Group have implemented these changes, believe that such implementation has been successful and believe that reimbursement of claims will not be materially disrupted. Disruptions in reimbursement could have a material adverse effect on the financial condition of the Obligated Group.

On December 28, 2000, HHS published the final privacy rules (the "Privacy Rule") to implement other requirements of the "administrative simplification" section of HIPAA. The Privacy Rule explicitly covers health care providers, health plans, and certain clearinghouses of health care information (*i.e.*, a "covered entity"). The Privacy Rule provides the first comprehensive federal protection for the privacy of health information. It covers all medical records and other identifiable health information used, maintained or disclosed by a covered entity whether communicated electronically, on paper or orally. Management of the Obligated Group believes that it is in material compliance with the Privacy Rule.

Finally, HHS has published regulations establishing standards concerning the security of health care data that is transmitted electronically (the "Security Standards"). The final version of the Security Standards was published February 20, 2003. The Security Standards require covered entities such as the Obligated Group Members to undertake a wide range of activities designed to enhance security of electronic information. These measures include implementing administrative, physical and technical safeguards to protect electronic health information and ensuring the confidentiality, integrity and availability of electronic health information. Most covered entities were required to

comply with the Security Standards by April 20, 2005. Management of the Members of the Obligated Group believes that it is in material compliance with the Security Standards.

The Health Information Technology for Economic and Clinical Health Act ("HITECH") was signed into law on February 18, 2009. HITECH makes a number of significant changes to the Privacy Rule and the Security Rule, including modifying and expanding the scope of the Privacy Rule (*e.g.*, narrowing the scope of marketing activities that are permitted without an individual's authorization), requiring the Secretary of HHS to conduct mandatory audits of covered entities and business associates, increasing civil and criminal penalties for HIPAA violations and requiring those that are covered under HIPAA to comply with security breach notification requirements that exceed existing state law.

On October 30, 2009, HHS published an interim final rule announcing how it will enforce the expanded penalties for HIPAA violations contained in HITECH. HHS confirmed that no civil penalty will be imposed if the violation is corrected in a timely manner and does not arise from willful neglect. However, in all other cases, civil penalties for each HIPAA violation range from $100 to $50,000, depending upon the violator's level of culpability. Civil penalties are capped at $1.5 million per calendar year. HITECH also permits the Secretary of HHS to bring criminal charges against any individual (whether or not an employee of a covered entity) who obtains or discloses protected health information without an appropriate authorization. Management of the Obligated Group believes that it is in material compliance with HITECH.

Market Dynamics

In providing health care services, each Member of the Obligated Group competes with a number of other providers in its service area, including for-profit and nonprofit providers of acute health care services. See "SERVICE AREAS" in APPENDIX A hereto for a description of the principal competitors of the Obligated Group in its service areas.

In addition, other affiliations among health care providers in the service areas of the Members of the Obligated Group may be either in a formative phase or under negotiation. Competition could also result from certain health care providers that may be able to offer lower priced services to the population served by the Members of the Obligated Group. These services could be substituted for some of the revenue generating services currently offered by the Members of the Obligated Group. The services that could serve as substitutes for hospital treatment include skilled, specialized and residential nursing facilities, home care, drug and alcohol abuse programs, ambulatory surgical centers, expanded preventive medicine and outpatient treatment, freestanding independent diagnostic testing facilities, increasingly sophisticated physician group practices and specialty hospitals, such as cardiac care hospitals and children's hospitals. Certain of such forms of healthcare delivery are designed to offer comparable services at lower prices, and the federal government and private third-party payors may increase their efforts to encourage the development and use of such programs. In addition, future changes in state and federal law may have the effect of increasing competition in the healthcare industry. The effect on the Members of the Obligated Group of any such affiliations or entry into the market by alternative providers of health care services, if completed, cannot be determined at this time, but the management of the Members of the Obligated Group believes that the Members of the Obligated Group have positioned themselves to effectively provide community-based health care throughout the areas served by the Indiana University Health System.

Licensing, Accreditations, Investigations and Audits

On a regular basis, health care facilities, including those of the Members of the Obligated Group, are subject to numerous legal, regulatory, professional and private licensing, certification and accreditation requirements. These include, but are not limited to, requirements relating to Medicare and Medicaid participation and payment, state licensing agencies, private payers, the Joint Commission and other accrediting bodies. Renewal and continuance of certain of these licenses, certifications and accreditation are based on inspections, surveys, audits, investigations or other reviews, some of which may require or include affirmative action or response by the Members of the Obligated Group. These activities generally are conducted in the normal course of business of health care facilities. Nevertheless, an adverse result could result in a loss or reduction in the scope of licensure, certification or accreditation of the Members of the Obligated Group, or could reduce the payment received or require repayment of amounts previously remitted.

Each Member of the Obligated Group is subject to periodic review by the Joint Commission, and the various federal, state and local agencies created by the National Health Planning and Resources Development Act of 1974.

From time to time, accrediting bodies may review their accreditations of Members of the Obligated Group and recommend certain actions or impose conditions on an existing accreditation. Management currently anticipates no difficulty renewing or continuing currently held licenses, certifications or accreditations. Nevertheless, actions in any of these areas could result in the loss of utilization or revenues, or the ability of the Members of the Obligated Group to operate all or a portion of their facilities, and, consequently, could adversely affect the ability of the Members of the Obligated Group to make principal, interest and premium, if any, payments with respect to the Bonds. Management does not expect any such review to require actions or impose conditions that could not be satisfied or to adversely affect the continuing accreditation of any Member of the Obligated Group. No assurance can be given as to the effect on future operations of existing laws, regulations and standards for certification or accreditation or of any future changes in such laws, regulations and standards.

Future Legislation

Legislation is periodically introduced in the U.S. Congress and the Indiana General Assembly that could result in limitations on hospital revenues, reimbursement, costs or charges or that could require an increase in the quantity of indigent care required to maintain charitable status. The effect of any such proposals, if enacted, cannot be determined at this time.

In addition to legislative proposals previously discussed herein, other legislative proposals that could have an adverse effect on the Members of the Obligated Group include: (a) any changes in the taxation of nonprofit corporations or in the scope of their exemption from income or property taxes; (b) limitations on the amount or availability of tax-exempt financing for corporations described in Section 501(c)(3) of the Code; and (c) regulatory limitations affecting the ability of the Members of the Obligated Group to undertake capital projects or develop new services. Each Member of the Obligated Group currently pays real estate taxes on those of its facilities (or portions of facilities) that are not used for its healthcare activities.

Legislative bodies have considered legislation concerning the charity care standards that nonprofit, charitable hospitals must meet to maintain their federal income tax-exempt status under the Code and legislation mandating that nonprofit, charitable hospitals have an open-door policy toward Medicare and Medicaid patients as well as offer, in a non-discriminatory manner, qualified charity care and community benefits. Excise tax penalties on nonprofit, charitable hospitals that violate these charity care and community benefit requirements could be imposed or their tax-exempt status under the Code could be revoked. The scope and effect of legislation, if any, that may be enacted at the federal or state levels with respect to charity care of nonprofit hospitals cannot be predicted. Any such legislation or similar legislation, if enacted, could have the effect of subjecting a portion of the income of a Member of the Obligated Group to federal or state income taxes or to other tax penalties and adversely affect the ability of the Members of the Obligated Group individually and of the Obligated Group, taken as a whole, to generate net revenues sufficient to meet its obligations and to pay the debt service on the Bonds and its other obligations.

Malpractice Lawsuits and Malpractice Insurance

The ability of, and the cost to, the Members of the Obligated Group to insure or otherwise protect themselves against malpractice claims may adversely affect their future results of operations or financial condition. For further information, see "LITIGATION AND AUDITS" in APPENDIX A hereto.

The ability of health care providers to obtain malpractice insurance in Indiana, like most of the rest of the United States, has significantly deteriorated as rates for such insurance have increased, commercial providers have reduced their participation in, or withdrawn entirely from, the medical malpractice insurance realm, and PHICO, a Pennsylvania private malpractice insurer that had written such medical malpractice policies nationally, was declared insolvent. In addition, the events of September 11, 2001 and the attendant decline in financial markets and their impact on insurance companies' assets had an adverse impact on the medical malpractice insurance market. The ability of the Members of the Obligated Group to insure or otherwise protect themselves against malpractice claims remains in question and the cost of such protection will likely continue to rise, which may adversely affect the financial condition and results of operations of the Obligated Group.

Many hospitals and health care providers are having difficulty renewing or obtaining commercial insurance, including insurance against malpractice and general liability claims, at reasonable cost. The insurers are providing lower amounts of coverage, requiring greater deductibles and charging larger premiums. Policies issued may not be renewed or renewable. While management of the Members of the Obligated Group considers the Obligated Group's

insurance coverage to be adequate, no assurance can be given that such coverage will be available for purchase in the same amounts and on the same terms in the future.

Antitrust

Enforcement of the antitrust laws against health care providers is becoming more common, and antitrust liability may arise in a wide variety of circumstances, including medical staff privilege disputes, third-party contracting, physician relations, and joint venture, merger, affiliation and acquisition activities. In some respects, the application of the federal and state antitrust laws to health care is still evolving, and enforcement activity by federal and state agencies appears to be increasing. In particular, the Federal Trade Commission has publicly acknowledged increasing enforcement action in the area of physician joint contracting. Likewise, increased enforcement action exists relating to a retrospective review of completed hospital mergers. Violation of the antitrust laws could subject a hospital to criminal and civil enforcement by federal and state agencies, as well as treble damage liability by private litigants. At various times, a Member of the Obligated Group may be subject to an investigation by a governmental agency charged with the enforcement of the antitrust laws, or may be subject to administrative or judicial action by a federal or state agency or a private party. The most common areas of potential liability are joint activities among providers with respect to payer contracting, medical staff credentialing, and use of a hospital's local market power for entry into related health care businesses. From time to time, a Member of the Obligated Group may be involved in joint contracting activity with other hospitals or providers. The precise degree to which this or similar joint contracting activities may expose Members of the Obligated Group to antitrust risk from governmental or private sources is dependent on specific facts which may change from time to time. A U.S. Supreme Court decision now allows physicians who are subject to adverse peer review proceedings to file federal antitrust actions against hospitals. Hospitals regularly have disputes regarding credentialing and peer review, and therefore may be subject to liability in this area. In addition, hospitals occasionally indemnify medical staff members who are involved in such credentialing or peer review activities, and may also be liable with respect to such indemnity. Recent court decisions have also established private causes of action against hospitals which use their local market power to promote ancillary health care business in which they have an interest. Such activities may result in monetary liability for the participating hospitals under certain circumstances where a competitor suffers business damage. Government or private parties are entitled to challenge joint ventures that may injure competition. Liability in any of these or other antitrust areas of liability may be substantial, depending on the facts and circumstances of each case, and may have a material adverse impact on the Members of the Obligated Group.

Nationwide Nursing Shortage

Healthcare providers depend on qualified nurses to provide quality service to patients. There is currently a nationwide shortage of qualified nurses. This shortage and the more stressful working conditions it creates for those remaining in the profession are increasingly viewed as a threat to patient safety and may trigger the adoption of state and federal laws and regulations intended to reduce that risk. For example, some states are considering legislation that would prohibit forced overtime for nurses. In response to the shortage of qualified nurses, health care 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.

Employees

The ability of the Members of the Obligated Group to employ and retain qualified employees, and their ability to maintain good relations with such employees and the unions they may be represented by, affect the quality of services to patients and the financial condition of the Members of the Obligated Group. For a discussion of the employees of the Obligated Group and the Obligated Group's relationship with its employees, see the discussion under the caption "EMPLOYEES" in APPENDIX A hereto.

Investments

During certain fiscal years, investment income has constituted a significant portion of the net income of the Obligated Group. In other years, the Obligated Group has experienced losses on its investments. No assurance can be given that the investments of the Members of the Obligated Group will produce positive returns or that losses on investments will not occur in the future.

To the extent investment returns are lower than anticipated or losses on investments occur, the Members of the Obligated Group may also be required to make additional deposits in connection with pension fund liabilities.

Environmental Laws and Regulations

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

In its role as an owner and operator of properties or facilities, each Member of the Obligated Group may be subject to liability for investigating and remedying any hazardous substances that may be present on or have migrated off of its property or facilities. Typical hospital operations include, but are not limited to, in various combinations, the handling, use, storage, transportation, disposal and discharge of hazardous, infectious, toxic, radioactive, flammable and other hazardous materials, wastes, pollutants or contaminants. As such, hospital operations are particularly susceptible to the practical, financial and legal risks associated with compliance with such laws and regulations. Such risks may result from damage to individuals, property or the environment and include an interruption of operations, an increase in operating costs, legal liability, damages, injunctions or fines and investigations, administrative proceedings, penalties or other governmental agency actions. The Members of the Obligated Group expect to continue to encounter such risks in the future, and exposure to such risks could materially adversely affect the future financial condition or results of operations of individual Members of the Obligated Group and of the Obligated Group, taken as a whole.

Management of the Members of the Obligated Group is not aware of any pending or threatened claim, investigation or enforcement action regarding such environmental issues involving any Member of the Obligated Group which, if determined adversely, would have a material adverse effect on the future financial condition or results of operations of the Members of the Obligated Group, taken as a whole.

The Master Trustee or the Trustee may decline to enforce the Master Indenture or the Indentures, as the case may be, if the Trustee has not been indemnified to its satisfaction, in accordance with the Indentures, for all liabilities it may incur as a consequence thereof. Such liabilities may include, but are not limited to, costs associated with complying with environmental laws and regulations.

Increased Enforcement Affecting Clinical Research

In addition to increasing enforcement of laws governing payment and reimbursement, the federal government has also stepped up enforcement of laws and regulations governing the conduct of clinical trials at hospitals. DHHS has elevated and strengthened its Office of Human Research Protection, one of the agencies with responsibilities for monitoring federally-funded research. In addition, the National Institutes of Health has significantly increased the number of facility inspections that these agencies perform. The Food and Drug Administration ("FDA") also has authority over the conduct of clinical trials performed in hospitals when these trials are conducted on behalf of sponsors seeking FDA approval to market the drug or device that is the subject of the research. The FDA's inspection of facilities has increased significantly in recent years. These agencies' enforcement powers range from substantial fines and penalties to exclusions of researchers and suspension or termination of entire research programs. Management of the Members of the Obligated Group believes that clinical research being conducted by the Members of the Obligated Group is in substantial compliance with material applicable requirements.

Technological Changes

Medical research and resulting discoveries have grown exponentially in the last decade. These new discoveries may add greatly to the cost of the Members of the Obligated Group providing services with no or little offsetting increase in federal reimbursement and may also render obsolete certain of the health services of the Members of the Obligated Group. New drugs and devices may increase hospitals' expense because, for the most part, the costs of new drugs and devices are not typically accounted for in the DRG payment received by hospitals for inpatient care. The PPS system imposed on outpatient services does permit a direct pass-through of certain new technologies defined by the government.

The rate of discovery of new drugs and devices has grown dramatically for several reasons. First, as medical discovery grows, it generates new avenues of research and discovery. Second, pharmaceutical and medical device companies are devoting increasing amounts of money to research and development spurred in part by reforms in the regulation of product approval for sale and distribution. The 1990s witnessed significant reforms at the FDA, the agency that regulates the introduction of new drugs and devices to the market. In 1992, Congress passed the Prescription Drug User Fee Act that levied fees on industry to support a substantial upgrade and reorganization of the agency for the purpose of dramatically decreasing the time required to secure approval for new drugs and devices. This Act was renewed and new FDA reforms were enacted by the Food and Drug Administration Modernization Act of 1997. The result of these pieces of legislation has been to cut in half the median time required for new drug approval. Other effects include decrease in the types of devices regulated, reform of the biologics approval process and decrease in clinical development times.

Once these drugs secure market approval, they are often included on hospitals' formularies (the list of drugs maintained by the hospitals for patient care). These may add significant operating expense with no immediate reimbursement through government payers for inpatient services.

A second potential effect is that discoveries could render obsolete the way that services are currently rendered, thereby either increasing expense or reducing revenues. However, any such effect cannot be predicted.

Enforcement of Remedies; Risks of Bankruptcy

The obligations of the Members of the Obligated Group under the Master Indenture and the Obligations are general obligations of the Members of the Obligated Group and are not secured by any liens on real estate, equipment or other assets of the current Members of the Obligated Group or any future Members of the Obligated Group, other than the security interest granted to the Master Trustee in the revenues of the Members of the Obligated Group. Enforcement of the remedies under the Master Indenture, the Loan Agreement and the Indenture may be limited or delayed in the event of application of federal bankruptcy laws or other laws affecting creditors' rights and may be substantially delayed and subject to judicial discretion in the event of litigation or the required use of statutory remedial procedures.

If a Member of the Obligated Group were to file a petition for relief under Title 11 of the United States Code (the "Bankruptcy Code"), the order for relief entered in response to the filing would operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against such Member of the Obligated Group and any interest it has in property. The commencement of a case under the Bankruptcy Code could greatly affect the rights of the non-filing Members of the Obligated Group, including, but not limited to, allowing the use of cash and cash equivalents pledged to the Members of the Obligated Group, impairing the claims of the Members of the Obligated Group, and potentially discharging unpaid obligations of the filing Member of the Obligated Group.

If a bankruptcy court so ordered, such property of the Members of the Obligated Group, including its accounts receivable and proceeds thereof, could be used, at least temporarily, for the benefit of the bankruptcy estate of such Member of the Obligated Group despite the claims of its creditors.

In a case under the Bankruptcy Code, a Member of the Obligated Group could file a plan of reorganization. The plan provides for the comprehensive treatment of all claims against such Member of the Obligated Group, and could result in the modification of rights of any class of claims or interests, secured or unsecured. Other than as provided in the confirmed plan, all claims and interests are discharged and extinguished.

A plan may be confirmed if each class of claims and interests has accepted the plan or if at least one class of impaired claims that is entitled to vote has accepted the plan and the bankruptcy court finds, among other things, that the plan is fair and equitable, does not discriminate unfairly with respect to any nonaccepting class of claims, provides creditors with more than would be received if the estate was liquidated, and is proposed in good faith, and that the debtor's performance under the plan is feasible. A class of claims accepts a plan if, of the creditors that vote, more than one-half of the number of claims in the class and at least two-thirds in amount of claims are voted in favor of the plan. Approval by classes of interests requires a vote in favor of the plan by two-thirds in amount. If these levels of votes are attained, those voting against the plan or not voting at all are nonetheless bound by the terms thereof.

A Member of the Obligated Group could also file a case under the Bankruptcy Code to liquidate its assets. In a liquidation, secured claims are paid according to the value of the secured interest, unsecured claims are paid in order of priority, and the costs of administering the estate are paid from the funds of the estate.

Risks Related to Obligated Group Financings

The obligations of the Members of the Obligated Group under the Obligations and the Master Indenture will be limited to the same extent as the obligations of any debtor under applicable federal and state laws governing bankruptcy, insolvency and avoidance of fraudulent transfers and the application of general principles of creditors' rights and as additionally described below. Although, upon the issuance of the Bonds, the Corporation and LaPorte will be the only Obligated Group Members, the Master Indenture permits the addition of other Members of the Obligated Group if certain conditions are met. See "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE—Entrance Into the Obligated Group" in APPENDIX C hereto.

The joint and several obligations described herein of the Members of the Obligated Group to make payments of debt service on the Obligations issued pursuant to and under the Master Indenture may not be enforceable to the extent (1) enforceability may be limited by applicable bankruptcy, moratorium, reorganization, fraudulent conveyance or similar laws affecting the enforcement of creditors' rights and by general equitable principles or (2) such payments (a) are requested to be made with respect to payments on any Obligation that is issued for a purpose that is not consistent with the charitable purposes of the Member of the Obligated Group from which such payment is requested or that is issued for the benefit of any entity other than a tax-exempt organization; (b) are requested to be made from any money or assets that are donor restricted or that are subject to a direct or express trust that does not permit the use of such money or assets for such payment; (c) would result in the cessation or discontinuation of any material portion of the health care or related services previously provided by the Member of the Obligated Group from which such payment is requested; or (d) are requested to be made pursuant to any loan violating applicable usury laws. The extent to which the money or assets of any present or future Member of the Obligated Group falls within the categories referred to above cannot be determined and could be substantial. The foregoing notwithstanding, the accounts of the Members of the Obligated Group are and will continue to be combined for financial reporting purposes and will be used in determining whether various covenants and tests contained in the Master Indenture (including tests relating to the issuance of Additional Indebtedness) are satisfied.

A Member of the Obligated Group may not be required to make any payment of any Obligation, or portion thereof, or the recipient of such payment may be compelled to return such payment, the proceeds of which were not lent or otherwise disbursed to such Member to the extent that such payment would conflict with, or would be prohibited or avoidable under, applicable laws.

The application of the law relating to the enforceability of guaranties or obligations of a Member of the Obligated Group to make debt service payments on behalf of another Member of the Obligated Group, is not amenable to an unqualified declaration of whether a transfer would be prohibited or subject to avoidance.

As a general matter, in addition to a transfer of property made with the actual intent to hinder, defraud or delay creditors, a transfer of an interest in property by an entity may be avoided if the transfer is made for less than "reasonably equivalent value" or "fair consideration" and the transferor (i) is insolvent (*e.g.*, is unable to pay its debts as they become due), (ii) is rendered insolvent by the transaction, (iii) is undercapitalized (*i.e.*, operating or about to operate without property constituting reasonably sufficient capital given its business operations), or (iv) intended or expected to incur debts that it could not pay as they became due.

The lack of certainty in the treatment of transfers is attributable to several factors. First, there is not a uniform law governing fraudulent transfers. Such transfers may be avoided under the Bankruptcy Code, state law variants of the Uniform Fraudulent Transfer Act and its predecessor, the Uniform Fraudulent Conveyance Act, or other non-uniform statutes or common law principles. Second and more importantly, the standards for determining the reasonable equivalence of value, or the fairness of consideration, and the measure for determining insolvency are subjective standards resolved in the exercise of judicial discretion after engaging in a fact intensive analysis. This subjectivity has resulted in a conflicting body of case law and a lack of certainty as to whether a given transfer would be subject to avoidance.

In addition, the Bankruptcy Code provides a means to avoid transfers of a debtor's interests in property made on account of an antecedent debt within 90 days of the debtor filing for relief, or one year if the transferee is an "insider," if as a result of that transfer the transferee receives more than it would have received in a liquidation of the

debtor under Chapter 7 of the Bankruptcy Code. Whether the creation of a lien, or a payment, made by a Member of the Obligated Group would be determined to be avoidable would be dependent on the particular circumstances surrounding the transfer.

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

Matters Relating to the Security for the Bonds

Certain amendments to the Master Indenture may be made with the consent of the holders of a majority of the aggregate principal amount of outstanding Obligations. Such amount may be composed wholly or partially of the holders of the outstanding Obligations (including Obligations issued in the future) other than Obligations issued in connection with the issuance of the Bonds. Such amendments could be material and may adversely affect the security of the holders of the Bonds.

Certain amendments to the Indenture may be made with the consent of the holders of not less than a majority of the outstanding aggregate principal amount of the Bonds outstanding under the Indenture. Such amendments may adversely affect the security of the holders of the Bonds.

The effectiveness of the security interest in the revenues of the Obligated Group granted in the Master Indenture may be limited by a number of factors, including (i) provisions prohibiting the direct payment of amounts due to health care providers from Medicaid and Medicare programs to persons other than such providers; (ii) the absence of an express provision permitting the assignment of receivables due under the contracts with third party payers, and present or future prohibitions against assignment contained in any applicable statutes or regulations; (iii) certain judicial decisions which cast doubt upon the right of the Trustee, in the event of the bankruptcy of a Member of the Obligated Group, to collect and retain revenues due the Members from Medicare, Medicaid and other governmental programs; (iv) commingling of proceeds of revenues with other moneys of the Obligated Group not so pledged under the Master Indenture; (v) statutory liens; (vi) rights arising in favor of the United States of America or any agency thereof; (vii) constructive trusts, or equitable or other rights impressed or conferred by a federal or state court in the exercise of its equitable jurisdiction; (viii) federal bankruptcy laws which may affect the enforceability of the Master Indenture or the security interest in the revenues of any Member of the Obligated Group which are earned by such Member within 90 days preceding or, in certain circumstances with respect to related corporations, within one year preceding and after, any effectual institution of bankruptcy proceedings by or against such Member; (ix) rights of third parties in revenues converted to cash and not in the possession of the Trustee; and (x) claims that might arise if appropriate financing or continuation statements are not filed in accordance with the Indiana Uniform Commercial Code as from time to time in effect.

The facilities of the Obligated Group are not pledged or mortgaged as security for the Bonds. Consequently, in the event of a default under the Indenture, the Bondholders would have the status of general unsecured creditors (except with respect to the pledge of revenues). The facilities of the Obligated Group are not general purpose buildings and generally would not be suitable for industrial or commercial use. Consequently, it could be difficult to find a buyer or lessee for the facilities if it were necessary to proceed against such facilities, whether pursuant to a judgment, if any, against the Obligated Group or otherwise. As a result, upon any such default, the Trustee may not realize the amount necessary to pay the Bonds in full from the sale or lease of such facilities. The Bonds are not secured by a mortgage on the facilities of the Obligated Group.

Pursuant to the terms of the Master Indenture, Members of the Obligated Group may incur additional Indebtedness (including Indebtedness secured by additional Obligations) that is entitled to the benefits of security that does not extend to any other Indebtedness (including the 2011 Obligations). Such security may include liens on the Obligated Group's Property (including health care facilities) or any depreciation reserve, debt service or interest reserve or similar fund established for such additional Indebtedness. See "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE—Security for Obligations" in APPENDIX C hereto.

Certain of the rights and remedies afforded to the holders of Obligations by the Master Indenture, including without limitation the right to demand acceleration of Obligations (including the 2011 Obligations), may be controlled by the holders of a majority in aggregate principal amount of the Obligations.

Interest Rate Swap Risk

In the normal course of business the Obligated Group, after receiving the appropriate approval of its Board of Directors, periodically enters into interest rate swap agreements to hedge interest rate risk. Changes in the market value of such agreements could negatively or positively impact the Obligated Group's operating results and financial condition, and such impact could be material. See footnote 8 to the audited consolidated financial statements of the Obligated Group in APPENDIX B hereto for a description of certain of the Obligated Group's existing swap agreements entered into prior to 2011. Any of the Obligated Group's swap agreements may be subject to early termination upon the occurrence of certain specified events. If either the Obligated Group or the counterparty terminates such an agreement, under certain market conditions the Obligated Group could be obligated to make a termination payment to the counterparty, and such payment could be substantial and potentially materially adverse to the Obligated Group's financial condition.

Certain of the Obligated Group's existing swap agreements require the Obligated Group to secure its obligations in certain circumstances, which circumstances include, without limitation, a downgrade of the long-term debt issued on behalf of the Obligated Group. The Obligated Group's ability to place a lien on its collateral is limited by the Master Indenture. See "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE—Liens on Property" in APPENDIX C hereto. If the Obligated Group is unable to secure its obligations under a swap agreement with sufficient collateral, the counterparty will have the right to terminate such swap agreement and the Obligated Group could be required to make a termination payment to the counterparty, the amount of which could be substantial. Under the terms of those swap agreements, no collateral, based on the current financial condition of the Obligated Group, is currently required to be posted.

Tax-Exempt Status of the Members of the Obligated Group and the Bonds

The tax-exempt status of interest on the Bonds depends at present upon maintenance by each member of the Credit Group of their status as tax-exempt organizations by reason of being described in Section 501(c)(3) of the Code. The maintenance of such status is contingent on compliance with general rules based on the Code, regulations, and judicial decisions regarding the organization and operation of tax-exempt hospitals and health systems. The IRS' interpretation of and position on these rules as they affect the organization and operation of health care organizations (for example, with respect to providing charity care, joint ventures, physician and executive compensation, physician recruitment and retention, etc.) is constantly evolving. The IRS reserves the power to, and in fact occasionally does, alter or reverse its positions concerning tax-exemption issues, even concerning long-held positions upon which tax-exempt health care organizations have relied.

In addition, the IRS has asserted that tax-exempt hospitals that are in violation of Medicare and Medicaid regulations regarding inducement for referrals may also be subject to revocation of their tax-exempt status. Because a wide variety of hospital-physician transactions potentially violate these broadly stated prohibitions on inducement for referrals, the IRS has broadened the range of activities that may directly affect tax exemption, without defining specifically how those rules will be applied. As a result, tax-exempt hospitals, particularly those that have extensive transactions with physicians, are currently subject to an increased degree of scrutiny and perhaps enforcement by the IRS. The IRS's policy position is not necessarily indicative of a judicial adjudication of the applicable issues.

Section 4958 of the Code imposes excise taxes on "excess benefit transactions" between "disqualified persons" and tax-exempt organizations such as the Credit Group. According to the legislative history and regulations associated with Section 4958, these excise taxes may be imposed by the IRS either in lieu of or in addition to revocation of exemption. The legislation is potentially favorable to taxpayers because it provides the IRS with a punitive option short of revocation of exempt status to deal with incidents of private inurement. However, the standards for tax exemption have not been changed, including the requirement that no part of the net earnings of an exempt entity inure to the benefit of any private individual. Consequently, although the IRS has only infrequently revoked the tax exemption of nonprofit healthcare corporations in the past, the risk of revocation remains and there can be no assurance that the IRS will not direct enforcement activities against any of the members of the Credit Group.

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

One or more of the members of the Credit Group could be audited by the IRS. Management of the Corporation believes that they have properly complied with the tax laws. Nevertheless, because of the complexity of the tax laws and the presence of issues about which reasonable persons can differ, a CEP audit could result in additional taxes, interest and penalties. A CEP audit could ultimately affect the tax-exempt status of any of the members of the Credit Group.

On August 10, 2004, the IRS announced a new enforcement effort (referred to as the "Tax Exempt Compensation Enforcement Project") to identify and curb abuses by charities that pay excessive compensation and benefits to officers and other insiders. The IRS will implement this new effort by contacting nearly 2,000 charities about their compensation practices and procedures. The project's goals are to address the compensation of specific individuals, influence how organizations set compensation, and learn about existing practices. The inquiry will involve both large and small charities, and will also investigate insider transactions, including loans, leases, and other transfers of income and assets to officers and insiders. As a result of such inquiry, the IRS could seek to use the entire range of its enforcement activities, including penalties for filing incorrect information, intermediate sanctions, and revocation of the organization's exempt status. Members of the Obligated Group have in the past received inquiries pursuant to this effort.

Loss of tax-exempt status by any of the members of the Credit Group could result in loss of the exclusion from gross income of the interest on the Bonds that, in turn, could result in a default under the Indenture, potentially triggering an acceleration of the Bonds. Any such event would have material adverse consequences on the future financial condition and results of operations of the affected members of the Credit Group and, potentially, the Obligated Group as a whole. Additionally, the loss of federal tax-exempt status by a member of the Credit Group could adversely affect its access to future tax-exempt financing.

As described herein under the caption "TAX MATTERS," failure to comply with certain legal requirements may cause the interest on the Bonds to become included in gross income of the recipients thereof for federal income tax purposes. In such event, the Bonds may be accelerated at the written request of holders of not less than 25% of the aggregate principal amount of all the Bonds then outstanding under the Indenture. The Indenture does not provide for the payment of any additional interest or penalty in the event the interest on the Bonds is determined to be includible in gross income for federal income tax purposes.

The IRS has recently reviewed a number of bond issues and concluded that such bond issues did not comply with applicable provisions of the Code and related regulations. The IRS has typically entered into closing agreements with issuers and beneficiaries of such bond issues under which payments have been made to the IRS. No assurance can be given that the IRS will not examine a Bondholder, a member of the Credit Group or the Bonds. If the Bonds are examined, such examination may have an adverse impact on their marketability and price and could also result in substantial payments by the Obligated Group to resolve issues raised by the IRS.

Alternative or Integrated Delivery System Development

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

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

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

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

Managed Care

Each Member of the Obligated Group contracts with several third party payers. In many markets, including Indiana, managed care plans, primarily health insuring corporations ("HICs"), also known as health maintenance organizations ("HMOs"), preferred provider organizations ("PPOs"), point of service arrangements ("POS") and self-insured employer plans covered by ERISA and administered by a third party ("ASOs") have largely replaced indemnity insurance as the prime source of nongovernmental payment for provider services. Such "managed care" plans generally use discounts, direction mechanisms, risk-transfer mechanisms and other economic and non-economic incentives to reduce or limit the cost and utilization of health care services. In these markets, hospital inpatient utilization and hospital inpatient revenues per admission have declined as managed care plans penetrate regional markets. In addition, Medicare and Medicaid have instituted managed care contracting programs in certain states, including Indiana, as discussed above.

Under a PPO arrangement, there generally are financial incentives for subscribers to use only those hospitals or providers which contract with the PPO. Under most HIC/HMO plans, private payers limit coverage to those services provided by selected hospitals. With this contracting authority, private payers, including health plans and HICs/HMOs, may direct patients away from nonselected hospitals by denying coverage for services provided by them and providing coverage but with significant financial obligations on the part of the patients.

Most PPOs and HICs/HMOs currently pay hospitals on a discounted fee-for-service basis or on a discounted fixed rate per day of care. Many health care providers do not have complete information about their actual costs of providing specific types of care, particularly since each patient presents a different mix of services and length of stay. Consequently, the discounts offered to HICs/HMOs and PPOs may result in payment at less than actual cost and the volume of patients directed to a hospital may vary significantly from projections. Changes in utilization of certain services may be dramatic and unexpected.

Under a POS arrangement, there are financial incentives for subscribers to use a closed panel of hospitals or providers, but subscribers also are able to use hospitals or providers that do not contract with the network. Use of such non-contracting hospitals or providers requires an increased financial contribution from the subscribers, typically in the form of an increased coinsurance or deductible. If the popularity of POS plans increases, more patients may have more freedom to determine where they will obtain their health care and it will become

increasingly difficult for health care providers to maintain and/or increase market share by contracting with managed care plans, networks, and other similar entities.

The Members of the Obligated Group have entered into contractual arrangements with PPO, HIC/HMO, ASO and traditional insurers pursuant to which the particular hospital agrees to perform certain health care services for eligible participants at discounted rates. Revenues received under such contracts are expected to be sufficient to cover the variable cost of the services provided.

Some HICs/HMOs mandate a "capitation" payment method under which hospitals are paid a predetermined periodic rate for each enrollee in the HIC/HMO who is "assigned" to, or otherwise directed to receive care at, a particular hospital. In a capitation payment system, the hospital assumes an insurance risk for the cost and scope of care given to such enrollees. In some cases, the capitated payment covers total patient care provided, including physician charges. HMOs/HICs also sometimes use other forms of risk-transfer, such as basing payment on a percentage of the subscriber's premium. If payment under an HMO/HIC contract is insufficient to meet the hospital's costs of care, the financial condition of the hospital could erode rapidly and significantly. Often, contracts are enforceable for a stated term, regardless of hospital losses. Further, HMO/HIC contracts are statutorily required to contain a requirement that the hospital care for enrollees for a certain period of time regardless of whether the HMO/HIC has funds to make payment to the hospital. Moreover, statutory requirements also prohibit providers from "balance billing" subscribers, even in the circumstance of an insolvency of an HMO/HIC. Contractual requirements sometimes extend balance billing restrictions and continuity of care obligations to PPOs and ASOs.

Increasingly, physician practice groups and independent practice associations have become a part of the process of negotiating payment rates to hospitals. This involvement has taken many forms, but typically increases the competition for limited payment resources from HMOs/HICs, PPOs and other third party payors. Also, it is reasonable to expect that as payors and employers attempt to limit the amount they will pay for health care, consumers will be responsible for a larger share of their health care expenses. This could lead to the widespread development of a health care market where patients (and not payors) make the determination as to where to obtain care.

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

There can be no assurance that managed care contracts entered into by the Members of the Obligated Group with managed care payors will be renewed by such payors upon expiration thereof or will not be terminated prior to expiration thereof. Termination, or expiration without renewal, of managed care contracts could have a material adverse effect on the future financial condition or results of operations of individual Members of the Obligated Group and of the Obligated Group, taken as a whole.

As a consequence of such factors, the effect of managed care on the future financial condition of the Members of the Obligated Group is difficult to predict and may be materially adverse.

Charity Care, Underinsured and Uninsured Patients

Recently, focus has increased on the provision of charity care by nonprofit health care institutions and their pricing policies and billing and collection practices involving the underinsured and uninsured. This increased focus has resulted in congressional hearings, governmental inquiries (including by the IRS) and private class action litigation against more than 100 nonprofit health care institutions nationwide, generally alleging the overcharging of underinsured and uninsured patients. Although the Members of the Obligated Group are not a party to the class action litigation, management of the Members of the Obligated Group cannot predict the impact that these or related developments may have on the Members of the Obligated Group or the health care industry generally.

Bond Ratings

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

Additional Risk Factors

The following factors, among others, may also adversely affect the operation of health care organizations, including Members of the Obligated Group, to an extent that cannot be determined at this time:

- Increased efforts by insurers and governmental agencies to limit the cost of hospital services (including, without limitation, the implementation of a system of prospective review of hospital rate changes and negotiating discounted rates), to reduce the number of hospital beds and to reduce utilization of hospital facilities by such means as preventive medicine, improved occupational health and safety, and outpatient care.

- Cost increases without corresponding increases in revenue could result from, among other factors: increases in the salaries, wages, and fringe benefits of hospital and clinic employees; increases in costs associated with advances in medical technology or with inflation; or future legislation which would prevent or limit the ability of the Members of the Obligated Group to increase revenues.

- Any termination or alteration of existing agreements between a Member of the Obligated Group and individual physicians and physician groups who render services to the patients of a Member of the Obligated Group or any termination or alteration of referral patterns by individual physicians and physician groups who render services to the patients of a Member of the Obligated Group with whom the Obligated Group does not have contractual arrangements.

- Future contract negotiations between public and private insurers, employers and participating hospitals, including the hospitals of the Members of the Obligated Group, and other efforts by these insurers and employers to limit hospitalization costs and coverage could adversely affect the level of reimbursement to the Members of the Obligated Group.

- The State currently does not have a program for the regulation or review of the rates charged for hospital services furnished to private-paying patients. If any such program were established, it may have an adverse effect on the revenues of the Members of the Obligated Group.

- An inflationary economy and difficulty in increasing room charges and other fees charged while at the same time maintaining the amount or quality of health services may affect the operating margins of the Members of the Obligated Group.

- The cost and effect of any future unionization of employees of the Members of the Obligated Group.

- The possible inability to obtain future governmental approvals to undertake projects necessary to remain competitive both as to rates and charges as well as quality and scope of care could adversely affect the operations of the Members of the Obligated Group.

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

- Limitations on the availability of and increased compensation necessary to secure and retain nursing, technical or other professional personnel.

- Changes in law or revenue rulings governing the nonprofit or tax-exempt status of charitable corporations such as the Members of the Obligated Group, such that nonprofit corporations, as a condition of maintaining their tax-exempt status, are required to provide increased indigent care at reduced rates or without charge or discontinue services previously provided.

- Efforts by taxing authorities to impose or increase taxes related to the property and operations of nonprofit organizations or to cause nonprofit organizations to increase the amount of services provided to indigents to avoid the imposition or increase of such taxes.

- Proposals to eliminate the tax-exempt status of interest on bonds issued to finance health facilities, or to limit the use of such tax-exempt bonds, have been made in the past, and may be made again in the future. The adoption of such proposals would increase the cost to the Members of the Obligated Group of financing future capital needs.

- Increased unemployment or other adverse economic conditions 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 the service areas of the Members of the Obligated Group or by the closing of operations of one or more major employers in such service areas may result in a significant change in the demographics of such service areas, such as a reduction in the population.

In the future, other events may adversely affect the operations of the Members of the Obligated Group, as well as other health care facilities, in a manner and to an extent that cannot be determined at this time.

ABSENCE OF MATERIAL LITIGATION

Authority

There is no controversy or litigation of any nature, to the knowledge of its officers, now pending or threatened against the Authority restraining or enjoining the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds.

Obligated Group

There is no controversy or litigation of any nature, to the knowledge of their officers, now pending or threatened against the Obligated Group restraining or enjoining the issuance, sale, execution or delivery of the 2011 Obligations, or in any way contesting or affecting the validity of the 2011 Obligations.

As with most healthcare corporations, the Members of the Obligated Group and the Obligated Group Affiliates are subject to certain legal actions which, in whole or in part, are not or may not be covered by insurance or self-insurance because of the type of action or damages requested (*e.g.*, punitive damages), because of a reservation of rights by an insurance carrier or self-insurance program, or because the action has not proceeded to a stage which permits full evaluation. Since such actions either claim punitive damages which could become a liability of the Obligated Group and/or state or threaten causes of action which may not be covered by insurance or self-insurance, insurers for the Obligated Group and the self-insurance program have not provided assurance of coverage, and to the extent any cases have not been served, counsel has not been retained to evaluate them.

No litigation is now served upon or, to the knowledge of the Corporation, otherwise pending or threatened against any Member of the Obligated Group or any Obligated Group Affiliate which in the aggregate would have a material adverse effect on the Obligated Group's operations or condition, financial or otherwise. See "LITIGATION AND AUDITS" in APPENDIX A hereto.

TAX MATTERS

In the opinion of Ice Miller LLP, Indianapolis, Indiana, Bond Counsel, under existing federal statutes, decisions, regulations and rulings, interest on the Bonds is excludable from gross income under Section 103 of the Code for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, but is taken into account in determining adjusted current earnings for the purpose of computing the federal alternative minimum tax imposed on certain corporations. This opinion is conditioned on continuing compliance by the Credit Group and the Authority with the Tax Covenants (as hereinafter defined). Failure to comply with the Tax Covenants could cause interest on the Bonds to lose the exclusion from gross income for purposes of federal income taxation retroactive to the date of issuance of the

Bonds. Failure to comply with the Tax Covenants could cause interest on the Bonds to lose the exclusion from gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. In the opinion of Bond Counsel, under existing statutes, decisions, regulations and rulings, interest on the Bonds is exempt from income taxation in the State of Indiana. This opinion relates only to the exemption of interest on the Bonds for State of Indiana income tax purposes. See APPENDIX D hereto for the form of approving opinion of Bond Counsel.

The Code imposes certain requirements which must be met subsequent to the issuance of the Bonds as a condition to the exclusion from gross income of interest on the Bonds for federal income tax purposes. The Authority and the Credit Group will covenant not to take any action nor fail to take any action, within their respective power and control, with respect to the Bonds that would result in the loss of the exclusion from gross income for federal income tax purposes of interest on the Bonds pursuant to Section 103 of the Code (collectively, the "Tax Covenants"). The Indentures, the Loan Agreements and certain certificates and agreements delivered on the date of delivery of the Bonds establish procedures under which compliance with the requirements of the Code can be met. It is not an event of default under the Indentures if interest on the Bonds is not excludable from gross income for federal income tax purposes or otherwise pursuant to any provision of the Code which is not in effect on the Issue Date of the Bonds. If, subsequent to the date of issuance of the Bonds, the interest rate mode applicable to a series of Bonds is converted to a different interest rate mode, Bond Counsel expresses no opinion on the effect such conversion will have on the exclusion from gross income for federal income tax purposes of interest on such series of Bonds.

Indiana Code 6-5.5 imposes a franchise tax on certain taxpayers (as defined in Indiana Code 6-5.5) which, in general, are all corporations which are transacting the business of a financial institution in the State. The franchise tax is measured in part by interest excluded from gross income under Section 103 of the Code minus associated expenses disallowed under Section 265 of the Code. Taxpayers should consult their own tax advisors regarding the impact of this legislation on their ownership of the Bonds.

Although Bond Counsel has rendered an opinion on the federal and state tax matters above, the accrual or receipt of interest on the Bonds may otherwise affect a Bondholder's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the Bondholder's particular tax status and a Bondholder's other items of income or deduction. Taxpayers who may be affected by such other tax consequences include, without limitation, financial institutions, certain insurance companies, "S" corporations, certain foreign corporations, individual recipients of Social Security or railroad retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry the Bonds. Bond Counsel expresses no opinion regarding any other such tax consequences. Prospective purchasers of the Bonds should consult their own tax advisors with regard to other tax consequences of owning the Bonds.

LEGAL MATTERS

Legal matters incident to the issuance of the Bonds are subject to the unqualified approving opinion of Ice Miller LLP, Indianapolis, Indiana, Bond Counsel. Certain other legal matters will be passed upon for the Authority by its special counsel, Ice Miller LLP, for the Obligated Group by their counsel, Norman G. Tabler, Jr., Esq., General Counsel, for the Underwriters by their counsel, Baker & Daniels LLP, Indianapolis, Indiana, and for the Credit Facility Providers by their counsel, Chapman and Cutler LLP, Chicago, Illinois (and, additionally, with respect to The Northern Trust Company, the Legal Department thereof).

Baker & Daniels LLP and Ice Miller LLP also represent the Corporation on various matters not related to the financing.

RATINGS

Standard & Poor's Credit Market Services, Inc. ("S&P") and Moody's Investors Service, Inc. ("Moody's") are expected to assign their municipal bond ratings to the Series 2011A Bonds, the Series 2011C Bonds and the Series 2011D Bonds of "AAA/A-1+" and "Aa1/VMIG1," respectively, on the assumption that The Northern Trust Company will deliver its Credit Facilities upon the issuance of the Series 2011A Bonds, the Series 2011C Bonds and the Series 2011D Bonds, and, in the case of the long-term rating, also on the strength of the Obligated Group. Fitch Ratings ("Fitch") is expected to assign its municipal bond ratings to the Series 2011A Bonds, the Series 2011C

Bonds and the Series 2011D Bonds of "AA-/F1+," on the assumption that The Northern Trust Company will deliver its Credit Facilities upon the issuance of the Series 2011A Bonds, the Series 2011C Bonds and the Series 2011D Bonds, and, in the case of the long-term rating, such rating reflects the higher of the underlying rating Fitch assigns to the Bonds and the long-term rating Fitch assigns to The Northern Trust Company.

S&P and Moody's are expected to assign their municipal bond ratings to the Series 2011B Bonds and the Series 2011E Bonds of "AAA/A-1" and "Aa1/VMIG1," respectively, on the assumption that Bank of America, N.A. will deliver its Credit Facilities upon the issuance of the Series 2011B Bonds and the Series 2011E Bonds, and, in the case of the long-term rating, also on the strength of the Obligated Group. Fitch is expected to assign its municipal bond ratings to the Series 2011B Bonds and the Series 2011E Bonds of "AA-/F1+ (short-term rating on Rating Watch Negative)," on the assumption that Bank of America, N.A. will deliver its Credit Facilities upon the issuance of the Series 2011B Bonds and the Series 2011E Bonds, and, in the case of the long-term rating, such rating reflects the higher of the underlying rating Fitch assigns to the Bonds and the long-term rating Fitch assigns to Bank of America, N.A.

Any explanation of the significance of such ratings may be obtained only from the rating agency furnishing the same. The Obligated Group furnished to the rating agencies certain information and material concerning the Bonds. Generally, rating agencies base their ratings on such information and materials and on investigations, studies and assumptions made by the rating agencies themselves. There is no assurance that the ratings mentioned above will remain in effect for any given period of time or that they might not be lowered or withdrawn entirely by the rating agencies, if in their judgment circumstances so warrant. The Obligated Group and the Underwriters have undertaken no responsibility either to bring to the attention of the Holders of the Bonds any proposed change in or withdrawal of any rating or to oppose any such proposed revision or withdrawal. Any such downward change in or withdrawal of any rating might have an adverse effect on the market price or marketability of the Bonds.

CONTINUING DISCLOSURE

The following is a brief summary of certain provisions of the Continuing Disclosure Undertaking Agreement of the Corporation (the "Continuing Disclosure Agreement") and does not purport to be complete. The statements made under this caption are subject to the detailed provisions of the Continuing Disclosure Agreement, a copy of which is available upon request from the Corporation.

Annual Financial Information Disclosure

The Corporation covenants that it will disseminate the Quarterly Information and the Annual Information (described below) and audited consolidated financial statements of the Corporation and its subsidiaries, to the Municipal Securities Rulemaking Board (the "MSRB"). The Corporation is required to deliver such information so that such entities receive the information by the dates specified in the Continuing Disclosure Agreement.

"Quarterly Information" means unaudited consolidated quarterly financial information for the Corporation and its subsidiaries for each fiscal quarter (excluding the last fiscal quarter of each fiscal year), beginning with the fiscal quarter ended June 30, 2011.

"Annual Information" means (i) unaudited consolidated financial statements of the Corporation and its subsidiaries if audited financial statements are not then available, (ii) an update of the calculation of the Historical Debt Service Coverage Ratio, and (iii) operating data of the type included in APPENDIX A of this Official Statement under the headings "OPERATING INFORMATION—Bed Complement," "OPERATING INFORMATION—Utilization and Operating Statistics," "FINANCIAL INFORMATION—Sources of Revenue," "MANAGEMENT'S DISCUSSION OF FINANCIAL PERFORMANCE," "INSURANCE" (but only to the extent there are any material changes that are not otherwise disclosed in the Annual Information), and "LITIGATION AND AUDITS" (but only to the extent there are any material changes that are not otherwise disclosed in the Annual Information).

Events Notification; Material Events Disclosure

The Corporation covenants that it will disseminate to the MSRB and to the Trustee the disclosure of the occurrence of any of the events described below with respect to the Bonds in a timely manner, not in excess of ten (10) business days after the occurrence of any such event. The events are:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults, if material;

(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, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(vii) modifications to rights of holders of the Bonds, if material;

(viii) bond calls (other than scheduled mandatory sinking fund redemptions for which notice is given in accordance with the Indenture), if material, and tender offers;

(ix) defeasances;

(x) release, substitution or sale of property securing repayment of the Bonds, if material;

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership or similar event of any Member of the Obligated Group;

(xiii) consummation of a merger, consolidation or acquisition involving any Member of the Obligated Group or the sale of all or substantially all of the assets of any Member of the Obligated Group, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

Consequences of Failure of the Corporation to Provide Information

The Corporation shall give notice in a timely manner to the MSRB and the Trustee of any failure to provide disclosure of Quarterly or Annual Information and audited financial statements when the same are due under the Continuing Disclosure Agreement.

In the event of a failure of the Corporation to comply with any provision of the Continuing Disclosure Agreement, the Beneficial Owner of any Bonds may seek specific performance by court order, to cause the Corporation to comply with its obligations under the Continuing Disclosure Agreement. A default under the Continuing Disclosure Agreement shall not be deemed an Event of Default under the Indentures, the Master Indenture, the 2011 Obligations, the Loan Agreements or the Credit Facility Agreements, and the sole remedy under the Continuing Disclosure Agreement shall be an action to compel performance. Neither the Corporation nor any officer, director, employee or agent thereof shall be liable for any claims for monetary damages or attorney's fees whatsoever for any breach of the Continuing Disclosure Agreement.

Modification

Notwithstanding any other provision of the Continuing Disclosure Agreement, the Corporation and the Trustee may amend or modify the Continuing Disclosure Agreement, if either:

(1) (a) the amendment or modification is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Corporation or type of business conducted;

(b) the Continuing Disclosure Agreement, as so amended or modified would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) such amendment or modification does not materially impair the interests of the Beneficial Owners of the Bonds, as determined either by parties unaffiliated with the Authority or the Corporation (such as the Trustee or nationally recognized bond counsel) or an approving vote of the holders of the requisite percentage of Outstanding Bonds as required under the Indenture, at the time of such amendment or modification; or

(2) such amendment or modification (including an amendment or modification which rescinds the Continuing Disclosure Agreement) is permitted by the Rule, as then in effect.

Termination of Continuing Disclosure Agreement

The Continuing Disclosure Agreement shall terminate upon the earlier of (i) the date of the last payment of principal or redemption price, if any, and interest to accrue on, all the Bonds or (ii) the date the Bonds are defeased pursuant to the provisions of the Indenture.

Dissemination Agent

The Corporation may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out their obligations under the Continuing Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

In the previous five years, the Corporation has not failed to comply, in all material respects, with any of its existing continuing disclosure undertakings.

UNDERWRITING

Citigroup Global Markets Inc. has agreed to purchase the Series 2011A Bonds and the Series 2011C Bonds at a purchase price of $87,672,240 (representing the aggregate par amount of the Series 2011A Bonds and the Series 2011C Bonds, less an aggregate underwriting discount of $87,760). Merrill Lynch, Pierce Fenner & Smith Incorporated has agreed to purchase the Series 2011B Bonds and the Series 2011E Bonds at a purchase price of $117,242,640 (representing the aggregate par amount of the Series 2011B Bonds and the Series 2011E Bonds, less an aggregate underwriting discount of $117,360). USB MSG has agreed to purchase the Series 2011D Bonds at a purchase price of $23,051,925 (representing the par amount of the Series 2011D Bonds, less an underwriting discount of $23,075). Each of the Bond Purchase Agreements will provide that the respective Underwriter will purchase all of the respective series of Bonds, if any are purchased, and will contain the agreement of the Obligated Group to indemnify the Underwriters and the Authority against certain liabilities.

"US Bancorp" is the marketing name of U.S. Bancorp and its subsidiaries including USB MSG and USBII. USB MSG will be acting as Underwriter for the Series 2011D Bonds, and USB MSG and USBII will together be acting as Remarketing Agent for the Series 2011D Bonds.

INDEPENDENT AUDITORS

The consolidated financial statements of Indiana University Health and subsidiaries (formerly known as Clarian Health Partners, Inc. and subsidiaries) as of December 31, 2010 and 2009 and for the years then ended, included in this Official Statement, have been audited by Ernst & Young, LLP, independent auditors, as stated in their report included in this Official Statement appearing in APPENDIX B hereto. Such consolidated financial statements include financial information with respect to other entities not included in the Obligated Group or the Credit Group that are included in such consolidated financial statements in accordance with accounting principles generally accepted in the United States.

MISCELLANEOUS

The foregoing and subsequent summaries and descriptions of provisions of the Bonds, the Indentures, the Loan Agreements, the Master Indenture, the 2011 Obligations and the Credit Facility Agreements and all references to other materials not purporting to be quoted in full are only brief outlines of some of the provisions thereof and do not purport to summarize or describe all of the provisions thereof. Reference is made to said documents for full and complete statements of their provisions. The appendices attached hereto are a part of this Official Statement.

This Official Statement has been approved by the Authority and executed by the Corporation, as Obligated Group Agent. This Official Statement is not to be considered as a contract or agreement between the Authority, the Corporation or the Obligated Group and the purchasers or Holders of any of the Bonds.

INDIANA FINANCE AUTHORITY

By: /s/ Christopher A. Ruhl
Chairman

INDIANA UNIVERSITY HEALTH, INC.,
as Obligated Group Agent

By: /s/ Marvin G. Pember
Executive Vice President and Chief Financial Officer

APPENDIX A

INFORMATION CONCERNING
INDIANA UNIVERSITY HEALTH (AND SUBSIDIARIES)

(FORMERLY KNOWN AS CLARIAN HEALTH PARTNERS)

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Indiana University Health Adopts New Name

On January 24, 2011, Indiana University Health, formerly known as Clarian Health Partners adopted its new name. On April 1, 2011, Indiana University Health adopted its new legal corporate identity "Indiana University Health, Inc.," replacing "Clarian Health Partners, Inc." The name change will not impact the existing corporate or management structure of the organization.

OVERVIEW OF INDIANA UNIVERSITY HEALTH (AND SUSBIDIARIES)

Indiana University Health, Inc. (*"Indiana University Health"*), an Indiana private nonprofit organization (exempt from federal income taxes on related function income as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "*Code*"), and classified as a public charity under Section 509(a) of the Code), is a health care delivery system that provides services throughout the State of Indiana (the "*State*"). In January 2011, Indiana University Health implemented a statewide rebranding effort, changing its name from Clarian Health to Indiana University Health, as part of an effort to operate its entire system under a unified, common name. On April 1, 2011, the legal name "Clarian Health Partners, Inc." was replaced with the new legal corporate identity "Indiana University Health, Inc." No change in corporate structure, management, or governance is to be made as a result of this change.

Indiana University Health's mission is to improve the health of its patients and the communities it serves through innovation and excellence in care, education, research and service. Operations include an academic health center affiliated with the Indiana University School of Medicine, the only medical school in the State and one of the five largest medical schools in the United States. Approximately sixty-five percent (65%) of Indiana University's medical residents are educated and trained in an Indiana University Health facility, and over seventy percent (70%) of Indiana University's pediatric residents are educated and trained at Riley Hospital for Children at Indiana University Health.

Indiana University Health is committed to being a leader in the transition to an Accountable Care Organization, designed to manage and deliver the best possible health care to patients. Accountable Care Organizations (*"ACOs"*) are envisioned to become unified organizations of physicians and hospitals with aligned incentives that assume responsibility for providing care to a population of patients while meeting various quality and efficiency metrics and sharing cost savings achieved with payers. Becoming an ACO is consistent with Indiana University Health's mission, values, and core beliefs that the health care system ought to work on behalf of patients and communities. Federal health care reform encourages ACOs in implementing strategies to align hospitals and hospital systems with physicians and physician groups in order to develop active and ongoing initiatives to control costs and improve the quality of health care services.

Indiana University Health has been putting the ACO pieces together for some time. In 2003, the Indiana University Health Board of Directors endorsed a strategy focusing on the three downtown hospitals and the need to grow beyond the city. The strategy aimed at capturing market share in the Indianapolis area and strengthening referral networks in the growing suburban communities which led to the construction of three new hospitals (North, West and Arnett). In 2006, Indiana University Health adopted its Vision of Preeminence, confirming the system's intention to become one of the nation's best and most respected providers of patient care.

The federal health care legislation increases access to health care, and as health care reimbursement shifts from a payment model based on the amount of services provided to a bundled or risk-based approach, Indiana University Health is well positioned to move with this transition. Clarian Health Plans, Inc. (*"CHPI"*) currently offers health plans to Indiana University Health employees and dependents, Indiana University employees and dependents, Medicare Advantage participants, and enrollees in MD Wise, a Medicaid program. In total, CHPI is assuming and managing the risk of approximately 80,000 covered lives.

Indiana University Health owns two captive insurance companies located in the Cayman Islands and South Carolina which provide medical malpractice and general liability coverage to Indiana University Health and its subsidiaries and affiliates. Laws in the jurisdictions in which the captive insurance companies are domiciled require that certain capital and funding requirements be met.

Indiana University Health's strategy will continue to incorporate system initiatives that drive alignment and integration, both clinically and administratively, in order to provide patients with the best possible quality of care, while continuing to explore opportunities to serve more patients throughout the State.

With its transition to an ACO, Indiana University Health is increasingly well positioned to meet the quality standards expected to be demanded by government and other accreditation bodies. Indiana University Health will

continue its drive to provide patients with the best possible quality of care and explore ways to serve more patients throughout the State.

Services provided by Indiana University Health include acute, nonacute, tertiary and quaternary care services on an inpatient, outpatient and emergency basis; medical education and research; medical management services; health care diagnostic and treatment services for individuals and families in physician clinics and physician-group practices; occupational healthcare for businesses; and personal and home healthcare. The principal operating activities of Indiana University Health are conducted at owned facilities or by majority owned or controlled subsidiaries.

Indiana University Health owns and operates an academic health center consisting of three hospital facilities located within one mile of each other in the City of Indianapolis, Indiana, which are together licensed as a single acute care hospital. Indiana University Health Methodist Hospital ("*Methodist Hospital*") is an acute care and tertiary care facility that currently operates approximately 850 beds and is Indiana's largest hospital facility. Indiana University Health University Hospital and Outpatient Center ("*University Hospital*") is an acute care academic medical facility that currently operates approximately 390 beds. James Whitcomb Riley Hospital for Children at Indiana University Health ("*Riley Hospital*") is an acute care and tertiary care facility that currently operates approximately 330 beds, and operates Indiana's largest and most comprehensive inpatient care and ambulatory care program for children. Methodist Hospital, University Hospital and Riley Hospital are referred to together as the "*Academic Health Center."* The hospital facilities comprising the Academic Health Center consistently have been listed among the best hospitals in the United States by U.S. News & World Report.

A 1.5-mile monorail system (the "*People Mover*") connects the Academic Health Center facilities, which allows medical professionals, employees and patients to easily and quickly travel between locations. The People Mover also allows clinical specimens to be sent back and forth through a pneumatic tube system.

In addition to the Academic Health Center, Indiana University Health owns and operates a number of outpatient facilities in the Indianapolis area providing a variety of ambulatory care services including radiology, laboratory, rehabilitation services and physician offices. Indiana University Health has also entered into certain partnership agreements with physicians for the operation of ambulatory surgery and diagnostic centers located in Indianapolis, Indiana, and the surrounding suburban area.

Indiana University Health has a seventy-seven percent (77%) ownership interest in Clarian Health West, L.L.C. d/b/a Indiana University Health West (*"West"*), a limited liability company organized to operate Indiana University Health West Hospital, an approximately 130-bed hospital, which opened in December 2004 and is located in suburban Avon, west of Indianapolis in Hendricks County. The remaining twenty-three percent (23%) of West is owned by physicians and physician groups. West also has a fifty percent (50%) ownership interest in Eagle Highlands Surgery Center, LLC, an ambulatory surgery center located on the west side of Indianapolis.

Indiana University Health has a sixty-four percent (64%) ownership interest in Clarian Health North, LLC d/b/a Indiana University Health North Hospital ("*North*"), a limited liability company organized to operate an approximately 160-bed acute care hospital, which opened in December 2005 and is located in Carmel, Indiana, a suburban area north of Indianapolis in adjoining Hamilton County. The remaining thirty-six percent (36%) of North is owned by physicians and physician groups. North is governed by a ten-member board of managers, six of whom are appointed by Indiana University Health and four of whom are appointed by physician owners.

The recent passage of the new health care legislation has imposed additional restrictions on for-profit hospitals which will not apply to nonprofit organizations. Indiana University Health is in the process of converting North and West to nonprofit organizations, and acquiring the minority interests held by physicians and physicians groups.

Indiana University Health operates acute care hospitals and health care systems located in Bedford, Bloomington, Goshen, Hartford City, Knox, Lafayette, LaPorte, Muncie, Paoli and Tipton, Indiana. Indiana University Health is the sole corporate member of LaPorte Regional Health System, Inc. d/b/a Indiana University Health LaPorte Hospital ("*LaPorte*"), which operates an acute care community hospital located in LaPorte, Indiana, approximately 150 miles northwest of Indianapolis with approximately 230 beds, and Indiana University Health

Starke Hospital, an approximately 50-bed acute care hospital located in Knox, Indiana. In addition, Indiana University Health is the sole corporate member of Goshen Health System, Inc. d/b/a Indiana University Health Goshen ("*Goshen*"), which operates Indiana University Health Goshen Hospital, an acute care community hospital located in Goshen, Indiana, approximately 150 miles northeast of Indianapolis with approximately 125 inpatient beds. Indiana University Health is the sole corporate member of Bedford Regional Medical Center, Inc. d/b/a Indiana University Health Bedford Hospital ("*Bedford*"), a critical access hospital located in Bedford, Indiana, approximately 75 miles south of Indianapolis with approximately 25 inpatient beds. In October 2008, Clarian Arnett Health System, Inc. d/b/a Indiana University Health Arnett Hospital ("*Arnett*"), for which Indiana University Health is the sole corporate member, commenced operations of an approximately 150-bed acute care hospital located in Lafayette, Indiana, approximately 65 miles northwest of Indianapolis. The operations of Arnett include a primary care and multi-specialty physician clinic operations.

On January 1, 2009, Indiana University Health became the sole corporate member of Ball Memorial Hospital, Inc. and subsidiaries d/b/a Indiana University Health Ball Memorial Hospital (*"Ball Memorial"*). Ball Memorial operates Indiana University Health Ball Memorial Hospital, an approximately 395-bed acute care and teaching hospital located in Muncie, Indiana, approximately 60 miles northeast of Indianapolis, and Blackford Community Hospital d/b/a Indiana University Health Blackford Hospital (*"Blackford"*), an approximately 15-bed critical access hospital located in Hartford City, Indiana. In addition, on January 1, 2009, Indiana University Health became the sole corporate member of Tipton Hospital, Inc. d/b/a Indiana University Health Tipton Hospital (*"Tipton"*), which operates an approximately 25-bed critical access hospital in Tipton, Indiana, which is located approximately 40 miles north of Indianapolis.

On December 31, 2009, Indiana University Health became the sole corporate member of Bloomington Hospital, Inc. and subsidiaries d/b/a Indiana University Health Bloomington Hospital (*"Bloomington"*). Bloomington is an approximately 275-bed acute care community hospital located in Bloomington, Indiana, approximately 55 miles south of Indianapolis, and Bloomington Hospital of Orange County d/b/a Indiana University Health Paoli Hospital (*"Paoli"*), an approximately 25-bed critical access hospital located in Paoli, Indiana.

Indiana University Health also operates other physician practices and clinics, substantially all of which are located in Indianapolis, Indiana. Indiana University Health is the sole corporate member of Clarian Cardiovascular Surgeons Group, LLC, Indiana Radiology Partners, Inc. d/b/a Indiana University Health Radiology, and Heart Partners of Indiana, LLC. Additionally, on January 23, 2009, Indiana University Health became a Class B member of Indiana University Health Care Associates, Inc. d/b/a Indiana University Health Physicians (*"Indiana University Health Physicians"*), previously d/b/a Indiana Clinic. Indiana University Health holds 51 membership units and individuals who serve as the Trustees of Indiana University are the Class A members and hold 49 membership units. Due to the participatory rights of the Class A members, Indiana University Health accounts for its economic interest in the Indiana University Health Physicians using the equity method of accounting. Indiana University Health Physicians, a nonprofit organization, is designed to integrate Indiana University Health-owned or -operated physician practices, privately owned practices and the practice plans of the Indiana University School of Medicine into a delivery model that facilitates access, coordinates care, and improves quality, all designed to provide a better healthcare experience for patients. The alignment of physicians with the Indiana University Health hospital system best supports its transition to an ACO.

Indiana University Health is the sole corporate member of Methodist Health Foundation, Inc. (*"Methodist Health Foundation*"), which aids and supports Methodist Hospital and other programs and areas of Indiana University Health. Ball Memorial is the sole corporate member of BMH Foundation, Inc. d/b/a Indiana University Health Ball Memorial Hospital Foundation (*"Indiana University Health Ball Memorial Hospital Foundation"*), which aids in carrying out the purposes of Ball Memorial.

Indiana University Health is Indiana's most comprehensive healthcare system and serves more patients in the State than any other health care provider. Indiana University Health's annual net operating revenues approximated $4.3 billion in 2010. Current major construction projects include (1) renovation and expansion of the Academic Health Center, including completion of shelled space in the recently-completed Riley Simon Family Tower, (2) construction of Indiana University Health Saxony Hospital, the first acute care hospital and ambulatory care facility providing cardiology, cardiovascular, orthopedic and neurosurgery services in Fishers, Hamilton County, Indiana and (3) construction of a 270,000-square-foot Neuroscience Center to be located adjacent to Methodist Hospital.

Indiana University Health purchased an administrative office building in March 2011, where a number of Indiana University Health's administrative offices currently operate. The building is located in close proximity to the Academic Health Center, and the purchase included approximately 1,200 additional parking spaces.

Upon the issuance of the Bonds, Indiana University Health and LaPorte will continue to be the only Members of the Obligated Group and, therefore, the only entities liable to make payments on the Obligations. While not Members of the Obligated Group, each Obligated Group Affiliate is controlled by a Member of the Obligated Group and, pursuant to the Master Indenture, is required to transfer amounts to the Obligated Group to enable the Obligated Group to pay principal of and premium, if any, and interest on the Obligations. Together, the Obligated Group Members and the Obligated Group Affiliates represent approximately sixty-two percent (62%) of the 2010 annual net operating revenues of Indiana University Health. No other member of the Indiana University Health System will have any obligation to make payments on the Obligations.

Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Official Statement provided herewith.

ORGANIZATIONAL CHART

Set forth on the following page is an organizational chart reflecting the corporate structure of Indiana University Health and its significant subsidiaries and affiliates. Except where indicated, the subsidiaries and affiliates are majority owned and controlled by Indiana University Health.

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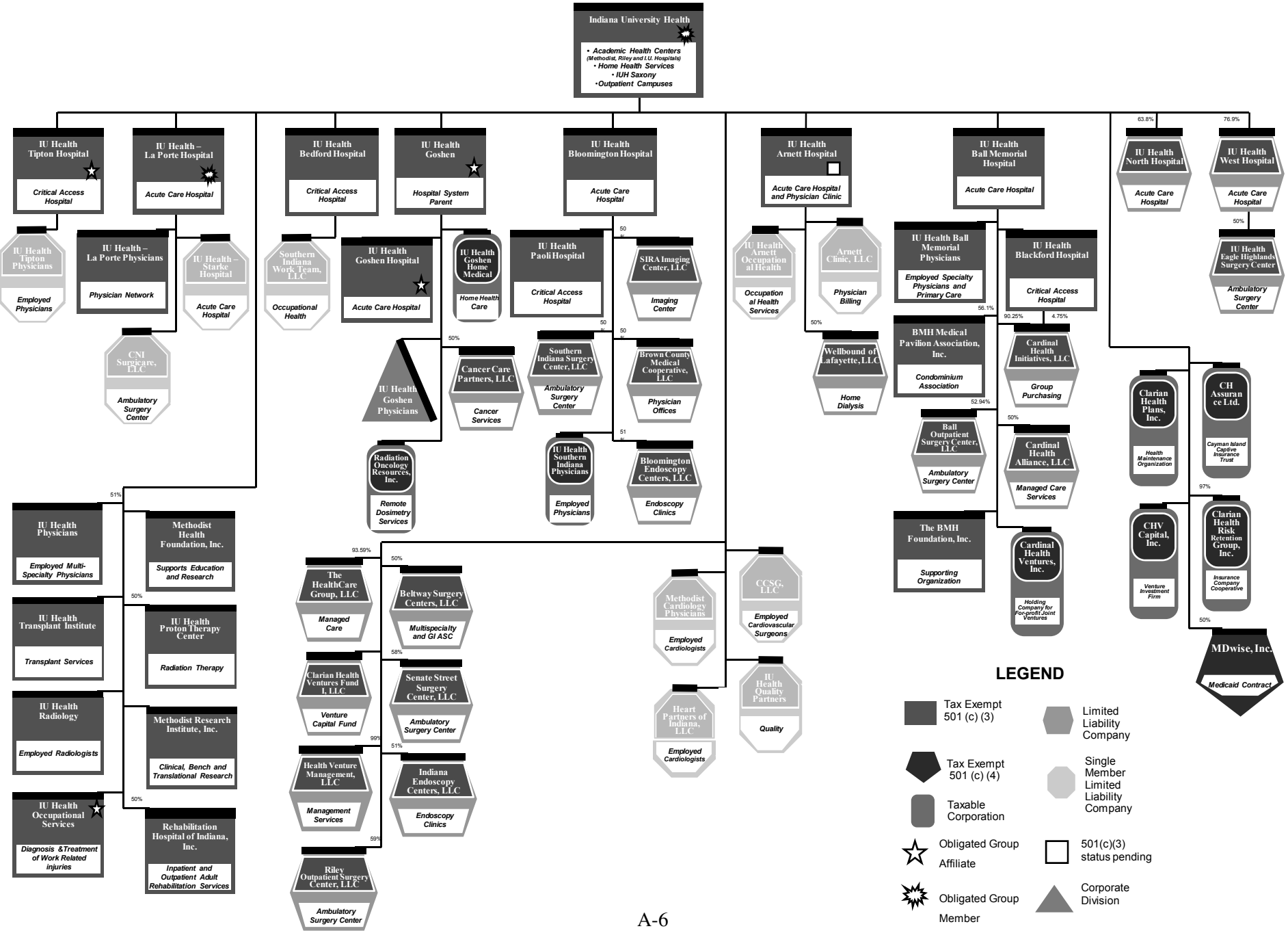

Indiana University Health
• Academic Health Centers (Methodist, Riley and I.U. Hospitals)
• Home Health Services
• IUH Saxony
•Outpatient Campuses
IU Health Tipton Hospital
Critical Access Hospital
IU Health – La Porte Hospital
Acute Care Hospital
IU Health Bedford Hospital
Critical Access Hospital
IU Health Goshen
Hospital System Parent
IU Health Bloomington Hospital
Acute Care Hospital
IU Health Arnett Hospital
Acute Care Hospital and Physician Clinic
IU Health Ball Memorial Hospital
Acute Care Hospital
63.8%
IU Health North Hospital
Acute Care Hospital
76.9%
IU Health West Hospital
Acute Care Hospital
IU Health Tipton Physicians
Employed Physicians
IU Health – La Porte Physicians
Physician Network
IU Health – Starke Hospital
Acute Care Hospital
CNI Surgicare, LLC
Ambulatory Surgery Center
Southern Indiana Work Team, LLC
Occupational Health
IU Health Goshen Hospital
Acute Care Hospital
IU Health Goshen Home Medical
Home Health Care
IU Health Goshen Physicians
Cancer Care Partners, LLC
Cancer Services
Radiation Oncology Resources, Inc.
Remote Dosimetry Services
IU Health Paoli Hospital
Critical Access Hospital
SIRA Imaging Center, LLC
Imaging Center
Southern Indiana Surgery Center, LLC
Ambulatory Surgery Center
Brown County Medical Cooperative, LLC
Physician Offices
IU Health Southern Indiana Physicians
Employed Physicians
Bloomington Endoscopy Centers, LLC
Endoscopy Clinics
IU Health Arnett Occupational Health
Occupational Health Services
Arnett Clinic, LLC
Physician Billing
Wellbound of Lafayette, LLC
Home Dialysis
IU Health Ball Memorial Physicians
Employed Specialty Physicians and Primary Care
56.1%
BMH Medical Pavilion Association, Inc.
Condominium Association
52.94%
Ball Outpatient Surgery Center, LLC
Ambulatory Surgery Center
The BMH Foundation, Inc.
Supporting Organization
IU Health Blackford Hospital
Critical Access Hospital
90.25%
4.75%
Cardinal Health Initiatives, LLC
Group Purchasing
50%
Cardinal Health Alliance, LLC
Managed Care Services
Cardinal Health Ventures, Inc.
Holding Company for For-profit Joint Ventures
50%
IU Health Eagle Highlands Surgery Center
Ambulatory Surgery Center
Clarian Health Plans, Inc.
Health Maintenance Organization
CH Assurance Ltd.
Cayman Island Captive Insurance Trust
97%
CHV Capital, Inc.
Venture Investment Firm
Clarian Health Risk Retention Group, Inc.
Insurance Company Cooperative
50%
MDwise, Inc.
Medicaid Contract
51%
IU Health Physicians
Employed Multi-Specialty Physicians
Methodist Health Foundation, Inc.
Supports Education and Research
50%
IU Health Transplant Institute
Transplant Services
IU Health Proton Therapy Center
Radiation Therapy
IU Health Radiology
Employed Radiologists
Methodist Research Institute, Inc.
Clinical, Bench and Translational Research
IU Health Occupational Services
Diagnosis &Treatment of Work Related injuries
50%
Rehabilitation Hospital of Indiana, Inc.
Inpatient and Outpatient Adult Rehabilitation Services
93.59%
The HealthCare Group, LLC
Managed Care
50%
Beltway Surgery Centers, LLC
Multispecialty and GI ASC
Clarian Health Ventures Fund I, LLC
Venture Capital Fund
58%
Senate Street Surgery Center, LLC
Ambulatory Surgery Center
99%
Health Venture Management, LLC
Management Services
51%
Indiana Endoscopy Centers, LLC
Endoscopy Clinics
59%
Riley Outpatient Surgery Center, LLC
Ambulatory Surgery Center
Methodist Cardiology Physicians
Employed Cardiologists
Heart Partners of Indiana, LLC
Employed Cardiologists
CCSG, LLC
Employed Cardiovascular Surgeons
IU Health Quality Partners
Quality
LEGEND
Tax Exempt 501 (c) (3)
Tax Exempt 501 (c) (4)
Taxable Corporation
Obligated Group Affiliate
Obligated Group Member
Limited Liability Company
Single Member Limited Liability Company
501(c)(3) status pending
Corporate Division

MAP OF INDIANA UNIVERSITY HEALTH HOSPITALS AND AFFILIATED FACILITIES

THE OBLIGATED GROUP

Indiana University Health and LaPorte will continue to be the only members of the Obligated Group upon the issuance of the Bonds. The Members of the Obligated Group under the Master Indenture will be jointly and severally liable for the payment of the debt service on the Obligations.

Indiana University Health, Inc.

Indiana University Health was incorporated as Clarian Health Partners, Inc. in 1995 and became a Member of the Obligated Group in connection with the Consolidation Transactions (as defined below). Effective January 1, 1997, the ownership and operation of the Academic Health Center was consolidated and licensed as a single acute care hospital (the "*Consolidation Transactions*") under the terms of a Definitive Health Care Resources Consolidation Agreement, as amended, (the "*Consolidation Agreement*") entered into by and among Indiana University Health, The Trustees of Indiana University (as owners of University Hospital and Riley Hospital), and Methodist Health Group, Inc., an Indiana nonprofit corporation, and Methodist Hospital of Indiana, Inc., an Indiana nonprofit corporation (as owners of Methodist Hospital). At the time of the consolidation, Methodist Health Group, Inc. and Methodist Hospital of Indiana, Inc. merged, and the name of the surviving entity was Methodist Health Group, Inc. Indiana University Health has two classes of members—the "Methodist Class" and the "University Class." The Methodist Class consists of the individual members of Methodist Health Group, Inc. The University Class consists of those individuals who serve from time to time as The Trustees of Indiana University. The Consolidation Agreement expires on December 31, 2095. The Consolidation Agreement may be terminated prior to the expiration of its term for the reasons set forth in the Consolidation Agreement, which include, among other reasons, (1) mutual agreement of Indiana University Health, Methodist Health Group, Inc., Methodist Hospital of Indiana, Inc. and The Trustees of Indiana University or (2) violation by Indiana University Health of the conditions set forth in the delegation resolutions adopted by The Trustees of Indiana University. Upon the occurrence of any other post-closing event of default under the Consolidation Agreement, the parties may pursue any remedy at law or in equity other than termination of the Consolidation Agreement. The Consolidation Agreement provides that no termination may be effective until Indiana University Health has been dissolved and its affairs wound up, including provision for payment of all of Indiana University Health's liabilities. Such liabilities would include Indiana University Health's liabilities with respect to the Obligations.

Indiana University Health's core hospital and outpatient facilities are described below. In addition, Indiana University Health is the sole corporate member or majority owner of certain Obligated Group Affiliates and other related entities as described in further detail under the captions, "THE OBLIGATED GROUP AFFILIATES" and "RELATED ENTITIES AND OTHER AFFILIATIONS."

Indiana University Health Methodist Hospital has been located at the same site since 1908. The hospital facility is the largest in the State, currently totaling approximately two million square feet. The central campus is composed of multiple buildings with common hallway, tunnel and skywalk access. Methodist Hospital includes a four-story outpatient center (which is also the site of the Senate Street Surgery Center, LLC, a joint venture with physicians), a patient services building where transitional care and psychiatric units are maintained, three administrative support buildings and two physician office buildings. A major addition was completed in 1986 in which one half of Methodist Hospital's nursing units, major ancillary services and service departments were relocated. Approximately 325,000 square feet were added in April 1995, which facilitated the relocation of several departments and nursing units and the renovation of the emergency medical and trauma services area. In 2002, the cardiovascular programs from University Hospital and Methodist Hospital were consolidated on the Methodist Hospital campus by building out shell space, the addition of 16,000 square feet of office and education space in a connector building, the renovation of 60,000 square feet of research space in the Noyes Pavilion, and the build-out of two additional catheter laboratories in the existing catheter laboratory area of the East Building. Construction of a consolidated laboratory facility was completed and became operational in 2006. This 180,000 square foot building is located along the People Mover monorail line and consolidates the laboratory functions of the Academic Health Center. A pneumatic tube system allows specimens to be transported from each of the hospitals to the laboratory. Certain administrative support services are located in off-campus leased and owned facilities in Indianapolis, Indiana. Fairbanks Hall, a six story, 180,000 square foot education and research center located adjacent to the laboratory facility was completed in 2008.

Indiana University Health LifeLine ("*IU Health LifeLine*") initiated operations in 1979 with one helicopter based at Methodist Hospital as the first hospital-based helicopter program in Indiana. In 2005, IU Health LifeLine

consolidated operations with the Riley Hospital Pediatric & Neonatal Transport Program to better serve the entire State and parts of Michigan, Ohio, Kentucky and Illinois. Operating five helicopters, one fixed-wing aircraft and four ground ambulances, IU Health LifeLine provides critical care, emergency medicine and emergency transportation services from bases in Columbus, Indianapolis, Muncie, Lafayette and Terre Haute for neonatal, pediatric and adult patients. IU Health LifeLine performs nearly 3,000 patient transports annually. Omniflight Helicopters of Addison, Texas provides aviation and maintenance personnel to IU Health LifeLine. IU Health LifeLine contracts with AeroCare Medical Transport System to supply, fly and service a fixed-wing aircraft.

Indiana University Health University Hospital is located on the campus of Indiana University—Purdue University at Indianapolis ("*IUPUI*"). University Hospital was constructed in 1970 and currently comprises 680,626 square feet. A 204,000 square-foot Outpatient Center opened in 1992 and houses adult renal dialysis, various outpatient services and multiple adult physician clinics. An 85,000 square-foot cancer center opened in 1996, allowing the concentration of cancer specialists and radiation therapy services to support University Hospital's multi-disciplinary approach to treating adult cancer patients. In 2008, the 400,000 square foot IU Simon Cancer Center opened, which consolidated services to cancer patients on an inpatient and outpatient basis.

James Whitcomb Riley Hospital for Children at Indiana University Health is located on the IUPUI campus. The recently completed Riley Simon Family Tower opened in January 2011 (and replaced the facility which was originally constructed in 1925, with major expansions and renovations in 1871, 1986, and 1994), Riley Hospital currently comprises more than 1.2 million square feet. The 255,395-square-foot Riley Outpatient Center, attached and adjacent to the Riley Simon Family Tower previously opened in September 2000. The Riley Outpatient Center provides ancillary services, outpatient clinics, surgery suites and support functions. The fourth floor of the Riley Outpatient Center was built out in 2002 to include a child psychology and autism clinic, and the emergency department, which is attached and adjacent to the Riley Outpatient Center, was expanded in 2005 by adding six rooms to the exam/treatment areas. As Indiana's largest children's hospital, Riley Hospital's specialty facilities include the largest neonatal intensive care and pediatric intensive care units in the State, and the State's only pediatric burn unit and parent care unit, as well as the State's only Level I trauma unit for pediatric patients. Construction continues at the Riley Simon Family Tower to complete the shelled space of the upper floors of the patient rooms, with completion expected by 2013.

Outpatient Campuses. In addition to the Academic Health Center described above, joint venture surgery center operations are located at outpatient facilities on the north and west sides of Indianapolis. Other outpatient operations not described herein are wholly-owned and operated by Indiana University Health, and include physician offices on the premises. Additional physician office and outpatient services are available in the surrounding areas.

Indiana University Health LaPorte Hospital

LaPorte Regional Health System, Inc. is an Indiana nonprofit corporation organized in 1966. In January 1998, Indiana University Health became the sole member of LaPorte Regional Health System, Inc., which operates Indiana University Health LaPorte Hospital (*"LaPorte"*), an acute care community hospital located in LaPorte, Indiana, approximately 150 miles northwest of Indianapolis. LaPorte was constructed in 1972 and was substantially expanded and/or renovated in 1984 and 1988, and currently comprises 331,000 square feet. LaPorte also leases or owns various buildings in LaPorte to accommodate administrative offices, storage and parking. In 1993, a new facility was built to house the LaPorte Community Health Center, which was expanded in 1999 to house the LaPorte County Dental Clinic, both of which provide services to economically disadvantaged citizens in the service area. Outpatient and ambulatory care services are provided at Indiana University Health LaPorte Hospital. LaPorte Regional Physician Network, Inc. d/b/a Indiana University Health LaPorte Physicians owns physician offices in LaPorte, Michigan City, Knox, New Carlisle and Westville, Indiana. LaPorte also leases space in Michigan City to the Visiting Nurse Association of LaPorte County. In January 2000, LaPorte acquired a 20,500 square foot medical office complex for physician offices and health related outpatient services. In June 2005, LaPorte completed renovation of a storage facility for its new outpatient rehabilitation and wellness center. In July 2009, Indiana University Health LaPorte became the sole member of CNI Starke, LLC, d/b/a Indiana University Health Starke Hospital (*"Starke"*), a 53-bed acute care community hospital, located in Knox, Indiana. LaPorte became the sole member of CNI Surgicare, LLC, d/b/a Indiana University Health Lakeshore Surgicare, on March 31, 2010, an ambulatory surgery center located in Chesterton, Indiana.

THE OBLIGATED GROUP AFFILIATES

Certain affiliates of Indiana University Health have been designated by Indiana University Health pursuant to the terms of the Master Indenture as "*Obligated Group Affiliates*." While the Obligated Group Affiliates are not Members of the Obligated Group and are not liable for payment of the Obligations, the Master Indenture requires that each Obligated Group Affiliate be controlled by a Member of the Obligated Group (through corporate control or pursuant to contract) to assure compliance by the Obligated Group Affiliates with the covenants contained in the Master Indenture. Each Obligated Group Affiliate is required to pay, loan or otherwise transfer to the Members of the Obligated Group such amounts as are necessary to pay duly and punctually the principal of and premium, if any, interest and any other amount payable on any Outstanding Obligation that was made available to such Obligated Group Affiliate, and such amounts that are otherwise necessary to enable each Member to pay the principal and premium of the Obligations. The Obligated Group Affiliates as of the date of the issuance of the Bonds are:

***Indiana University Health Goshen*—**Goshen Health System, Inc. d/b/a Indiana University Health Goshen is the sole corporate member of Goshen Hospital Association, Inc. d/b/a Indiana University Health Goshen Hospital *(*together *"Goshen")*, an acute care community hospital located in Goshen, Indiana, approximately 150 miles northeast of Indianapolis. Goshen comprises approximately 230,000 square feet and currently operates 123 beds. Goshen was constructed in 1953, with additional space and other building renovations completed in 1964, 1968, 1974 and 1981. In 1994, the hospital facilities were renovated and updated, and a major expansion was completed. In 1996, a four-story building totaling 25,000 square feet adjacent to the hospital's campus was purchased to house outpatient clinical and administrative functions. A 25,000-square-foot building addition was completed in 2000 to house expanded MRI capabilities and an expanded outpatient oncology program, including radiation and chemotherapy services. In April 2007, additions totaling 130,200 square feet were completed which more than doubled the available patient care spaces in the emergency department, intensive care unit and surgical suites, and created a new entrance, lobby and pre-admission testing area. Goshen owns or leases space for its home medical business and physician clinics at 17 locations in Goshen, Elkhart, Nappanee, New Paris, Ligonier, LaGrange and Middlebury, Indiana. Goshen also operates PrimeCare Physician Network d/b/a Indiana University Health Goshen Physicians, which consists of 45 physicians. Indiana University Health became the sole corporate member of Goshen Health System, Inc. on April 1, 2000.

***Indiana University Health Occupational Services*—**Methodist Occupational Health Centers, Inc. d/b/a Indiana University Health Occupational Services provides occupational health care services for the diagnosis and treatment of work-related injuries and illnesses and related services at nine locations in the Indianapolis metropolitan area and in Goshen. Indiana University Health is the sole corporate member of Methodist Occupational Health Centers, Inc.

***Indiana University Health Tipton Hospital*—**Tipton Hospital, Inc. d/b/a Indiana University Health Tipton Hospital *("Tipton")* joined the Obligated Group Affiliates in December 2010. Indiana University Health is the sole corporate member of Tipton Hospital, Inc., an approximately 25-bed critical access hospital with 277,000 square feet in Tipton, Indiana. Tipton provides short-term inpatient and outpatient health care to Tipton County and other surrounding counties. Healthcare services include acute and nonacute care services on an inpatient, outpatient, and emergency basis; and healthcare diagnostic and treatment services.

RELATED ENTITIES AND OTHER AFFILIATIONS

The following related and affiliated entities are not Members of the Obligated Group and have no obligation to make payments on the Obligations.

Foundations

Bloomington Hospital Foundation, Inc. is a nonprofit organization that provides philanthropic, scientific and education support for Indiana University Health Bloomington Hospital and its broad range of not-for-profit health-related services for the people of south central Indiana. Bloomington Hospital Foundation, Inc. is not controlled by Bloomington.

***Indiana University Health Ball Memorial Hospital Foundation*—**BMH Foundation, Inc. d/b/a Indiana University Health Ball Memorial Hospital Foundation (*"Indiana University Health Ball Memorial Hospital Foundation"*) is a nonprofit organization that operates for the benefit of Indiana University Health Ball Memorial Hospital and related organizations to receive contributions, hold and manage assets, and make distributions to invest in services that improve the health of the residents of the communities served by Ball Memorial. Ball Memorial is the sole corporate member of the Indiana University Health Ball Memorial Hospital Foundation.

Methodist Health Foundation, Inc. is a nonprofit organization established to aid and support medical education, medical research and other donor specified programs at Methodist Hospital. Indiana University Health is the sole corporate member of Methodist Health Foundation.

***Riley Children's Foundation*—**James Whitcomb Riley Memorial Association, Inc. d/b/a Riley Children's Foundation is a nonprofit organization founded to honor the memory of the poet James Whitcomb Riley by caring for the critically ill children of Indiana. This mission is accomplished through support of Riley Hospital, Camp Riley for Youth with Physical Disabilities and the Riley Museum Home. Riley Children's Foundation is not controlled by Indiana University Health.

Tipton County Foundation, Inc. is a nonprofit organization dedicated to fulfill the charitable, religious, educational and scientific interests of the community of Tipton County. Tipton County Foundation is not controlled by Tipton.

Related Entities

Arnett Clinic, LLC is a limited liability company wholly owned by Clarian Arnett Health System, Inc. d/b/a Indiana University Health Arnett. Arnett Clinic, LLC is a multi specialty physician services company that includes approximately 140 physicians with offices located within Tippecanoe County and surrounding counties.

Ball Outpatient Surgery Center, LLC is a limited liability company of which Ball Memorial owns approximately fifty-three percent (53%). Ball Memorial Outpatient Surgery Center operates an ambulatory surgery center on Ball Memorial's campus.

Beltway Surgery Centers, LLC assumed the outpatient surgery operations previously provided by Indiana University Health at two outpatient centers located on the north side of Indianapolis, with the first opening in August 1999 and the second opening thereafter. Indiana University Health has a fifty percent (50%) ownership interest in Beltway Surgery Centers, LLC. The remaining fifty percent (50%) is owned by physicians who practice at the center.

BMH Medical Pavilion Association, Inc. is a nonprofit condominium association in which Ball Memorial owns fifty-six percent (56%) with the remaining forty-four percent (44%) owned by physicians and physician groups.

Brown County Medical Cooperative, LLC is a limited liability company with fifty percent (50%) owned by Bloomington located in Nashville, Indiana. Brown County Medical Cooperative provides rental space for physician offices.

Cancer Care Partners, LLC is a limited liability company in which Goshen owns fifty percent (50%). Cancer Care Partners, LLC provides access to leading-edge treatments, clinical trials and an entire team of medical, surgical, radiation and naturopathic oncologists, as well as dietitians, counselors, urologists, gastroenterologists and otolaryngologists.

Cardinal Health Alliance, LLC is a limited liability company in which Ball Memorial owns fifty percent (50%). Cardinal Health Alliance, LLC is a managed care organization that encompasses multiple Indiana counties and includes employees in administrative service only plans.

Cardinal Health Initiatives, LLC is a group purchasing organization in which Ball Memorial owns ninety percent (90%) and Blackford owns five percent (5%).

Cardinal Health Ventures, Inc. is a wholly owned subsidiary of Ball Memorial. It manages and operates the various for-profit businesses and activities organized to promote health within east central Indiana.

CH Assurance, Ltd. is a wholly owned captive insurance company of Indiana University Health domiciled in the Cayman Islands. Subsidiaries and affiliates of Indiana University Health participate in a medical professional and general liability program of insurance coverage, which is offered by the fronting carrier and reinsured by CH Assurance, Ltd.

CHV Capital, Inc. is an Indiana corporation established for the purpose of facilitating commercialization of activities within Indiana University Health and investing in external business opportunities that directly benefit the mission of Indiana University Health. One-hundred percent (100%) of CHV Capital, Inc.'s stock is owned by Indiana University Health.

Clarian Health Plans, Inc. (*"CHPI"*) is a wholly owned, for-profit health benefits company that offers Medicare Advantage health plans to approximately 8,000 Medicare members across 32 Indiana counties. CHPI is the largest Medicare Advantage HMO in Indiana. CHPI and related companies also offer Medicaid managed services to approximately 30,000 members of the MDWise Medicaid Health Plan. In 2011, CHPI and related companies began offering health benefit services to approximately 39,000 Indiana University Health employees and their dependents and 2,000 Indiana University members. CHPI and related companies are in discussions with other entities to arrange health benefits and offer other related services. Through the integration of Indiana University Health Physicians and Indiana University Health facilities, employers will expect improved quality and efficiency resulting in better utilization of health services. Additionally, CHPI plans to replace the traditional fee-for-service payment model with a system of global payments that combines risk adjusted payment and pay for performance with a renewed focus on primary care. As part of the Indiana University Health System's transition to an ACO, CHPI and related companies assume the risk of approximately 80,000 members and continues to explore opportunities to expand its member base.

Clarian Health Risk Retention Group, Inc. ("*CHRRG*") is a South Carolina corporation formed under the Federal Risk Retention Group Act. CHRRG's majority owner is Indiana University Health, but all insureds, including private physician groups and risk purchasing groups, own shares. CHRRG is authorized to write professional and general liability coverage in the State of Indiana. CHRRG currently writes coverage for all hospitals and outpatient surgery centers within the Indiana University Health system, as well as approximately 2,700 physicians and ancillary health providers. Currently CHRRG is the third-largest writer of medical professional liability insurance in the State of Indiana. CHRRG's liabilities are ceded to its reinsurer, CH Assurance, Ltd.

Clarian Health Ventures Fund I LLC is a limited liability company that holds all investments facilitated by CHV Capital, Inc. that directly benefit the mission of Indiana University Health.

Eagle Highlands Surgery Center, LLC is a limited liability company that was formed in July 2006 to operate an ambulatory surgery center at the Eagle Highlands Surgery Center. Fifty percent (50%) of the surgery center is owned by physician or physician practices, and the remaining fifty percent (50%) is owned by Indiana University Health West.

Health Care Connections, Inc. d/b/a Indiana University Health Ball Memorial Physicians (*"Indiana University Health Ball Memorial Physicians")* is a nonprofit organization, which is comprised of employed specialty physicians. Ball Memorial is the sole corporate member of Health Care Connections, Inc.

Health Venture Management, LLC is wholly owned by Indiana University Health. This entity provides executive management services to ambulatory joint ventures such as Beltway Surgery Centers, LLC, Eagle Highlands Surgery Center, Senate Street Surgery Center, LLC, Indiana Endoscopy Centers, LLC, and Ball Outpatient Surgery Center, LLC.

Heart Partners of Indiana, LLC ("*HPI*") is a limited liability company that operates a physician group cardiology practice. HPI is a single-member limited liability company with Indiana University Health as the member.

Indiana University Health Arnett Hospital—Clarian Arnett Health System, Inc. d/b/a Indiana University Health Arnett Hospital *("Arnett")* is an acute care hospital with approximately 150 beds and 404,000 square feet located in Lafayette, Indiana. Arnett, in which nonprofit status is pending, provides a broad range of acute and outpatient services for adult and pediatric patients.

Indiana University Health Arnett Occupational Services—Clarian Arnett Occupational Health, LLC d/b/a Indiana University Health Arnett Occupational Services is a limited liability company wholly owned by Arnett. Indiana University Health Arnett Occupational Services has two full service locations in Lafayette and Frankfort, Indiana.

Indiana University Health Ball Memorial—Indiana University Health is the sole corporate member of Ball Memorial Hospital, Inc. d/b/a Indiana University Health Ball Memorial Hospital *("Ball Memorial")*, which is an approximately 395-bed acute care nonprofit hospital with 1,736,000 square feet located in Muncie, Indiana. Ball Memorial operates as a regional referral center and teaching hospital.

Indiana University Health Bedford Hospital—Bedford Regional Medical Center, Inc. d/b/a Indiana University Health Bedford Hospital (*"Bedford")*. Indiana University Health is the sole corporate member of Bedford, an approximately 25-bed critical access hospital with 209,000 square feet in Bedford, Indiana. Bedford, a nonprofit organization, provides acute care and outpatient services for adult and pediatric patients.

Indiana University Health Blackford Hospital—Blackford Community Hospital, Inc. d/b/a Indiana University Health Blackford Hospital *("Blackford")* Ball Memorial is the sole corporate member of Blackford, a nonprofit organization. Blackford is an approximately 15-bed critical access hospital with 45,000 square feet located in Hartford City, Indiana. Blackford maintains a 24-hour emergency room and operates Blackford County's only ambulance service.

Indiana University Health Bloomington Hospital—Bloomington Hospital, Inc. d/b/a Indiana University Health Bloomington Hospital *("Bloomington")* Indiana University Health is the sole corporate member of Bloomington, an approximately 275-bed nonprofit hospital with 550,000 square feet in Bloomington, Indiana.

Indiana University Health Cardiovascular—CCSG, LLC d/b/a Indiana University Health Cardiovascular *("Indiana University Health Cardiovascular")* is a limited liability company whose physicians provide cardiothoracic and vascular surgical care services. Indiana University Health Cardiovascular is a single-member limited liability company with Indiana University Health as the member.

Indiana University Health Goshen Home Medical—Parkmor Drug, Inc. d/b/a Indiana University Health Goshen Home Medical *("Indiana University Health Goshen Home Medical")* is a for-profit organization wholly owned by Goshen. Indiana University Health Goshen Home Medical sells and rents mobility products, oxygen, sleep apnea equipment, other respiratory supplies, braces, diabetic products, room supplies, bath aid supplies, women's healthcare products and other home medical equipment supplies.

Indiana University Health Goshen Physicians—PrimeCare Physician Network d/b/a Indiana University Health Goshen Physicians (*"Indiana University Health Goshen Physicians"*) is a division of Goshen. Indiana University Health Goshen Physicians is a multi-specialty organization dedicated to meeting the overall healthcare needs of area residents. Care areas include family practice, neurology, cardiology, internal medicine, pediatrics, orthopedics, obstetrics and gynecology, bariatrics, and gastroenterology.

Indiana Endoscopy Centers, LLC was established in 2007 to operate endoscopy centers throughout central Indiana. Indiana University Health owns fifty-one percent (51%), with the remaining forty-nine percent (49%) owned by physicians and physician practices.

Indiana University Health Lakeshore Surgicare—CNI Lakeshore Surgicare LLC d/b/a Indiana University Health Lakeshore Surgicare *("Indiana University Health Lakeshore Surgicare")* is a limited liability company, which has an 11,200 square foot facility in Chesterton, Indiana. Indiana University Health Lakeshore Surgicare primarily provides outpatient general and orthopedic surgery. LaPorte is the sole corporate member of Indiana University Health Lakeshore Surgicare.

Indiana University Health LaPorte Physicians—LaPorte Regional Physician Network, Inc. d/b/a Indiana University Health LaPorte Physicians ("Indiana University Health LaPorte Physicians") is a nonprofit corporation that was organized to provide residents of LaPorte County access to primary care and specialty physicians. LaPorte is the sole member of Indiana University Health LaPorte Physicians.

Indiana University Health North Hospital—Clarian Health North, LLC d/b/a Indiana University Health North Hospital *("North")* is a limited liability company organized to operate Indiana University Health North Hospital, an approximately 160-bed, 436,000-square-foot hospital facility, which is located in suburban Carmel, north of Indianapolis in adjoining Hamilton County, Indiana. Indiana University Health owns approximately sixty-four percent (64%) of the membership interests of Clarian Health North, LLC. Physician and physician group investors own the remaining thirty-six percent (36%). Indiana University Health is in the process of converting North to a nonprofit hospital, and acquiring the membership interests owned by the physicians and physicians groups.

Indiana University Health Occupational Services Center—Southern Indiana Work Team LLC d/b/a Indiana University Health Occupational Services Center (*"Indiana University Health Occupational Services Center"*) is a single-member limited liability company that provides a comprehensive Occupational Medicine package of medical, safety, onsite and case management services. Indiana University Health Occupational Services Center is wholly owned by and located within Bedford Hospital.

Indiana University Health Paoli Hospital—Bloomington Hospital of Orange County, Inc. d/b/a Indiana University Health Paoli Hospital *("Paoli")* Bloomington is the sole corporate member of Paoli, a nonprofit organization, an approximately 25-bed critical access hospital with 66,000 square feet in Paoli, Indiana.

Indiana University Health Physicians—Indiana University Healthcare Associates, Inc. d/b/a Indiana University Health Physicians *("Indiana University Health Physicians"*, formerly *"The Indiana Clinic")* is jointly owned by Indiana University Health and the IU School of Medicine. Indiana University Health Physicians is a multi-specialty physician group, comprised of IU School of Medicine faculty, physicians formerly employed by Indiana University Health and private physician groups. Indiana University Health Physicians provides a framework for consistency in practice, quality and measurement of outcomes. Independent physician groups will continue to integrate into a direct employment model with Indiana University Health Physicians, creating a stronger network and a greater opportunity to extend quality care throughout the State. Methodist Cardiology Physicians is among the physician groups to recently join Indiana University Health Physicians.

Indiana University Health Proton Therapy Center—Midwest Proton Radiotherapy, Inc. d/b/a Indiana University Health Proton Therapy Center *("Indiana University Health Proton Therapy Center")*, is a nonprofit diagnostic and treatment center for cancer, jointly owned by Indiana University Health and an affiliate of Indiana University through fifty percent (50%) membership interests, Indiana University Health Proton Therapy Center is located near the campus of Indiana University in Bloomington, Indiana.

Indiana University Health Quality Partners—Clarian Quality Partners, LLC d/b/a Indiana University Health Quality Partners *("Indiana University Health Quality Partners")* is a physician-led, hospital-supported organization aimed at driving better clinical quality and lowering health care costs with a current membership of more than 2,500 physicians across Indiana. Indiana University Health Quality Partners will enter into physician-directed contractual and pay-for-performance agreements with health plans to provide a new product in the marketplace focused on value and best-practice delivery.

Indiana University Health Radiology—Indiana Radiology Partners, Inc. d/b/a Indiana University Health Radiology ("*Indiana University Health Radiology*") is a nonprofit corporation that employs and contracts with radiologists. Indiana University Health Radiology is the radiology service provider for Indiana University Health, West, North and Indiana University Health-affiliated surgery and imaging centers in central Indiana. Indiana University Health is the sole corporate member of Indiana University Health Radiology.

Indiana University Health Saxony Hospital *("Saxony")*, a division of Indiana University Health, is currently under construction and will operate as an acute care hospital and ambulatory care facility providing cardiology, cardiovascular, orthopedic, and neurosurgery services in Fishers in Hamilton County, Indiana. Saxony is expected to begin operation in late 2011, upon completion of the first phase of construction to construct an approximately 40-

bed hospital, a full-service emergency department, medical office building, pharmacy and imaging and laboratory services. Saxony will be the first and only hospital in the Town of Fishers.

Indiana University Health Southern Indiana Physicians—Southern Indiana Medical Group, Inc. d/b/a Indiana University Health Southern Indiana Physicians (*"Indiana University Health Southern Indiana Physicians"*) is a for-profit subsidiary of Bloomington Hospital, Inc. Indiana University Health Southern Indiana Physicians consists of five family practices, and services include internal medicine, pediatrics, gynecology, and general surgery.

Indiana University Health Starke Hospital—LaPorte is the sole corporate member of CNI Starke LLC d/b/a Indiana University Health Starke Hospital *("Starke")*. Starke, a nonprofit organization, is an acute care hospital with approximately 50 beds and 67,000 square feet in Knox, Indiana.

Indiana University Health Tipton Physicians—Central Indiana Physician Alliance, LLC d/b/a Indiana University Health Tipton Physicians (*"Indiana University Health Tipton Physicians"*) is wholly owned by Tipton and was created to coordinate care, improve quality, and provide a better health care experience for patients in Tipton, Indiana. Indiana University Health Tipton Physicians is a limited liability company.

Indiana University Health Transplant Institute—Clarian Transplant Institute, Inc. d/b/a Indiana University Health Transplant Institute is a nonprofit corporation established for the purpose of working with Indiana University Health to host the planning, organizing, coordinating, operation and management of the Indiana University Health Abdominal Transplant Program.

Indiana University Health West Hospital—Clarian Health West, LLC d/b/a Indiana University Health West *("West")* is a limited liability company organized to operate Indiana University Health West Hospital, an approximately 130-bed, 298,099 square foot hospital facility, which is located in suburban Avon, west of Indianapolis in adjoining Hendricks County, Indiana. Indiana University Health owns approximately seventy-seven percent (77%) of the membership interests of IU Health West. Physician and physician group investors own the remaining twenty percent (23%). Indiana University Health is in the process of converting West to a nonprofit hospital, and acquiring the membership interests owned by the physicians and physicians groups.

MD Wise, Inc.—Indiana University Health and Wishard Hospital, owned by Health and Hospital Corporation of Marion County, jointly own, through fifty percent (50%) membership interests, MD Wise, Inc., a Medicaid-managed care provider providing enrollees with health care services through the managed care networks of participating Indianapolis hospitals.

Methodist Research Institute, Inc. operates as a nonprofit corporation and is the wholly owned research subsidiary of Indiana University Health. Methodist Research Institute is home to seven laboratories researching a variety of medical issues with the goal of developing a care delivery model that will result in improved clinical outcomes and quality of life for patients.

Radiation Oncology Resources, Inc. is a nonprofit taxable organization owned by Goshen. Radiation Oncology Resources, Inc. provides customized training programs and Dosimetry on Demand radiation treatment planning to facilities looking to expand their treatment repertoire through advanced planning techniques and remote treatment planning options.

Rehabilitation Hospital of Indiana, Inc. is a nonprofit organization that is fifty percent (50%) owned by Indiana University Health. Rehabilitation Hospital of Indiana, Inc. provides inpatient acute services, and outpatient and vocational rehabilitation services for adults with spinal cord injuries, brain injuries, strokes, amputations, orthopedic conditions, neuromuscular diseases, burns and related disabilities.

Riley Outpatient Surgery Center, LLC is a limited liability company formed to own and operate an existing ambulatory surgery center located at Riley Hospital at Indiana University Health in Indianapolis. Indiana University Health owns fifty-nine percent (59%), and the remaining forty-one percent (41%) is owned by physicians and physician practices.

Senate Street Surgery Center, LLC is a limited liability company that was formed in December 2007 to operate an ambulatory surgery center at Methodist Hospital. Forty-two percent (42%) of the surgery center is

owned by physician or physician practices, and the remaining fifty-eight percent (58%) is owned by Indiana University Health.

SIRA Imaging Center, LLC is a limited liability company fifty percent (50%) owned by Bloomington Hospital, Inc. SIRA Imaging Center, LLC provides X-ray, ultrasound, and mammogram services in Bloomington, Indiana.

Southern Indiana Surgery Center, LLC is a limited liability company fifty percent (50%) owned by Bloomington. Southern Indiana Surgery Center is located in Bloomington, Indiana and has four operating rooms and two endoscopy/minor rooms.

The Health Care Group, LLC ("*THCG*")**--**Indiana University Health holds a ninety-four percent (94%) ownership interest in THCG. THCG's wholly owned subsidiary M·Plan formerly was a licensed Health Maintenance Organization that provided coverage to enrolled members throughout the State of Indiana. In September 2007, THCG announced that M·Plan was exiting the business of providing commercial health care coverage effective December 31, 2007, and would wind down its operations through 2010. THCG also operates Encore, a rental Preferred Provider Organization (PPO) network, offered on a wholesale basis to third-party administrators, mid-market insurance carriers, national PPOs, and self-funded entities.

Wellbound of Lafayette, LLC is a limited liability company fifty percent (50%) owned by Arnett. Wellbound of Lafayette, LLC provides self care dialysis services, education and wellness programs.

Physician and Other Affiliations

Indiana University Health maintains a variety of relationships with physician groups and organizations throughout the State. Significant among these relationships are the following:

HealthNet, Inc. is a federal qualified health center with a network of six community-based health centers, an OB/GYN care center, a maternal-fetal medicine center, a pediatric and adolescent care center, and eight school-based clinics, all located in Indianapolis, Indiana. The sixth health center opens in spring 2011 on the east side of the city. Indiana University Health supports HealthNet, Inc.'s services by providing financial support, personnel and management services. HealthNet, Inc.'s physicians are also credentialed by Indiana University Health and are on staff at Methodist Hospital.

***IU Medical Group Primary Care*—**IU Health Care, Inc. d/b/a IU Medical Group Primary Care (*"IUMG PC"*) is a nonprofit, tax exempt corporation that employs over 150 internal medicine, pediatric, hospitalists, geriatrics, dual boarded internal medicine/pediatric, and family practice physicians and advanced providers that serve approximately 190,000 patients at 21 ambulatory sites in Marion County and surrounding counties in Indiana. IUMG PC is a joint venture of Health and Hospital of Marion County Indiana and Indiana University School of Medicine. IUMG PC contracts with various specialists to provide health services to its members, most of whom are members of Indiana University Health Physicians. Certain adult clinics operated by these specialists are hospital based clinics located at the Academic Health Center. Indiana University Health provided financial subsidies to IUMG PC totaling $1.1 million in 2009 and $1.1 million in 2010.

Methodist Specialty Physicians **("*MSP*")** is an independent physician association organized under the Methodist Health Foundation. MSP consists of over 200 physicians, representing several major medical specialties, who practice and admit patients to Indiana University Health. A number of the MSP members also serve in Physician Leadership roles throughout Indiana University Health. The leaders oversee clinical departments and service lines and/or participate in management and other operating committees of Indiana University Health. MSP provides Indiana University Health consultation on significant matters such as a clinical consolidation.

Potential Affiliations and Transactions

Indiana University Health is in discussions with a number of hospitals and health care systems about potential affiliations. Indiana University Health has finalized its affiliation discussions with White County Memorial Hospital ("White") and Morgan Hospital and Medical Center ("Morgan") and, subject to completion of due diligence and obtaining all regulatory approvals, anticipates closing on these two affiliations in the second quarter of 2011 with an

anticipated effective date of July 1, 2011. White is a 25-bed critical access hospital located in Monticello, Indiana. Morgan has 76 licensed beds and is located in Martinsville, Indiana.

Indiana University Health Neuroscience Center Indiana University Health has signed a letter of intent with a developer to construct a neuroscience center to be located in Indianapolis, Indiana. The three-building complex will include a 270,000-square-foot ambulatory care center, research center and parking garage. Indiana University Health is expected to lease the ambulatory care center upon its completion. Indiana University will own the research facility. Both entities will share the parking structure. The more than $100 million project is part of a plan by Indiana University Health and the IU School of Medicine to invest in neuroscience over five years. Construction began in December 2010, and the first phase of the project, the ambulatory care center, is set to open in 2012.

Administrative Building Indiana University Health purchased the Gateway Plaza building ("*Gateway*"), which currently houses a number of Indiana University Health administrative services. Gateway is located at 10th Street and Meridian Street near the Academic Health Center in Indianapolis, Indiana. The Gateway purchase adds approximately 280,000 square feet of office space and more than 1,200 parking spaces.

GOVERNANCE AND MANAGEMENT

Indiana University Health

Corporate Members. As described above, the Articles of Incorporation of **Indiana University Health, Inc.** provide for two classes of members – the Methodist Class and the University Class. The Methodist Class consists of the members of Methodist Health Group, Inc. d/b/a Indiana University Health Methodist Hospital, which includes individuals who are nominated by the North and South Annual Conferences of the United Methodist Church. The University Class consists of those persons serving from time to time as The Trustees of Indiana University (in their capacities as individuals and not as The Trustees of Indiana University). In accordance with Indiana University Health's Articles of Incorporation, certain matters require the approval of a designated class of member before action can be taken by Indiana University Health. Matters requiring the approval of the Methodist Class include, among other matters, (1) any sale, lease, transfer or other alienation of the real property associated with Indiana University Health Methodist Hospital ("Methodist Hospital"); (2) any sale or other alienation of all or substantially all of the assets of Indiana University Health; (3) amendment of Indiana University Health's Articles of Incorporation; (4) dissolution of Indiana University Health; and (5) any revision to certain principles and policies underlying the Consolidation Transactions. Matters requiring the approval of the University Class include, among other matters, (1) any sale, lease, transfer or other alienation of the real property associated with Indiana University Health University Hospital ("University Hospital") or Riley Hospital for Children at Indiana University Health ("Riley Hospital") (which is owned by The Trustees of Indiana University); (2) the matters described in (2) through (5) above with respect to the approval of the Methodist Class; (3) any change in the agreement to provide support to the Indiana University School of Medicine (see "SERVICES—Medical Education and Research"); (4) any proposal by Indiana University Health that conflicts with the commitment of Indiana University Health to make all patients available for medical education unless otherwise requested by the patient or his/her family; and (5) any proposed action regarding the operation of University Hospital or Riley Hospital that would conflict with certain requirements specified in a resolution adopted by The Trustees of Indiana University that delegated to Indiana University Health the authority to operate and manage University Hospital and Riley Hospital.

As set forth in the Consolidation Agreement, neither Methodist Health Group, Inc. nor The Trustees of Indiana University will be obligated to pay or guarantee any debt or obligation of Indiana University Health, whether the debt or obligation arose prior to or otherwise relates to facts and circumstances that preceded the Consolidation Transactions or otherwise. None of the State of Indiana, The Trustees of Indiana University, Methodist Health Group, Inc. or the United Methodist Church (or any of its Conferences, Divisions, Boards or other operating or affiliated units) or any trustee, agent, attorney, director, member, officer or employee of any of these entities shall in any event be liable, whether pecuniarily or otherwise, for any undertaking or agreement of any kind whatsoever that may be undertaken by Indiana University Health.

Board of Directors. Indiana University Health's Board of Directors consists of 13 directors. Eight at-large directors are jointly elected by the affirmative vote of both member classes. One director is elected by the University Class, and one director is elected by the Methodist Class following nomination by the Leadership Council of Methodist Medical Group, Inc. Additionally, the Dean of the Indiana University School of Medicine, the Bishop of the Indiana Conference of the United Methodist Church or his designee and the President and Chief Executive Officer of Indiana University Health are all ex officio directors. The current Board of Directors consists of the following individuals:

Name	Occupation	Member Since	Term Expires
Hon. Sarah Evans Barker	Judge, U.S. District Court	1996	2011
William R. Cast, M.D.	Private ENT Practice; CEO, NoMoreClipboard	2010	2013
Thomas W. Chapman, Ph.D.	President and Chief Executive Officer, HSC Foundation, Washington, D.C.	1996	2014
J. Scott Davison	Chief Financial Officer, OneAmerica Financial Partners, Inc.	2011	2014
Charles E. Golden	Retired Executive Vice President and Chief Financial Officer, Eli Lilly and Company	1996	2011
David W. Goodrich	Retired Executive Vice President and Chief Executive Officer, Central Indiana Corporate Partnership, Inc.	1996	2012
V. William Hunt*	Chairman, Hunt C.P., LLC	2002	2013
James E. Lingeman, M.D.	Physician, Indiana University Health Physicians	2004	2012
Angela Barron McBride, Ph.D.	Professor and Dean Emerita, Indiana University School of Nursing	2004	2012
Michael A. McRobbie, Ph.D.	President, Indiana University	2007	2011
Ex Officio Members			
Craig D. Brater, M.D.	Dean of the Indiana University School of Medicine	2000	
Daniel F. Evans, Jr.	President and Chief Executive Officer, Indiana University Health	1996	
Bishop Michael J. Coyner	Bishop, Indiana Conference of the United Methodist Church	2005	

* Chairman of the Board

Management. The principal senior management executives of Indiana University Health are as follows:

DANIEL F. EVANS, JR., President and Chief Executive Officer of Indiana University Health. Mr. Evans was named President and Chief Executive Officer of Indiana University Health (then Clarian Health) in November 2002. He previously was a partner at the law firm of Baker & Daniels in Indianapolis. Since the organization's inception in 1997, Mr. Evans has been active on the Board of Directors, and served as its Chairman immediately prior to his appointment as Chief Executive Officer of the healthcare system. Mr. Evans' other board memberships have included the following: Chairman, Federal Housing Finance Board (1990-93); Chairman, Board of Directors, Federal Home Loan Bank of Indianapolis (1987-90); Chairman, Board of Directors, Methodist Hospital of Indiana, Inc. (1996-1997); Member, Methodist Health Group, Inc. (1996-present); Member, Methodist Medical Group (1996-2006; Chairman, 1996-2000); Member, Indiana University Health Board of Directors (1997—present; Chairman, 2000-2002); Chairman, Indiana University Health North Board of Managers (2004-present); Chairman,

Indiana University Health West Board of Managers (2003-present); United States Chamber of Commerce Board of Directors (2009—present; Executive Committee, 2010—present); American Hospital Association Regional Policy Board for Metropolitan Hospitals; Indiana Hospital Association; Indiana Public Health Institute; Indiana Health Information Exchange; Central Indiana Corporate Partnership; BioCrossroads; and numerous community organizations.

MARVIN G. PEMBER, Executive Vice President & Chief Financial Officer of Indiana University Health. Marvin joined the administrative staff in June of 1999. Prior to Indiana University Health, he was Senior Vice President and General Manager of Cerner Corporation. Most of his career has been spent in senior leadership positions for medical centers and health care systems, with prior experience in a professional service and payor organization. During this tenure he has been involved in numerous strategic development efforts, including a provider sponsored HMO, market based ambulatory care development, information technology planning, and multiple merger and acquisition discussions. In 2009, Mr. Pember was Indianapolis Business Journal's CFO of the Year, Top Honoree for the Not-For-Profit/Government (revenue over $100 million) category. He has a Bachelor of Science degree in Business Administration from Evangel College in Springfield, Missouri, and has his Master of Management degree from J.L. Kellogg Graduate School, Northwestern University, Evanston, Illinois (1997), graduating Beta Gamma Sigma.

SAMUEL L. ODLE, FACHE, Executive Vice President and Chief Operating Officer of Indiana University Health. Mr. Odle is a Past Chairman of the American College of Healthcare Executives (ACHE), an international professional society of 30,000 healthcare executives. Mr. Odle served as an ACHE Governor from 2001 to 2004. Prior to that, he was the ACHE Regent-at-Large for District 4 from 1997 to 2001. Mr. Odle currently serves on the board for ITT Educational Services, Inc., the Jordan Foundation, Crossroads of America Boy Scouts Council, United Way of Central Indiana, Methodist Health Foundation and University Health Consortium. He is active in several public and community organizations and committees. In 2006 he was recognized as one of the Most Powerful People in Healthcare and in 2007 named to the Central Indiana Business Hall of Fame.

LINDA Q. EVERETT, PhD, RN, FAAN, Executive Vice President and Chief Nurse Executive of Indiana University Health. She was President of the American Organization of Nurse Executives (AONE). Dr. Everett provides leadership to the nursing staff at the Academic Health Center and Saxony Medical Center. She serves as Associate Dean for Clinical Affairs at the Indiana University School of Nursing. Among Dr. Everett's many honors is being named the Frances Payne Bolton School of Nursing at Case Western Reserve University, 2007 Distinguished Alumna. She was also selected for the Excellence in Nursing Distinguished Alumna for Kent State University College of Nursing in 2007, a member of Sigma Theta Tau International Honor Society of Nursing and Fellow in the American Academy of Nursing. Locally, Dr. Everett is chair of Nursing 2000 and a board member of the Indiana Center for Nursing and Spot Light on Nursing.

RICHARD GRAFFIS, M.D., Executive Vice President and Chief Medical Officer of Indiana University Health. Prior to joining IU Health, Dr. Graffis was engaged in a private surgical practice, which he continues on a limited basis. He completed his internship and residency at Methodist Hospital and is board certified in surgery. He is a member of the American College of Surgeons, American Medical Association, the Indiana State Medical Society and the Western Surgical Association. He has held various positions on the Methodist Hospital and IU Health medical staff and has served on numerous committees.

NORMAN G. TABLER, JR., Senior Vice President and General Counsel of IU Health. Before joining IU Health, Mr. Tabler was a partner in the Indianapolis office of the law firm of Baker & Daniels, where he directed the health care practice. Mr. Tabler is a current or past member of a number of community organizations, including WFYI Public Television & Radio, the Indianapolis Art Center, the Skyline Club, Indianapolis Athletic Club, 500 Festival Associates and the Indiana Repertory Theatre, Inc. He is a member of the Indianapolis, Indiana State and American Bar Associations, and the American Health Lawyers Association.

Statewide Facilities

Indiana University Health Arnett Hospital—Indiana University Health is the sole corporate member of Clarian-Arnett Health System, Inc. d/b/a Indiana University Health Arnett Hospital (*"Arnett"*). Arnett is governed

by a board of directors all of whom are appointed by Indiana University Health. Pursuant to a transaction in 2008, Arnett became the employer of the physicians previously employed by the multi-specialty physician group known as Arnett Clinic ("*Employed Physicians*"). Under the Arnett bylaws, three directors are nominated by Employed Physicians and one director is nominated by members of the active medical staff of the hospital.

Indiana University Health Ball Memorial Hospital—Indiana University Health is the sole corporate member of Ball Memorial Hospital, Inc. d/b/a Indiana University Health Ball Memorial Hospital ("*Ball Memorial*") which is the sole corporate member of Blackford Community Hospital, Inc. d/b/a Indiana University Health Blackford Hospital ("*Blackford*"). As the sole corporate member of Ball Memorial, Indiana University Health has control of Ball Memorial through the election of the majority of the members of Ball Memorial's Board of Directors.

Indiana University Health Bedford Hospital—Indiana University Health is the sole corporate member of Bedford Regional Medical Center, Inc. d/b/a Indiana University Health Bedford Hospital (*"Bedford"*) and appoints three members of the twelve-member Board of Directors. The remaining nine directors are from Bedford's service area.

Indiana University Health Bloomington Hospital—Indiana University Health is the sole corporate member of Bloomington Hospital, Inc. d/b/a Indiana University Health Bloomington Hospital (*"Bloomington"*). Bloomington is the sole corporate member of Bloomington Hospital of Orange County, Inc. d/b/a Indiana University Health Paoli Hospital (*"Paoli"*). Bloomington is also the sole owner of Southern Indiana Medical Group, Inc. d/b/a Indiana University Health Southern Indiana Physicians (*"Indiana University Health Southern Indiana Physicians"*). Bloomington is supported by the Bloomington Hospital Foundation, Inc., a separate corporation organized independent of Bloomington to provide philanthropic support to Bloomington.

Pursuant to the Integration Definitive Agreement with Bloomington (the "Bloomington Agreement"), Indiana University Health has the right to appoint and remove 10 members of the Bloomington Board. At least two (2) of these appointments must be members of the Bloomington active medical staff. One (1) appointment must be a member of the Indiana University Health Board and at least one (1) must be a senior Indiana University Health executive. A Bloomington nominating committee, which is created by the Local Council of Women, Inc. ("LCW") appointed Board members, may recommend individuals for Indiana University Health's consideration to fill the remaining Board appointments of Indiana University Health. LCW, which is a nonprofit corporation that provides philanthropic support to Bloomington and was the founding body of Bloomington Hospital, Inc., has the right to appoint and remove seven (7) members to the Bloomington board, provided any removal shall be subject to approval by both the LCW Board and the Bloomington Hospital Foundation Board. The Bloomington medical staff appoints two (2) members to the Board from the Bloomington active medical staff. The Bloomington Agreement stipulates that seven (7) of the ten (10) Indiana University Health appointments and all of the LCW appointments must live in the ten-county service area of Bloomington. In total, the Board is comprised of nineteen (19) voting members plus four (4) ex officio directors, which are the President/Chief Executive Officer of Bloomington, the President of Bloomington medical staff, the Chairman of the Board of the Bloomington Hospital Foundation, and the President of the LCW. The Bloomington Agreement also grants Indiana University Health specific approval rights for matters relating to Bloomington, including (1) amendments to organizational documents; (2) mergers, consolidations, dissolutions, acquisitions, joint ventures and certain asset sales; (3) capital and operating budgets and strategic plans; (4) indebtedness or guarantees; and (5) management agreements for all or a substantial portion of Bloomington or affiliates operations.

The Bloomington Agreement provides that the Bloomington Board shall be responsible for and shall retain authority over the operations and activities of Bloomington. Indiana University Health ratified the current President/Chief Executive Officer of Bloomington. Indiana University Health and Bloomington agreed that a Bloomington Board committee comprised of an equal number of Bloomington-appointed Directors and Indiana University Health-appointed Directors will serve as a nominating committee for future candidates for this position. The nominating committee will make one or more recommendations of qualified candidates to the Bloomington Board for final selection and approval..

Indiana University Health Goshen Indiana University Health is the sole corporate member of Goshen Health System, Inc. ("*GHS*"), which is the sole corporate member of Goshen Hospital Association, Inc. (*"GHA"*) d/b/a Indiana University Health Goshen Hospital ("*GHA*," and, together with GHS, *"Goshen*"). Pursuant to the

Integration Definitive Agreement with GHS (the "*Goshen Agreement*") and the GHS Bylaws, Indiana University Health has the right to appoint a majority of the GHS board members. The balance of GHS Board Members serve ex officio or are elected by those board members not appointed by Indiana University Health. The Goshen Agreement also grants Indiana University Health the right to ratify the appointment of the President and Chief Executive Officer of GHS and grants Indiana University Health specific approval rights for matters relating to GHS, GHA and certain other affiliated companies (collectively, the "*Goshen Companies*"), including (1) amendments to organizational documents; (2) mergers, consolidations, dissolutions, acquisitions, joint ventures and certain asset sales; (3) ratification of capital and operating budgets, and strategic plans; and (4) indebtedness or guarantees in excess of five percent (5%) of consolidated net book value.

The Goshen Agreement provides that if another entity assumes a majority membership interest in Indiana University Health or substantially all of Indiana University Health's assets are sold or leased to another entity, or Indiana University Health is dissolved or certain other events occur, GHS may terminate the Goshen Agreement.

For additional information regarding LaPorte and Goshen, see "SECURITY FOR THE BONDS—The Master Indenture—*Obligations*" in the Official Statement of which this Appendix A is a part.

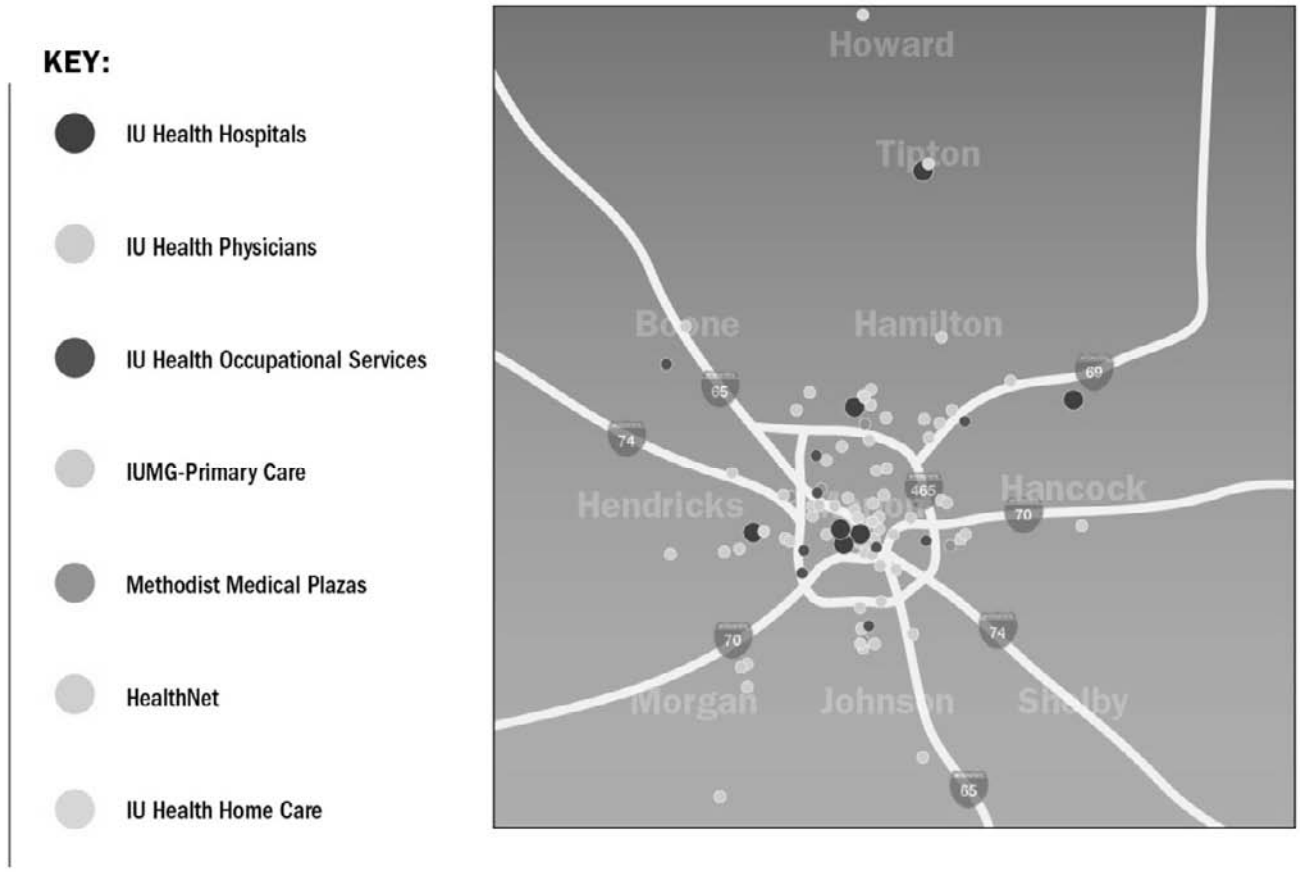
Indiana University Health LaPorte Hospital Indiana University Health is the sole corporate member of LaPorte Regional Health System, Inc. d/b/a Indiana University Health LaPorte Hospital (*"LaPorte"*). Pursuant to the Integration Definitive Agreement relating to LaPorte (the "*LaPorte Agreement*"), Indiana University Health has the right to appoint a majority of the Board of Directors after consideration of a slate of proposed board members from LaPorte. The LaPorte Agreement also grants Indiana University Health specific approval rights for matters relating to LaPorte, including (1) amendments to LaPorte's articles of incorporation and bylaws; (2) affiliations, mergers, consolidations, and joint ventures and certain asset sales; (3) joint approval and retention of the chief executive officer; (4) ratification of capital and operating budgets and strategic plans; and (5) indebtedness or guarantees in excess of five percent (5%) of LaPorte's book value.

The LaPorte Agreement also requires LaPorte to maintain certain performance standards, including maintaining a debt service coverage ratio of 2:1 and a total margin equal to three percent (3%) of total operating revenues. If such standards are not met or waived by Indiana University Health, subject to certain conditions and limitations, Indiana University Health will obtain additional limited powers, including (1) appointment and removal of the board of directors; (2) appointment and retention of the chief executive officer; (3) adoption of capital and operating budgets and strategic plans; and (4) approval of certain asset transfers.

In 2009, LaPorte acquired Indiana University Health Starke Hospital *("Starke")* through an asset purchase agreement with its former operator, an affiliate of LifePoint Hospitals, Inc. Starke is an acute care facility located in Knox, Indiana. It is the only hospital in the county with a primary service area of approximately 28,000 residents. The hospital is operated through a limited liability company of which LaPorte is the sole member. The hospital was acquired subject to a long-term lease with Starke County, the term of which expires in 2016. Starke County officials continue to appoint the board of managers of the hospital which retains the limited rights to approve members of the medical staff and consultation rights with respect to discontinuation of a major service line such as emergency services, and review of capital budgets. All other operating authority is exercised through LaPorte management.

Indiana University Health Tipton Hospital–Indiana University Health is the sole corporate member of Tipton Hospital, Inc. d/b/a Indiana University Health Tipton Hospital (*"Tipton"*), a 25-bed critical access hospital in Tipton, Indiana, approximately 45 miles north of Indianapolis. Tipton is governed by a seven member board of directors, the majority of whom are appointed by Indiana University Health, and the remainder elected by the board of directors. The bylaws require that at least three directors reside in Tipton County, and at least two others reside or work in Tipton County. Certain matters require a supermajority vote of two-thirds of the directors, including appointment and removal of the Chief Executive Officer, amendments to the articles and bylaws of the corporation, and approvals of expenditures in excess of threshold amounts. As the sole corporate member, Indiana University Health retains certain approval powers, including approval of annual budgets, strategic plans, and amendments to articles and bylaws of the corporation.

MAP OF INDIANA UNIVERSITY HEALTH CENTRAL REGION FACILITIES



Indiana University Health has its strongest presence and captures a significant percentage of the market share in its primary service area, the Central Region. Indiana University Health focuses on the Academic Health Center to best serve its patients, capture market share in the Indianapolis area and strengthen its referral networks in the growing suburban communities. New development in the Central Region includes Indiana University Health Saxony Hospital in Fishers, Indiana and the Indiana University Health Neuroscience Center on the Academic Health Center campus near Methodist Hospital in downtown Indianapolis, Indiana.

SERVICE AREAS

Service Area for Indiana University Health

Definition of Primary Service Area. The primary service area of Indiana University Health is referred to as its Central Region, which includes Methodist Hospital, University Hospital, Riley Hospital, West, North, and Tipton in the 10-county central market region (Marion, Hendricks, Hancock, Boone, Hamilton, Howard, Tipton, Morgan, Johnson and Shelby). For 2010, this region contributes 68.6% of Indiana University Health's inpatient discharges.

Patient origin data for the Indiana University Health Central Region Facilities is provided in the table below:

Service Area	Percent of Indiana University Health Discharges
Primary Market Area (Central Reg.)	68.6%
Remainder of State	27.3%
Out of State	4.1%
Total	100.0%

Source: Indiana University Health inpatient admission data

Central Region Demographics

	2010	2015	% of Change
Total Population	1,804,278	1,898,060	5.2%
Population <18 years	479,438	502,460	4.8%
Population 65+ years	202,633	240,084	18.5%
Households	709,044	746,570	5.3%
Average Household Income	$72,788	$77,363	6.3%

Source: Thomson Reuters

	Business Share				
	2005	2006	2007	2008	2009
Indiana University Health Metro	35.3%	37.6%	36.6%	37.2%	39.7%
Community Hospitals	21.4%	21.8%	22.2%	21.9%	21.5%
Franciscan Alliance	13.7%	13.6%	13.8%	14.3%	14.0%
St. Vincent	29.6%	27.0%	27.4%	26.7%	24.8%

Source: Indiana University Health Management

Other Acute Care Hospital Systems in the Primary Service Area. Comparative combined data for the Indiana University Health central region facilities and other acute care hospital systems located within the Indiana University Health primary service area is provided in the following table. All rehabilitation and long term acute care (LTAC) facilities are excluded.

Market Share

Fiscal Year Ended in 2009

Hospital	Location	Beds*	Average Daily Census*	Percent Occupied	Discharges**	Market Share
Indiana University Health Academic Medical Center	Indianapolis	1,510	955	63.2	34,545	17.95%
Indiana University Health North	Carmel	161	100	62.4	7,492	3.89%
Indiana University Health West	Avon	110	73	66.1	6,260	3.25%
Indiana University Health Tipton	Tipton	25	19	77.3	1,157	0.60%
Indiana University Health Central Region Facility Subtotal		**1,806**	**1,147**	**67.25%**	**49,454**	**25.70%**
St. Vincent (Indianapolis, Carmel and Peyton Manning Children's Hospital)	Indianapolis	896	592	66.4	27,306	14.19%
Heart Center of Indiana	Indianapolis	107	61	57.4	2,503	1.30%
St. Joseph Hospital	Kokomo	136	75	54.9	4,053	2.11%
St. Vincent Stress Center***	Indianapolis	-	-	-	1,830	0.95%
St. Vincent Subtotal		**1,139**	**728**	**59.57%**	**35,692**	**18.54%**
Community Hospitals (East, North and South)	Indianapolis	842	469	56.6	31,518	16.38%
Indiana Heart Hospital	Indianapolis	56	35	62.3	2,736	1.42%
Community Subtotal		**898**	**504**	**59.45%**	**34,254**	**17.80%**
Franciscan (Indianapolis, Beech Grove,)	Indianapolis	424	287	67.7	19,930	10.36%
Franciscan Mooresville	Mooresville	75	30	40.2	2,135	1.11%
Franciscan Alliance Subtotal		**499**	**317**	**53.95%**	**22,065**	**11.46%**
Patients from central region receiving care from independent central region hospitals [1]		1,275	68	48.2	**48,894**	**25.40%**
Patients from central region receiving care from hospitals outside the central region		-	-	-	**2,103**	**1.10%**
Total Market Volume					**192,462**	**100.00%**

* Source: Fiscal year 2009 Medicare cost reports

** Source: Indiana Hospital Association, 2009

*** The Beds, Average Daily Census, and Percentage Occupied for the St. Vincent Stress Center are included in the St. Vincent totals.

[1]Independent central region hospitals include: Hancock Memorial, Hendricks Regional Health, Howard Regional Health, Indiana Orthopedic Hospital, Johnson Memorial, Major Hospital, Morgan County Hospital, Riverview, Westview, Wishard, and Witham. The VA Hospital is not required to file Medicare cost reports, and is not included. *Note: Morgan County Hospital is expected to join Indiana University Health in 2011.*

Service Areas for Regional Hospitals

***Bloomington Regional Market Area*—**The Bloomington Regional Market consists of the following counties: Monroe, Owen, Brown, Jackson, Lawrence, Greene, Daviess, Martin, Orange and Washington. IU Health has three facilities located in this market area. Those are: IU Health Bloomington Hospital, IU Health Bedford Hospital and IU Health Paoli Hospital. For residents of the Bloomington Regional Market, 39% of those hospitalized are discharged from an IU Health facility located within the region. Statewide IU Healthcare facilities account for 47% of hospital discharges for residents of the Bloomington Regional Market.

Of the total discharges from IU Health facilities in the Bloomington Regional Market, 93% of the discharges come from residents of the Bloomington Regional Market.

***Lafayette Regional Market Area*—**The Lafayette Regional Market consists of the following counties: Tippecanoe, White, Cass, Carroll, Benton, Warren, Fountain, Montgomery and Clinton. As of March 31, 2011, IU Health will have two facilities located in the Lafayette Market, IU Health Arnett and IU Health White. For residents of the Lafayette Regional Market, 22% of those hospitalized are discharged from an IU Health facility located within the region. Statewide, IU Healthcare facilities account for 50% of hospital discharges for residents of the Lafayette Regional Market.

Of the total discharges from IU Healthcare facilities in the Lafayette Regional Market, 93% of the discharges come from residents of the Lafayette Regional Market.

***Muncie Regional Market Area*—**The Muncie Regional Market Area consists of the following counties: Delaware, Grant, Blackford, Jay, Randolph, Wayne, Union, Fayette, Franklin, Henry, Rush and Madison. IU Health has two facilities located in the Muncie Market, IU Health Ball and IU Health Blackford. For residents of the Muncie Regional Market, 22% of those hospitalized are discharged from either IU Health Ball or IU Health Blackford. Statewide IU Healthcare facilities account for 28% of hospital discharges for residents of the Lafayette Regional Market.

Of the total discharges from IU Healthcare facilities in the Muncie Regional Market, 98% of the discharges come from residents of the Muncie Regional Market.

***South Bend Regional Market Area*—**The South Bend Regional Market Area consists of the following counties: St. Joseph, La Porte, Elkhart, Starke, Marshall, Kosciusko, Pulaski and Fulton. IU Health has three facilities located in the South Bend Market. Those are, IU Health Starke, IU Health Goshen and IU Health La Porte. For residents of the Muncie Regional Market, 15% of those hospitalized are discharged from IU Health Starke, IU Health Goshen or IU Health La Porte. Statewide IU Healthcare facilities account for 17% of hospital discharges for residents of the South Bend Regional Market.

Of the total discharges from IU Healthcare facilities in the South Bend Regional Market, 91% of the discharges come from residents of the South Bend Regional Market.

MEDICAL STAFF

Academic Health Center Medical Staff

Medical Staff Information. A patient may be admitted to the Academic Health Center only upon the request of a member of its medical staff with admitting privileges. All members of Indiana University Health's active medical staff are generally required to be certified by one or more boards of the American Board of Medical Specialties or one or more boards generally recognized by the American Medical Association, American Dental Association or American Osteopathic Association. Many of the medical staff are on the medical staffs of, and admit patients to, other Indianapolis metropolitan hospitals as well. Indiana University Health's future patient revenues are largely dependent on the extent to which members of its medical staff are actively engaged in their practices and

choose to admit their patients to the Academic Health Center rather than to competing hospitals. The following table provides information regarding the number of physicians on staff at the Academic Health Center as of December 31 of the years indicated:

Academic Health Center Medical Staff

	Number of Physicians		
Staff Status	**December 31, 2008**	**December 31, 2009**	**December 31, 2010**
Active Staff	1,507	1,505	1,636
Resident	535	520	534
Other[1]	516	549	497
Total	2,558	2,574	2,667

Source: Indiana University Health Management

[1] Other includes provisional and associate members with admitting and attending privileges and consulting physicians with no admitting privileges.

Areas of Specialty. The Academic Health Center medical staff practices in 32 specialties, which are divided into 65 subspecialty areas. The specialties of the Academic Health Center medical staff admitting patients, including newborns, to the Academic Health Center, and the percent of total admissions per area of specialty during the 2010 calendar year, were as follows:

Profile of Admitting Physician Specialties at the Academic Health Center

Specialty	**Active Status**	**Other* Status**	**Total Members**	**Percent of Total 2010 Admissions**
Cardiology	79	17	96	5.92%
Cardiovascular Surgery	17	5	22	3.11%
Family Practice	72	25	97	3.69%
General Surgery	54	21	75	9.37%
Internal Medicine	190	81	271	18.33%
Neurology	45	10	55	1.71%
Neurosurgery	24	10	34	5.40%
Obstetrics and Gynecology	60	11	71	8.02%
Orthopedics	66	22	88	3.64%
Pediatrics	298	46	344	20.04%
Psychiatry	27	12	39	1.53%
Urology	28	20	48	3.13%
Other	673	184	857	16.11%
Totals	1,633	464	2,097	100%

Source: Indiana University Health Management

*Other – Associate and Provisional Staff for the Academic Health Center

Average Age of Medical Staff. As of December 31, 2010, the average age of the medical staff is 47.

SERVICES

The Academic Health Center Services

The Academic Health Center provides a full range of hospital services for adult and pediatric patients, including cardiac catheterization, critical care, emergency room, labor and delivery, laboratory, home care, nuclear medicine, oncology, orthopedic care, outpatient care, psychiatric care, radiation therapy, radiology, rehabilitative therapy and surgery. Specialty services provided at the Academic Health Center include air ambulance, comprehensive adult cancer treatment, pediatric burn unit, Level One trauma center, neonatal care, pediatric cardiac treatment, pediatric cancer treatment, regional pediatric trauma center, specialized obstetrics, transitional care services and transplant services.

Indiana University Health West Services

West provides a broad range of acute care and outpatient services for adult and pediatric patients, including intensive care, emergency, inpatient and ambulatory surgery, labor and delivery, radiation therapy, oncology and women's health services, including a breast care and research center.

Indiana University Health North Services

North provides a broad range of acute care and outpatient services for adult and pediatric patients, including cardiac catheterization, bariatric services, emergency room, labor and delivery, pediatric and neonatal intensive care, pediatric oncology, and inpatient and ambulatory surgery. The pediatric services are supported by Riley Hospital at North. In addition, North established a program to train surgeons in robotic surgery for urology and gynecology.

Indiana University Health LaPorte Services

LaPorte provides a broad range of acute care, long-term care and outpatient care services for adult and pediatric patients, including intensive care, inpatient and ambulatory surgery, labor and delivery, radiation therapy, oncology and women's health services. LaPorte also provides home care and hospice through its operating division, Visiting Nurse Association of LaPorte County. LaPorte is also the sole corporate member of the Indiana University Health LaPorte Physicians, which owns and operates primary care centers in small rural communities in the surrounding counties, manages and owns medical practices and provides management services at 14 locations throughout LaPorte, Starke, Porter, Marshall and St. Joseph Counties.

Indiana University Health Goshen Services

Goshen provides a broad range of acute care and outpatient care services for adult and pediatric patients, including labor and delivery, level two emergency services, surgery, cardiac catheterization, nuclear medicine, rehabilitative therapy, oncology, intensive care and lithotripsy. Goshen provides a variety of ambulatory care services in Goshen and the surrounding communities through its home care and hospice programs, community health education services and primary care physician practices. Goshen established the first home care program in Elkhart County that provides skilled nursing and infusion therapy services. Goshen provides primary care physician services including family practice, pediatric, internal medicine, orthopedic, cardiac, obstetric and gynecological physicians. Goshen owns Indiana University Health Goshen Home Medical, which provides durable medical equipment and oxygen services in the Goshen area. Goshen also owns Radiation Oncology Resources, which provides customized radiation treatment planning services to cancer centers throughout the United States. Goshen owns a 50% interest in Indiana Lakes Managed Care Organization LLC, which contracts with major HMO and PPO payers operating in the Goshen area. Finally, Goshen owns a 50% interest in Cancer Care Partners, which provides integrated cancer care services in north central Indiana.

Indiana University Health Bedford Services

Bedford owns and operates a critical access hospital that provides acute care and outpatient care services for adult and pediatric care patients, including intensive care, oncology and cardiopulmonary services. Bedford also

owns and operates end of life support services and palliative care, and a physician clinic adjoining the hospital, with physicians practicing in several specialties. Home health care is also provided in partnership with Indiana University Health.

Indiana University Health Ball Memorial Services

Ball Memorial operates as a regional referral center and teaching hospital providing tertiary services such as neurology and neurosurgery, cardiology (including interventional cardiac catheterization, electrophysiology, and open heart surgery), oncology, neonatology, perinatology, orthopedics (including joint replacement), and physical rehabilitation.

Indiana University Health Bloomington Services

Bloomington is provides a variety of acute care and outpatient services for newborns through seniors, including cardiovascular care, orthopedics, cancer care, neuroscience services, women's and children's services and behavioral health care. Bloomington also has an emergency department and operates three urgent care centers and a number of outpatient facilities which include pain, wound healing, and rehab centers. The hospital also operates home health, hospice, infusion, and ambulance services and is a provider of home medical equipment. Indiana University Health Southern Indiana Physicians, an Indiana University Health Bloomington Hospital partner, operates primary care practices in south central Indiana and employs physicians and nurse practitioners. Paoli Hospital is a critical access hospital that provides acute and emergency services in Paoli, Indiana, which is at the southern boundary of the Bloomington service area.

Indiana University Health Arnett Services

Arnett is an integrated system consisting of inpatient, outpatient, and physician services. The hospital provides a broad range of acute and outpatient services for adult and pediatric patients including medical and surgical services, intensive care, labor and delivery, emergency, imaging, laboratory, and diagnostic. Arnett has an ambulatory surgery center, a free standing imaging center, and a cancer center with radiation therapy. Multi specialty physician services are available in offices located within Tippecanoe County and surrounding counties. The system has joint venture arrangements for dialysis and home health care.

MEDICAL EDUCATION AND RESEARCH

Medical Education and Research

Medical education is an integral part of Indiana University Health's overall mission, continuing the historical commitment of the Academic Health Center. The Academic Health Center currently serves as a substantial training site for residencies, fellowships, and medical, nursing and allied health continuing medical education. Approximately 1,200 members of the medical staff at the Academic Health Center participate in education programs at Indiana University Health facilities.

The faculty and medical staff have historically valued research in the basic and clinical sciences, viewing such research as substantially complementing medical education. The Indiana University School of Medicine receives approximately $338 million annually in grant funding for research and education, and members of the Academic Health Center's medical staff participate in this commitment to research and education. Indiana University Health secured approximately $5 million in 2010 in grant funds for research, education and facility improvements.

OPERATING INFORMATION

Bed Complement

The following table provides certain information relating to the operating bed complement of Indiana University Health's acute care hospital facilities (excluding nursery) as of December 31, 2010:

	Academic Health Center	Other System Hospitals[(1)]
Medical/Surgical	774	891
ICU/CCU	304	149
OB/Labor Delivery	70	174
Pediatrics	223	67
Psychiatric	45	69
Long-Term Care	-	130
High Risk Nursery	90	65
Totals	1,506	1,545

Source: Indiana University Health Management

(1) Includes West, North, Arnett, LaPorte, Starke, Goshen, Bedford, Ball Memorial, Bloomington, Paoli, Tipton, and Blackford.

Managed Care

Commercial managed care enrollment in Indiana and the Indianapolis metropolitan market has continued to shift from HMO products to PPO and POS alternatives with WellPoint/Anthem's products overshadowing other products in the market in terms of market share.

The State of Indiana continues to promote managed care models for Medicaid thru the Hoosier Healthwise and Healthy Indiana Plan products. In 2011 three managed care organizations (MCOs) will serve both the Hoosier Healthwise and Healthy Indiana populations including MDWise, Managed Health Services and WellPoint/Anthem. Medicare Advantage Plans are operational in the State and enrollment in these plans is expected to grow.

Transparency and pay-for-performance initiatives have been implemented in Indiana by the major national carriers and Indiana University Health has responded appropriately to these initiatives. Indiana University Health continues to offer broad accessibility to residents of Central Indiana and statewide through participation of all its downtown and suburban and statewide hospitals in virtually all major managed care plans.

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Utilization and Operating Statistics

The following table provides certain information relating to utilization (excluding nursery and any unconsolidated joint venture utilization statistics) of Indiana University Health System hospitals during the periods indicated:

	Year Ended December 31		
	2008	**2009**	**2010**
Number of Operating Beds	2,290	2,764	3,051
Patient Days	471,994	599,482	687,553
Admissions	85,472	115,250	135,672
Occupancy (Operating Beds)	55.73%	56.85%	58.72%
Average Length-of-Stay (Days)	5.52	5.20	5.07
*Surgery Cases	66,652	87,962	97,208
Outpatient Visits	1,337,340	1,882,795	2,093,414
Emergency Room Visits	242,143	360,713	440,561
Radiologic Exams	840,267	1,073,147	1,181,934
Laboratory Exams	13,022,430	18,184,809	20,311,926

Source: Indiana University Health Management

* Joint venture surgery cases (excluded above) totaled: 2008 – 13,293; 2009 – 14,684; 2010 – 15,061

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FINANCIAL INFORMATION

Nature of Operations

The principal operating activities of the Indiana University Health System are conducted at owned facilities or majority-owned or controlled subsidiaries and consist of the following:

Academic Health Center – Consists of three acute, nonacute, tertiary and quaternary care, and diagnostic facilities, licensed as a single hospital, which constitutes the principal hospital activities of the academic health and whose operations are located in the downtown area of Indianapolis, Indiana. These three hospitals, Indiana University Health Methodist Hospital (Methodist Hospital), Indiana University Health University Hospital (University Hospital), and Riley Hospital for Children at Indiana University Health (Riley Hospital) are located on or near the campus of Indiana University-Purdue University in Indianapolis and the Indiana University School of Medicine.

Suburban Facilities (Indiana University Health West (West) and Indiana University Health North (North)) – Consist of two acute care hospitals located in the western and northern suburban areas of metropolitan Indianapolis, Indiana.

Statewide Facilities – Consist of acute care hospitals and health care systems located in Bedford, Bloomington, Goshen, Hartford City, Knox, Lafayette, LaPorte, Muncie, Paoli, and Tipton, Indiana. Principal hospital subsidiaries include Indiana University Health Bedford Hospital (*"Bedford*"), Indiana University Health Arnett Hospital (*"Arnett"*), Indiana University Health LaPorte Hospital (*"LaPorte*"), Indiana University Health Goshen Hospital (*"Goshen"*), Indiana University Health Ball Memorial Hospital and subsidiaries (*"Ball Memorial*"), Indiana University Health Tipton Hospital (*"Tipton*"), and Indiana University Health Bloomington Hospital and subsidiaries (*"Bloomington*"). Ball Memorial and Tipton were merged into consolidated operations effective January 1, 2009 and Bloomington was merged effective December 31, 2009.

Physician Operations – Consist of physician offices, and physician-group practices and clinics. Principal subsidiaries or divisions include Indiana University Health Arnett Physicians, Indiana University Health Ball Memorial Physicians, Indiana University Health Southern Indiana Physicians, Methodist Cardiology Physicians, Clarian Cardiovascular Surgeons Group, LLC, Indiana Radiology Partners, Inc., and Heart Partners of Indiana, LLC. Additionally, physician operations include Indiana University Health Physicians, a nonprofit organization with locations primarily located in Indianapolis, Indiana, designed to integrate Indiana University Health-owned or operated physician practices, privately owned practices, and the practice plans of the School of Medicine into a delivery model that facilitates access, coordinates care, and improves quality, all designed to provide a better health care experience for patients. Certain physician groups of Indiana University Health and the School of Medicine joined Indiana University Health Physicians in 2010 and 2009.

Ambulatory Care – Consists of occupational, personal, and home health care, which are located throughout the State of Indiana. Principal subsidiaries or divisions include Indiana University Health Occupational Services and Indiana University Health Home Care.

Medical Risk – Consists of the medical management of health care services of members whose health care coverage is provided by the managed care networks of the Indiana University Health System.

Foundations – Indiana University Health is the sole corporate member of Methodist Health Foundation, Inc. (*"Methodist Health Foundation"*), which aids and supports Methodist Hospital and other programs and areas of Indiana University Health. Ball memorial is the sole corporate member of the Indiana University Health Ball Memorial Hospital Foundation, which aids in carrying out the mission of Ball Memorial.

Indiana University Health or its subsidiaries have also entered into certain limited liability company agreements with physicians for the operation of ambulatory surgery and diagnostic centers (located throughout the State of Indiana); network or management arrangements with several other hospitals to provide or operate hospital, rural outreach, or other medical services and programs (located in Columbus, Evansville, Greensburg, Kokomo, Martinsville, South

Bend, and Terre Haute, Indiana); a joint venture arrangement with another Indianapolis, Indiana hospital for the operation of a long-term rehabilitative care hospital (also located in Indianapolis, Indiana); a 50% membership interest with a county governmental institution (located in Indianapolis, Indiana) in a nonprofit corporation that holds a health maintenance organization license and manages networks serving Medicaid patients; and a 50% membership interest with Indiana University Emerging Technology Corp., a nonprofit corporation owned by Indiana University, in a specialized cancer treatment and diagnostic clinic (located in Bloomington, Indiana). In addition, due to the existence of certain participatory rights by the minority ownership members, Indiana University Health does not meet the conditions of control of Indiana University Health Physicians for purposes of consolidation. Where applicable, these arrangements are accounted for using the equity method of accounting.

Historical Financial Information

The following selected financial data are derived from the consolidated financial statements of Indiana University Health and subsidiaries (Indiana University Health) for the years ended December 31, 2008, 2009 and 2010. In 2010, Indiana University Health adopted the noncontrolling interest provisions of Accounting Standards Codification (ASC) 810. The following 2008 financial data have not been retroactively adjusted for the adoption of this new accounting standard. The data should be read in conjunction with the consolidated financial statements, related notes and other financial information included herein.

The consolidated financial statements of Indiana University Health as of December 31, 2009 and 2010 and for the years then ended are included in Appendix B. **The financial-statement information presented below and the financial statements included in Appendix B include operating results and information for the Obligated Group and other entities that are not Members of the Obligated Group, including Obligated Group Affiliates and other related entities, as defined in the Master Indenture, as amended.**

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Condensed Consolidated Statements of Operations and Changes In Unrestricted Net Assets
(In Thousands of Dollars)

	Year Ended December 31		
	2008	**2009**	**2010**
Revenue:			
Net patient service revenue	$ 2,932,548	$ 3,526,943	$ 4,058,796
Member premium revenue	71,935	90,298	133,443
Other revenue	110,831	143,016	136,520
Total operating revenue	3,115,314	3,760,257	4,328,759
Expenses:			
Salaries, wages, and benefits	1,345,058	1,682,170	1,895,423
Supplies, drugs, purchased services, and other	961,796	1,264,077	1,498,788
Health claims to providers	68,313	71,443	81,822
Depreciation and amortization	178,589	221,027	244,358
Provision for uncollected patient accounts	197,918	213,205	281,645
Interest	52,408	53,671	53,244
Total operating expenses	2,804,082	3,505,593	4,055,280
Operating income before educational and research support	311,232	254,664	273,479
Education and research support to Indiana University	(255,483)	(81,130)	(71,353)
Total operating income	55,749	173,534	202,126
Nonoperating (losses) income:			
Investment (loss) income, net	(383,563)	104,580	126,884
(Loss) income on interest rate swaps, net	(249,649)	175,668	(94,094)
Other	(12,237)	(307)	-
Total nonoperating (loss) income	(645,449)	279,941	32,790
Consolidated (deficiency) excess of revenues over expenses	(589,700)	453,475	234,916
Change in pension obligations	(31,894)	23,102	(380)
Contributions for capital expenditures	11,532	5,436	6,427
Distributions to noncontrolling interests	-	(9,056)	(11,977)
Other	(6,268)	10,170	1,066
(Decrease) increase in unrestricted net assets	$ (616,330)	$ 483,127	$ 230,052

Coverage of Debt Service

The following table sets forth for the years ended December 31, 2009 and 2010 net income available to pay debt service requirements on the actual long-term indebtedness outstanding during the periods presented. The table also indicates the extent to which such net income available for debt service would provide coverage for projected debt service requirements on long-term indebtedness on a pro forma basis.

The Credit Group: Historical and Pro forma Debt Service Coverage

	Year Ended December 31	
	2009	**2010**
Excess of revenues over expenses	$ 506,886	$ 140,911
Excluded gains and losses defined by MTI	(404,533)	29,189
Depreciation, amortization and interest	187,782	196,161
Income available to pay debt service[1]	$ 290,135	$ 366,261
Actual annual debt service[2]	$ 72,215	$ 78,052
Historical debt service coverage ratio	4.0x	4.7x
Fixed-pay swap cash flows	18,718	18,220
Pro forma income available to pay debt service	308,853	384,481
Proforma maximum annual debt service[3,4]	$ 118,331	$ 118,331
Proforma debt service coverage ratio[2]	2.6x	3.2x

(1) On March 1, 2009, the definition for Income Available for Debt Service was modified in Supplemental Master Indenture No. 9 to exclude any unrealized change in value, or unrealized gains or losses on investments, including those related to alternative investments, or any unrealized change in value, or unrealized gains or losses from derivative instruments.

(2) Excluding capitalized interest of $12,984 and $8,393 in 2009 and 2010, respectively (in thousands of dollars).

(3) Based on the assumptions set forth in the table regarding total debt service under the caption "FORECASTED DEBT SERVICE REQUIREMENTS" in the Official Statement provided herewith.

(4) The assumed rates of interest used to determine pro forma maximum annual debt service are not calculated in accordance with the method prescribed for calculating debt service to determine compliance with the debt service coverage test under the Master Indenture.

Sources of Revenue

Payments for health care services provided to patients are made by commercial insurance carriers, the federal government under the Medicare program, the State of Indiana under the Medicaid program, HMOs, PPOs and other organizations through contractual arrangements. The following table sets forth the source of payment of Indiana University Health's consolidated gross patient revenues for the years ended December 31, 2008, 2009 and 2010.

	Sources of Revenue Years Ended December 31		
	2008	**2009**	**2010**
Medicare	33.4%	36.4%	37.7%
Medicaid	18.2	17.1	17.5
Commercial Insurance	2.8	4.7	3.4
HMO/PPO			
WellPoint/Anthem	23.5	21.6	22.3
Sagamore	2.8	2.1	1.8
Other	12.8	11.0	9.5
Self-Pay	4.7	5.0	5.5
Other	1.8	2.1	2.3
Total	100.0%	100.0%	100.0%

Source: Indiana University Health System Management

MANAGEMENT'S DISCUSSION OF FINANCIAL PERFORMANCE

Year Ended December 31, 2010

During 2010, Clarian Health Partners, Inc. (Clarian) filed a Certificate of Assumed Business Name with the Secretary of the State of Indiana for itself and certain of its subsidiaries to change the "doing business as" names of the entities to include specific reference to Indiana University Health. Additionally, on January 6, 2011, Clarian filed a Certificate of Amendment with the Office of the Secretary of the State of Indiana to legally change its name to Indiana University Health, Inc. The change will become legally effective on April 1, 2011; however public notice was made January 24, 2011, from which date forward, Clarian is to be known as Indiana University Health. The 2010 financial statements reflect this name change. No change in the corporate structure, management, or governance was made as a result of this name change.

The financial statement information and other data as of and for the years ended December 31, 2010 and 2009 are derived from the consolidated financial statements and other records of Indiana University Health and subsidiaries (collectively referred to herein as the Indiana University Health System). The consolidated financial statements include all adjustments, consisting of normal recurring and other accruals, which management of the Indiana University Health System considers necessary for a fair presentation of financial position, results of operations and changes in net assets, and cash flows for these periods in conformity with accounting principles generally accepted in the United States.

Effective January 1, 2009, Indiana University Health became the sole corporate member of Ball Memorial and Tipton; therefore, the balance sheets and financial results of these two entities were consolidated with Indiana University Health effective January 1, 2009. During December 2009, Indiana University Health became the sole corporate member of Bloomington and Methodist Health Foundation; therefore, the balance sheets of Bloomington and Methodist Health Foundation were consolidated with Indiana University Health effective December 31, 2009, but the operations for these two entities for the year ended December 31, 2009 and previous periods have not been consolidated.

Certain other health care services are provided through partnerships and other joint venture arrangements, income of which is recognized, where applicable, using the equity method of accounting.

Revenue. Total operating revenue of $4,328.8 million for the year ended December 31 2010 increased 15.1% (or $568.5 million) over the prior year. Included in total operating revenue is gross DSH revenue of $169.0 million and $179.0 million for the year ended December 31, 2010 and 2009, respectively. Excluding gross DSH revenue, net patient service revenue increased $541.8 million reflecting increases in revenue of the Downtown Academic Health Center of $107.8 million, Statewide Facilities of $459.9 million, and Suburban Facilities of $33.8 million. The net increase in patient service revenue reflects the effect of rate increases aggregating approximately 9% and increased volumes for inpatient and outpatient services (see table below). The consolidation of Bloomington accounted for $348.9 million of the increase in net patient revenue for the year ended December 31, 2010 relating to Statewide Facilities.

The table below shows the changes in admissions and outpatient visits by Division.

	Year over Year			
	12/31/2010	**12/31/2009**	**Variance**	**%**
Admissions				
Consolidated	135,672	115,250	20,422	17.7%
Downtown	58,269	57,135	1,134	2.0%
Statewide	58,300 (1)	39,817	18,483	46.4%
Suburban	19,103	18,298	805	4.4%
Outpatient Visits				
Consolidated	2,093,414	1,882,795	210,619	11.2%
Downtown	984,266	934,208	50,058	5.4%
Statewide	914,372 (1)	750,152	164,220	21.9%
Suburban	194,776	198,435	(3,659)	-1.8%

(1) Includes 13,825 admissions and 145,222 outpatient visits related to the operations of Bloomington.

On October 21, 2010, Indiana University Health received $165.0 million in an interim state disproportionate share (DSH) payment. During December 2010, Ball Memorial, Paoli and Starke received $4.7 million, $1.8 million and $1.5 million, respectively, of state DSH payments. State disproportionate share revenue for the year ended December 31, 2010 was $10.0 million or 5.6% less than the year ended December 31, 2009. During December 2010, Indiana University Health, Ball Memorial, Paoli, and Starke received $119.8 million of 2011 state DSH payments in December 2010, which is reflected as deferred revenue on the balance sheet.

Member premium revenue aggregated $133.4 million an increase of 47.8% or $43.1 million over that for the year ended December 31, 2009. This increase is a result of expansion of the number of participants in the managed care program for Medicare beneficiaries administered by Clarian Health Plans, Inc.

Expenses. Total operating expenses of $4,055.3 million increased 15.7% (or $549.7 million) over that for the year ended December 31, 2009. Increases in operating expenses include the consolidation of the operations of Bloomington effective December 31, 2009, which aggregated $341.3 million.

Salaries, wages, and benefits expense increased 12.7% (or $213.3 million) to $1,895.4 million in 2010. The number of full time equivalent (FTE) employees increased approximately 13.4% over 2009 to 24,210 FTE employees, and includes 2,392 FTEs relating to the operations of Bloomington. Excluding the addition of Bloomington, salaries, wages, and benefits expense for the year ended December 31, 2010 did not appreciably change with the comparable period in the prior year.

Supplies, drugs, purchased services, and other expenses of $1,498.8 million increased 18.6% over that for the prior year ($1,264.1 million), of which $109.4 million related to Bloomington for the year ended December 31, 2010. Increases in patient volumes, spending related to the acceleration of the implementation of clinical systems to meet meaningful use criteria of recently-issued legislation, rebranding costs and, to a lesser extent, increased inflationary costs for pharmaceuticals, implants, and other specialty products or devices, were the principal causes of increases in this area, exclusive of the impact of operations of Bloomington.

Health claims to providers expense (after considering the elimination of intercompany payments) increased due to the expansion of participants in the managed care program for Medicare beneficiaries administered by Clarian Health Plans, Inc.

Depreciation expense of $244.4 million increased 10.6% over that for the prior year ($221.0 million) principally reflecting the inclusion of Bloomington in consolidated operations.

The provision for uncollected patient accounts amounted to $281.6 million and $213.2 million for the years ended December 31, 2010 and 2009, respectively, of which $27.8 million is related to Bloomington for the year ended December 31, 2010. As a percentage of gross patient revenue, the provision for uncollected patient accounts was 2.9% in 2010 and 2.7% in 2009.

Interest expense of $53.2 million includes $2.9 million for Bloomington for the year ended December 31, 2010. The effective interest rate for the year ended December 31, 2010 was 3.64% (3.97% in 2009).

On March 18, 2010, Indiana University Health executed a $45,000 loan agreement to finance information technology property and services. Under the agreement, periodic advances are to be amortized and paid over five years at an annual interest rate of 4.75%. The loan agreement is secured under the provisions of Indiana University Health Obligated Group's Master Trust Indenture and, as of December 31, 2010, $43,325 was advanced under the loan agreement.

On April 9, 2010, Indiana University Health entered into a $25,332 fixed-rate, fully amortizing, and privately placed tax-exempt lease purchase agreement to finance four helicopters. Pursuant to the terms of the agreement, principal and interest are payable using a ten-year amortization at a fixed rate of 4.09% per annum. The financing agreement is secured with a lien on the helicopters.

During November and December 2010, $70.2 million was drawn under a note payable with a financial institution. The proceeds were used to retire Series 2008B bonds and to redeem long-term debt owed by Tipton. The note payable bears interest at a variable rate based on LIBOR and requires repayment due January 31, 2012.

Other. For the years ended December 31, 2010 and 2009, Indiana University Health expensed $71.4 million and $81.1 million, respectively, related to educational and research support provided to the Indiana University School of Medicine.

Investment income amounted to $126.9 million for the year ended December 31, 2010, including $24.7 million of interest and dividend income and $102.2 million of net gains (including unrealized gains) on investments. For the year ended December 31, 2009, investment income aggregated $104.6 million, which included $22.1 million of interest and dividend income and $82.5 million of net gains (including unrealized gains) on investments. Losses on interest rate swaps aggregated $94.1 million for the year ended December 31, 2010 and a gain of $175.7 million for 2009.

Operating margin amounted to 4.7% and 4.6% for the years ended December 31, 2010 and 2009 respectively. Total margin gain, excluding gains and losses on interest rate swaps, was 7.1% for the years ended December 31, 2010 and 2009.

Consolidated Financial Position. Total cash and investments (which principally consists of cash and cash equivalents, board-designated funds, donor-restricted funds, funds held under swap credit annex agreements, and trustee-held funds for construction and debt service) amounted to $1,905.1 million at December 31, 2010 ($1,582.0

million at December 31, 2009). The number of days cash and investments on hand was 182 days at December 31, 2010 (160 days as of December 31, 2009). The number of days revenue in receivables was 44 days at December 31, 2010 and 46 days at December 31, 2009 (excluding Bloomington). The number of days expenses in accounts payable, accrued expenses, and certain other current liabilities was 50 days at December 31, 2010 and 45 days at December 31, 2009.

Net current assets, or working capital, increased to $396.7 million at December 31, 2010 ($345.5 million at December 31, 2009) mainly reflecting increases in cash from operations. Net property and equipment of $2,542.4 million increased $86.4 million from December 31, 2009 reflecting continued investment in facilities and equipment by Indiana University Health offset by depreciation expense for the period. Other amounts for property and equipment are anticipated to be incurred and may not be legally required or committed and are subject to change or authorization by the Board of Directors, aggregating approximately $473.9 million at December 31, 2010, which is expected to be financed through operations, contributions, and, where applicable, proceeds from the issuance of tax-exempt bonds.

During 2010, Indiana University Health entered into an Agreement of Purchase and Sale of Membership interests with the hospital developer of Saxony to purchase the hospital facility improvements, thereby terminating both the land lease with Indiana University Health and the lease of the hospital facility from the Hospital Developer. Total consideration transferred by Indiana University Health was $102,659 and was recorded as construction in progress at the transaction date.

Unrestricted net assets, or equity, amounted to $2,452.5 million at December 31, 2010 ($2,222.5 million at December 31, 2009) and includes the net unrealized losses on swaps of $140.9 million and $66.7 million at December 31, 2010 and December 31, 2009, respectively. Long-term debt to total capitalization at December 31, 2010 was 38.6% (37.4% excluding unrealized losses on swaps) and 41.4% and 40.7%, respectively, at December 31, 2009.

Year Ended December 31, 2009

Revenue. Total operating revenue of $3,760.3 million for the year ended December 31, 2009 increased 20.7% (or $644.9 million) over the prior year. Included in total operating revenue is gross DSH revenue of $179.0 million and $393.5 million for the years ended December 31, 2009 and 2008, respectively. Excluding the decrease in gross DSH revenue, net patient service revenue increased $808.9 million reflecting increases in revenue of the Academic Medical Center of $120.7 million, Statewide Facilities of $635.8 million, and Suburban Facilities of $44.8 million. The net increase in patient service revenue reflects the effect of rate increases aggregating 9%, increased volumes for inpatient and outpatient services, and increased reimbursement resulting from changes in the Medicare inpatient DRG system which was revised effective October 1, 2008. The opening of Clarian Arnett, which occurred during October 2008, and the mergers of Ball Memorial and Tipton, which occurred effective January 1, 2009, accounted for $616.5 million of the increase in net patient revenue for the year ended December 31, 2009 relating to Statewide Facilities.

During 2009 and 2008, Clarian Health received DSH payments of $176.0 million and $372.2 million, respectively. The net income recognition for DSH amounted to $107.9 million and $148.0 million for the years ended December 31, 2009 and 2008, respectively. Changes in estimates resulting from settlements of DSH during the years ended December 31, 2009 and 2008 increased net income by $3.0 million and $24.3 million, respectively.

Overall consolidated admissions for the year ended December 31, 2009 increased 34.8% over the same period in the prior year (total admissions of 115,250 and 85,472 for the years ended December 31, 2009 and 2008, respectively). Admissions at the Academic Medical Center increased 5.3% over the prior year (total admissions of 57,135 and 54,239 for the years ended December 31, 2009 and 2008, respectively), and admissions at the Statewide Facilities increased by 171.6% (total admissions of 39,817 and 14,658 for the years ended December 31, 2009 and 2008, respectively, of which 26,283 admissions related to Clarian Arnett, Ball Memorial, and Tipton for the year ended December 31, 2009). Admissions at the Suburban Facilities totaled 18,298 for the year ended December 31, 2009 (16,575 for 2008), an increase of 10.4%. Overall consolidated outpatient visit volumes increased 40.8% over

2008 (total outpatient visits of 1,882,795 in 2009 and 1,337,340 in 2008), with increases at the Academic Medical Center amounting to 8.2% (total outpatient visits of 934,208 in 2009 and 863,790 in 2008) and increases at the Statewide Facilities amounting to 145.5% (total outpatient visits of 750,152 in 2009, of which 430,988 outpatient visits related to Clarian Arnett, Ball Memorial, and Tipton for the year ended December 31, 2009, and 305,597 for the comparable period in 2008). Outpatient visits at the Suburban Facilities totaled 198,435 for the year ended December 31, 2009 (167,953 for 2008), an increase of 18.1%.

Member premium revenue of the Medical Risk operations of $90.3 million increased 25.5% or $18.4 million over that for the year ended December 31, 2008. This increase is a result of expansion of the managed care program for Medicare beneficiaries administered by Clarian Health Plans, Inc., which commenced operations during the latter part of 2008.

Expenses. Total operating expenses of $3,505.6 million increased 25.0% (or $701.5 million) over that for the year ended December 31, 2008. Increases in operating expenses include the effects of commencing operations at Clarian Arnett during October 2008 and merging the operations of Ball Memorial and Tipton effective January 1, 2009.

Salaries, wages, and benefits expense increased 25.1% (or $337.1 million) to $1,682.2 million in 2009. The number of full time equivalent (FTE) employees increased approximately 28.0% over 2008 to 21,351 FTE employees, and includes 4,162 FTEs relating to the operations of Clarian Arnett, Ball Memorial, and Tipton. In addition, the salaries, wages, and benefits expense for the year ended December 31, 2009 increased 3.6% over that for the comparable period in the prior year ($1,345.1 million) due to limited market rate adjustments (which were made principally for certain short-supply nursing and allied health professionals), increased employee health insurance costs effective with the new plan year on January 1, 2009, and deferral of any wage increases due to the recession.

Supplies, drugs, purchased services, and other expenses of $1,264.1 million increased 31.4% over that for the prior year ($961.8 million), of which $289.8 million related to Clarian Arnett, Ball Memorial, and Tipton for the year ended December 31, 2009. Most of the remaining increase reflected increases in patient volumes, along with increased inflationary costs for pharmaceuticals, implants, and other specialty products or devices.

Health claims to providers' expense of $71.4 million increased 4.6% over that for the prior year ($68.3 million) primarily due to expansion of the managed care program for Medicare beneficiaries administered by Clarian Health Plans, Inc., and costs associated with the wind down of operations of the M●Plan, a health maintenance organization which exited the business of providing health insurance.

Depreciation expense of $221.0 million increased 23.8% over that for the prior year ($178.6 million) principally reflecting the inclusion of Clarian Arnett, Ball Memorial, and Tipton in consolidated operations.

The provision for uncollected patient accounts amounted to $213.2 million and $197.9 million for the years ended December 31, 2009 and 2008, respectively, of which $58.1 million is related to Clarian Arnett, Ball Memorial, and Tipton for the year ended December 31, 2009. As a percentage of net patient revenue, the provision for uncollected patient accounts was 6.0% in 2009 and 6.7% in 2008.

Interest expense of $53.7 million includes $10.3 million for Clarian Arnett, Ball Memorial, and Tipton for the year ended December 31, 2009. The effective interest rate for the year ended December 31, 2009 was 3.97% (5.27% in 2008).

During February 2009, Clarian converted the balance of its unsecured line of credit of $36.0 million to a secured, six-month term loan maturing on August 27, 2009 and bearing interest on a variable rate based on LIBOR. Clarian also renewed and expanded its line of credit to a twelve-month, $86.0 million secured line of credit and bearing interest on a variable rate based on LIBOR, which matures in June 2010. During August 2009, Clarian paid off the $36.0 million term loan by drawing from its secured line of credit. Both the line of credit and the term loan were secured under the Clarian Obligated Group MTI. As of December 31, 2009, Clarian Health had total lines of

credit totaling $95.0 million, of which $47.3 was drawn and outstanding and shown as notes payable to banks with current liabilities in the consolidated balance sheets.

During March 2009, Clarian Health transferred uninsured interest rate swaps to a new counterparty and negotiated with existing counterparties to restructure various contractual terms associated with its basis swaps. The restructuring included assigning the first 12 years of the term structure to a new counterparty with the existing counterparty retaining a forward starting position.

Other. For the year ended December 31, 2009 and 2008, Clarian Health expensed $81.1 million and $255.5 million, respectively, related to educational and research support provided to the School of Medicine.

Investment income amounted to $104.6 million for the year ended December 31, 2009, including $22.1 million of interest and dividend income and $82.5 million of net gains (including unrealized gains) on investments. For the year ended December 31, 2008, investment losses aggregated ($383.6) million, which included $25.8 million of interest and dividend income and ($409.4) million of net losses (including unrealized losses) on investments. Income (losses) on interest rate swaps aggregated $175.7 million for the year ended December 31, 2009 and ($249.6) million for the comparable period in 2008.

Operating margin amounted to 4.6% and 1.8% for the year ended December 31, 2009 and 2008, respectively. Total margin gain (loss), excluding gains and losses on interest rate swaps was 7.1% and (10.9%) for the year ended December 31, 2009 and 2008, respectively.

Consolidated Financial Position. Total cash and investments (which principally consists of cash and cash equivalents, board-designated funds, donor-restricted funds, funds held under swap credit annex agreements, and trustee-held funds for construction and debt service) amounted to $1,582.0 million at December 31, 2009 ($1,013.0 million at December 31, 2008), and includes cash and investments of $343.9 million relating to the merger of Ball Memorial and Tipton effective January 1, 2009 and the merger of Bloomington and Methodist Health Foundation effective December 31, 2009. The number of days cash and investments on hand was 160 days as of December 31, 2009 including Bloomington and Methodist Health Foundation. Excluding Bloomington and Methodist Health Foundation, the number of days cash and investments on hand was 150 days (148 days exclusive of trustee-held borrowed funds) at December 31, 2009 (141 days and 140 days, respectively, at December 31, 2008), with the increase in days principally reflecting improved operations, improved performance of investments, and limitations in capital spending. The number of days revenue in receivables was 49 days at December 31, 2009 (excluding Bloomington and Methodist Health Foundation) and 53 days at December 31, 2008. The number of days expenses in accounts payable, accrued expenses, and certain other current liabilities was 41 days at December 31, 2009 (excluding Bloomington and Methodist Health Foundation) and 64 days at December 31, 2008.

Net current assets increased to $345.5 million at December 31, 2009 ($81.7 million at December 31, 2008) mainly reflecting the effects of the merger with Ball Memorial, Tipton, Bloomington, and Methodist Health Foundation, increases in cash from operations, other increases in patient accounts receivable, and decreases in accounts payable. Net property and equipment of $2,456.0 million increased $313.6 million from December 31, 2008 reflecting the continued investment in facilities and equipment by Clarian Health and the mergers of Ball Memorial, Tipton, Bloomington, and Methodist Health Foundation whose net property and equipment approximated $375.3 million as of December 31, 2009, partially offset by depreciation expense for the period. Other amounts for property and equipment are anticipated to be incurred and may not be legally required or committed and are subject to change or authorization by the Board of Directors, aggregating approximately $108.1 million at December 31, 2009, which is expected to be financed through operations, contributions, and, where applicable, proceeds from the issuance of tax-exempt bonds.

Unrestricted net assets, or equity, amounted to $2,208.6 million at December 31, 2009 ($1,347.6 million at December 31, 2008) and includes the net unrealized losses on swaps of $66.7 million and $258.2 million at December 31, 2009 and December 31, 2008, respectively. Long-term debt to total capitalization at December 31, 2009 was 41.5% (50.1% at December 31, 2008) and 40.8% and 46.0%, respectively, at such dates excluding the unrealized losses on swaps. Unrestricted net assets of Ball Memorial, Tipton, Bloomington and Methodist Health Foundation amounted to $399.9 million and long-term debt of these merged entities amounted to $200.1 million at December 31, 2009.

Year Ended December 31, 2008

Revenue. Total operating revenue of $3,115.3 million for the year ended December 31, 2008 increased 10.7% (or $301.4 million) over the prior year. Of this increase, net patient service revenue increased $520.0 million reflecting increases in revenue of the Academic Medical Center of $225.2 million, Statewide Facilities of $62.5 million, and Suburban Facilities of $51.2 million. The net increase in patient service revenue reflects the effects of rate increases aggregating 9.75%, increased volumes for inpatient and outpatient services, increased reimbursement resulting from changes in the Medicare inpatient DRG system which was revised effective October 1, 2007, and an increase in gross DSH revenue, offset by the effects of changes in the mix of services and payers principally at the Academic Medical Center.

The net income recognition for DSH amounted to $148.0 million and $111.3 million for the year ended December 31, 2008 and 2007, respectively, which includes $40.4 million in 2008 and $31.9 million in 2007 relating to settlements for prior years. Part of the increase in DSH revenue in 2008 resulted from recently enacted legislation which modified the allocation methodology to qualified DSH providers.

Overall, consolidated admissions for the year ended December 31, 2008 increased 6.9% over the same period in the prior year (total admissions of 85,472 and 79,947 for the year ended December 31, 2008 and 2007, respectively). Admissions at the Academic Medical Center increased by 4.7% over the prior year (total admissions of 54,239 and 51,790 for the years ended December 31, 2008 and 2007, respectively), and admissions at the Statewide Facilities increased by 7.0% (total admissions of 14,658 and 13,697 for the years ended December 31, 2008 and 2007, respectively). Admissions at the Suburban Facilities totaled 16,575 for the year ended December 31, 2008 (14,460 for 2007), an increase of 14.6%. Overall consolidated outpatient visit volumes increased 4.0% over 2008 (total outpatient visits of 1,337,340 in 2008 and 1,286,399 in 2007), with increases at the Academic Medical Center amounting to 0.3% (total outpatient visits of 863,790 in 2008 and 860,847 in 2007) and increases at the Statewide Facilities amounting to 10.5% (total outpatient visits of 305,597 in 2008 and 276,450 in 2007). Outpatient visits at the Suburban Facilities totaled 167,953 for the year ended December 31, 2008 (149,102 for 2007), an increase of 12.6%.

Member premium revenue of the Medical Risk operations decreased $222.9 million in 2008, reflecting the wind down of the operations of The M•Plan, a licensed health maintenance organization (HMO) related to Clarian Health, which previously announced that it was exiting the business of providing commercial health insurance coverage effective December 31, 2007. Clarian Health's share of the estimated net costs and expense of the winding down approximated $13,548 which reduced the value of Clarian Health's equity investment in THCG. These amounts were included in the equity income of unconsolidated health related subsidiaries, which is classified as other operating revenue in the accompanying consolidated statements of operations and changes in net assets. In addition, as a part of the wind down of the The M•Plan, a distribution of $35,036 was made to Clarian Health during the fourth quarter of 2008.

Expenses. Total operating expenses of $2,804.1 million increased 9.0% (or $231.8 million) over that for year ended December 31, 2007. Salaries, wages, and benefits expense increased 14.4% (or $169.5 million) to $1,345.1 million in 2008. The number of full time equivalent (FTE) employees increased approximately 14.4% over 2007 to 17,953 FTE employees reflecting higher patient volumes. In addition, the salaries, wages, and benefits expense for the year ended December 31, 2008 increased over that for the comparable period in the prior year due to the impact of general wage increases (which ranged from 3.5% to 6.5%) and market rate adjustments principally for certain short-supply nursing and allied health professionals, and increased employee health insurance costs effective with the new plan year on January 1, 2008.

Supplies, drugs, purchased services and other expenses of $961.8 million increased 11.1% over that for the prior year ($866.0 million).

Health claims to providers' expense of $68.3 million decreased 59.4% over that for the prior year ($168.1 million) primarily due to lower membership resulting from the wind down of the operations of The M•Plan.

Depreciation expense of $178.6 million increased 8.3% over that for the prior year ($164.9 million) principally reflecting additional depreciation for assets being placed in service.

The provision for uncollected patient accounts amounted to $197.9 million and $150.5 million for the years ended December 31, 2008 and 2007, respectively. The primary reason for the increase in the provision for uncollected patient accounts was an increasing level of associated revenues, and increases in co-payment requirements and deductibles being the responsibility of individual patients. As a percentage of net patient revenue, the provision for uncollected patient accounts was 6.7% in 2008 and 6.2% in 2007.

Interest expense of $52.4 million increased 11.1% over that for the prior year of $47.2 million reflecting a higher effective interest rate principally relating to the auction rate securities which have since been refinanced and volatile credit markets.

Clarian Health has modified or refinanced certain of its bonds (Auction Rate Securities). During May and August 2008, Clarian Health modified the Series 2005A, 2005B, 2005C, 2005D 2003E and 2003G bonds. The modifications were done in response to the increase in interest costs in the Auction Rate Securities market. No changes were made to the provisions of the bond documents other than to change the mode of interest payments. As a result, the bonds will pay interest as Variable Rate Demand Notes, rather than through the Auction Rate Securities market. Series 2005A, 2005B, 2003E, and 2003G are each backed by separate stand-by bond purchase agreements. These agreements expire in May 2011, but terminate earlier in the event of a downgrade in the credit rating of their insurer. Series 2005C and 2005D are supported by direct-pay letters of credit expiring in August 2011. Certain other changes in insurances were made to enhance the credit standing of the issues. The cost of modification approximated $3.8 million of which $2.4 million was included in unamortized bond issuance costs and $1.4 million was included in other nonoperating expenses at December 31, 2008 and for the year ended, respectively.

The Series 2003A, 2003B, 2003C and 2003D tax-exempt bonds were refunded in September 2008 by issuing 2008A, 2008B, 2008C and 2008D tax-exempt bonds and resulted in the write-off of unamortized bond issuance costs of $5.6 million. The Series 2008A through D bonds, which are on a weekly interest rate mode, are supported by direct pay letters of credit expiring in 2011. The 2003F taxable bonds, which were Auction Rate Securities, were refunded in October 2008 by executing a direct bank loan for $44.0 million.

Clarian Health has implemented an Asset/Debt Management strategy. During January 2008, basis swaps with notional amounts totaling $1,005.5 million were acquired by converting $381.6 million of existing fixed receiver swaps, which created a one-time cash receipt of $11.4 million, and executing $618.4 million in new contracts. Also in January 2008, fixed receiver swaps with notional amounts totaling $325.0 million were terminated for a one-time cash receipt of $16.1 million. Additional fixed receiver swaps with notional amounts of $170.5 million were terminated during June 2008 for a one-time cash receipt of $1.4 million. Basis swaps with notional amounts of $500.0 million were executed in September 2008 to mitigate fluctuations in cash flows and Constant Maturity Swaps with a notional amount totaling $500.0 million were terminated for a one-time cash receipt of $10.4 million in December 2008. As of December 31, 2008, Clarian Health's interest rate swap program had a total notional amount of $2,025.2 million, including $530.0 million of fixed payer swaps, and $1,495.2 million of basis swaps.

Other. For the years ended December 31, 2008 and 2007, Clarian health expensed $255.5 million and $192.1 million, respectively, related to educational and research support provided to the School of Medicine.

Investment losses amounted to $383.6 million for the year ended December 31, 2008, including $25.0 million of interest and dividend income and $289.9 million of unrealized losses on investments. For the year ended December 31, 2007, investment income aggregated $115 million, which included $27.2 million of interest and dividend income and $8.0 million of unrealized loss on investments. Losses on interest rate swaps aggregated $249.6 million for the year ended December 31, 2008 ($16.8 million gain for the same period in 2007). Volatility in the capital markets was the principal cause of unrealized losses in investments and interest rate swaps for the year ended December 31, 2008.

Operating margin amounted to 1.8% and 1.8% for the years ended December 31, 2008 and 2007, respectively. Total margin gain or (loss) (excluding gains and losses on interest rate swaps) was (10.9%) and 5.8% for the years ended December 31, 2008 and 2007, respectively. Effective January 1, 2007, management of Clarian Health

elected to dedesignate those derivative instruments previously qualifying for hedge accounting. Consequently, all changes in fair value of these derivative financial instruments were reflected with nonoperating income (losses) in 2007 and 2008.

Consolidated Financial Position. Total cash and investments (which principally consists of cash and cash equivalents, board designated funds, funds held under swap credit annex agreements and trustee-held funds for construction and debt service) amounted to $1,013.0 million at December 31, 2008 ($1,499.1 million at December 31, 2007). The number of days cash and investments on hand (excluding educational and research support to Indiana University) was 141 days (140 days exclusive of trustee-held borrowed funds) at December 31, 2008 (227 days and 204 days, respectively, at December 31, 2007). The number of days revenue in receivables was 53 days at December 31, 2008 and 55 days at December 31, 2007. The number of days expenses in accounts payable, accrued expenses, and certain other current liabilities was 64 days at December 31, 2008 and 51 days at December 31, 2007.

Net current assets amounted to $81.7 million at December 31, 2008 ($82.1 million at December 31, 2007) reflecting increases in patient accounts receivable, accounts payable, notes payable to bank and certain other accruals. In addition, during September 2008, draws were made under the line of credit with a commercial bank aggregating $44.3 million for working capital purpose. Fourth quarter repayments reduced the outstanding balance on the line of credit to $36.0 million at December 31, 2008. Interest is at a rate of one month LIBOR plus 35 basis points and is payable monthly. Net property and equipment of $2,142.4 million increased $325.1 million from December 31, 2007 reflecting the continued investment in facilities and equipment by Clarian Health, offset by depreciation expense for the period. Other amounts for property and equipment are anticipated to be incurred and may not be legally required or committed and are subject to change or authorization by the Board, aggregating approximately $495.0 million at December 31, 2008, which is expected to be financed through operations, contributions, and the proceeds from the issuance of tax-exempt bonds.

Unrestricted net assets, or equity, amounted to $1,347.6 million at December 31, 2008 ($1,963.9 million at December 31, 2007). Long-term debt to total capitalization at December 31, 2008 was 50.1% (41.4% at December 31, 2007).

EMPLOYEES

At December 31, 2010 Indiana University Health had 24,210 full-time equivalent employees. At December 31, 2010, LaPorte and its physician network and Starke had 1,520 full-time equivalent employees. At December 31, 2010, Tipton and Arnett had 287 and 1,640 full-time equivalent employees, respectively. Ball Memorial and Blackford had 2,384 full-time equivalent employees as of December 31, 2010. At December 31, 2010, Goshen had 1,085 full-time equivalent employees, Bloomington and Paoli had 2,392 full-time equivalent employees, and Bedford had 421 full-time equivalent employees. West and North had 708 and 1,052 full-time equivalent employees, respectively, at December 31, 2010.

No Indiana University Health employees are covered by any collective bargaining agreement. Management of Indiana University Health considers its relationship with its employees to be good. Indiana University Health provides competitive compensation and benefits programs, which include retirement plans, paid time off, tuition reimbursement, employee wellness and health, life and disability insurance.

INSURANCE

The Indiana Medical Malpractice Act, Indiana Code 34-18-1-1, et. seq. (the "*Medical Malpractice Act*") limits liability for malpractice claims against health care providers who qualify as providers under the Medical Malpractice Act. Each Indiana University Health hospital is qualified as a provider under the Medical Malpractice Act. An annual surcharge is assessed against each qualified provider to fund the patient's compensation fund (the "*Fund*") created under the Medical Malpractice Act, the amount of which is established by the Department of Insurance based on an actuarial program. The amount must be sufficient to cover but may not exceed the actuarial risk posed to the Fund by the qualified provider. For malpractice occurring after December 31, 1989, and before July 1, 1999,

the Medical Malpractice Act provides for a maximum recovery of $750,000 per claim. For malpractice occurring after June 30, 1999, the Medical Malpractice Act provides for a maximum recovery of up to $1,250,000. Until July 1, 1999, a health care provider was liable for up to $100,000 of the maximum recovery. Beginning July 1, 1999, the provider's share increased to $250,000. The excess is paid by the Fund. In response to this law, each Indiana University Health hospital is insured by the Clarian Health Risk Retention Group insurance, as appropriate, for $250,000 per occurrence and $5,000,000 in the annual aggregate for hospitals of not more than 100 beds and $7,500,000 in the annual aggregate for hospitals of more than 100 beds. Indiana University Health maintains a comprehensive portfolio of insurance coverages, including general liability, fiduciary, directors' and officers' and employment practices, as are customary in amounts and with carriers that are consistent with the requirements of the Master Indenture and industry practices. Indiana University Health believes its risk management programs embody a mix of broad insurance coverages and retention programs that reflect an appropriate and prudent approach for the protection of Indiana University Health.

LITIGATION AND AUDITS

As with most multi-hospital systems, there may be, at any point in time, a number of medical malpractice actions filed or pending against providers in the Indiana University Health System. Generally, these will be paid or settled from insurance and/or self-insurance coverage, and some will not be pursued by plaintiffs. However, certain actions may seek punitive or other damages, which may not be covered by insurance. Litigation also arises from the corporate and business activities of the members of the Indiana University Health System, from their status as major employers, or as a result of medical staff peer review or the denial of medical staff privileges. A recent U.S. Supreme Court decision now allows physicians who are subject to adverse peer review proceedings to file federal antitrust actions against hospitals and seek treble damages. As with medical malpractice, many of these risks are covered by insurance or self-insurance, but some are not. In the unlikely event that a substantial number of uncovered claims were determined adversely to those individuals, affiliates or subsidiaries of Indiana University Health who are defendants in such claims, and substantial monetary damages were awarded in each, there could be a material adverse effect on Indiana University Health's financial condition.

The Indiana State Department of Health ("*ISDH*") and the Centers for Medicare and Medicaid Services ("*CMS*") have investigated alleged violations of the Emergency Medical Treatment and Labor Act ("*EMTALA*") at Methodist Hospital and Indiana University Hospital in 2003 and 2005, respectively. In both cases, Indiana University Health submitted a plan of correction that was accepted by CMS and ISDH. The cases are still being investigated, and the CMS has up to 6 years from the date of occurrence to file sanctions against Indiana University Health. No civil suit has been filed in either case. In both cases, Indiana University Health believes it acted in full compliance with EMTALA requirements. CMS has not filed sanctions in either case and the 6 year period has expired in the 2003 case.

On April 14, 2009, a former employee of Indiana University Radiology Associates, Inc, ("IURA") and former leased employee of Indiana Radiology Partners, Inc. ("IRP") brought suit against IURA, Indiana University Health and IRP alleging claims for breach of a Leased Radiology Services Agreement, violation of Indiana's wage payment and wage deduction statutes, promissory estoppel and quantum meruit. Indiana University Health is the sole member of IRP. The case is pending in Marion County Superior Court, Indiana. The parties are engaged in discovery proceedings. Indiana University Health believes it has strong defenses to the claims.

In 2010, a physician formerly on the hospital's medical staff filed a third party complaint against Indiana University Health after the physician was sued by the physician's landlord to recover past due office rent. The physician alleged that Indiana University Health violated a contract with the physician that resulted in him not being able to perform EKG interpretations resulting in loss of income. The physician also alleged that Indiana University Health acted in a manner that violated his civil rights. The case is in the early stages of discovery. Indiana University Health believes it has strong defenses to the claims.

Indiana University Health is under audit by the Internal Revenue Service (*"IRS"*) for excise taxes for the 4th Quarter of 2009. Indiana University Health is still in the process of responding to information and document requests. The IRS has not yet proposed any adjustments. Other entities, which include Health Venture Management,

LLC and Indiana University Health Southern Indiana Physicians, are currently under audit by the IRS and the Indiana Department of Revenue respectively, the effects of which are not expected to be material.

ACCREDITATION AND MEMBERSHIPS

The Academic Health Center, which is licensed as a single provider, most recently underwent successful accreditation re-surveyed by The Joint Commission during 2010 and is presently accredited through 2013. The following Indiana University Health hospitals were also re-surveyed and re-accredited for a 3-year term during 2010: Indiana University Health LaPorte Regional Health System and Indiana University Health Goshen Hospital. The following Indiana University Health hospitals last underwent successful accreditation re-surveys by The Joint Commission during 2009 and are presently accredited through 2012: Indiana University Health North Hospital, Indiana University Health Blackford Hospital, Indiana University Health Bedford Hospital, Indiana University Health Ball Memorial Hospital, and Indiana University Health Paoli Hospital. The following Indiana University Health hospitals last underwent successful accreditation re-surveys by The Joint Commission during 2008 and are presently accredited through 2011, with anticipated accreditation re-surveys to occur through an unannounced survey process during the 2011 calendar year: Indiana University Health Starke Hospital, Indiana University Health Tipton Hospital, and Indiana University Health Bloomington Hospital. Indiana University Health West Hospital was most recently re-surveyed by The Joint Commission February 23, 2011 and is presently awaiting formal results; however, preliminary information indicates that accreditation will be renewed from the current accreditation period (ending in 2011) for another three year period ending in 2014. Indiana University Health Arnett Hospital achieved accreditation through the Healthcare Facilities Accreditation Program (HFAP) in November 2008 and will remain accredited through November 2011; accreditation re-survey is expected to occur during the 2011 calendar year.

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APPENDIX B

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF
INDIANA UNIVERSITY HEALTH AND SUBSIDIARIES
(FORMERLY KNOWN AS CLARIAN HEALTH PARTNERS, INC. AND SUBSIDIARIES)
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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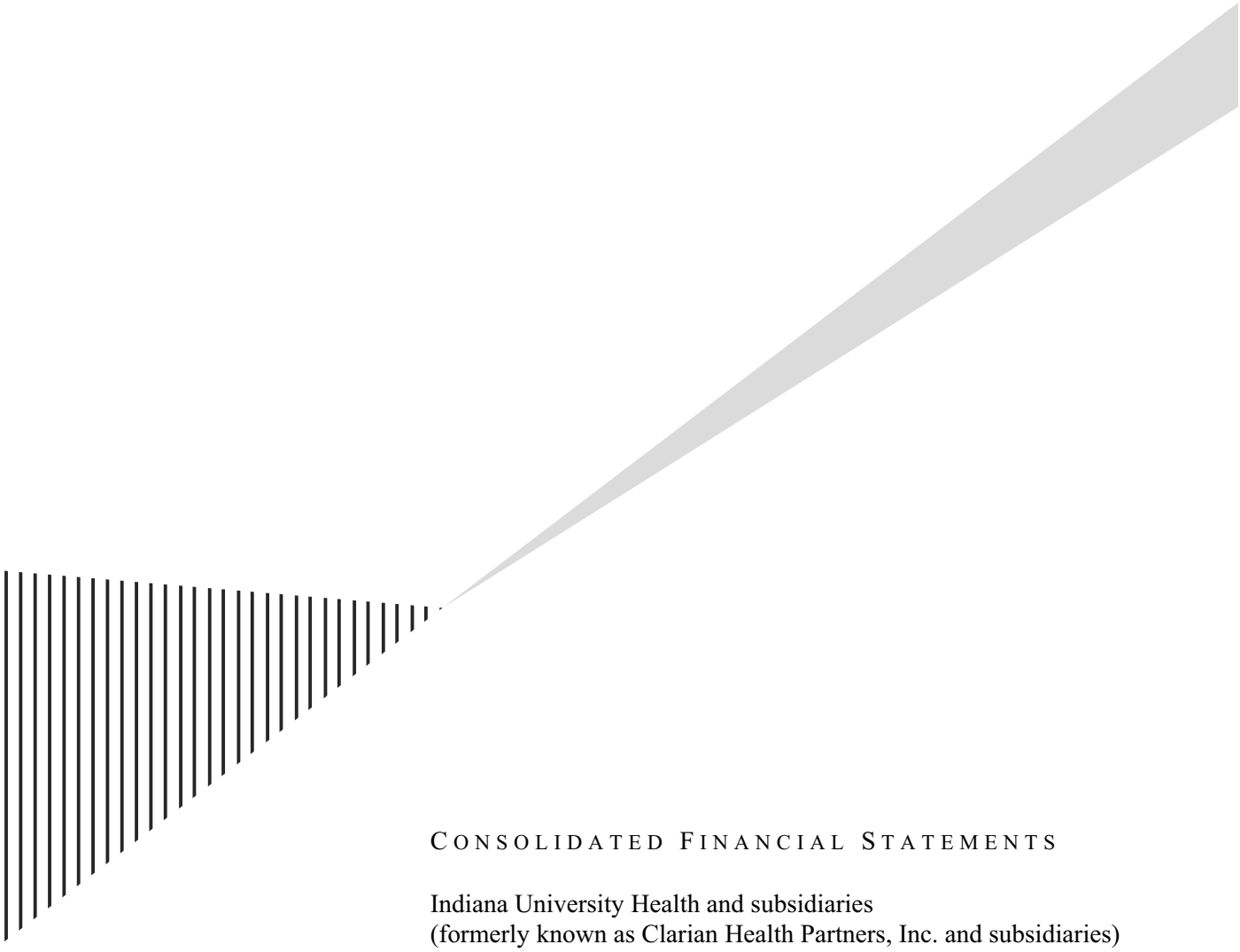


CONSOLIDATED FINANCIAL STATEMENTS

Indiana University Health and subsidiaries
(formerly known as Clarian Health Partners, Inc. and subsidiaries)
Years Ended December 31, 2010 and 2009
With Report of Independent Auditors

Ernst & Young LLP

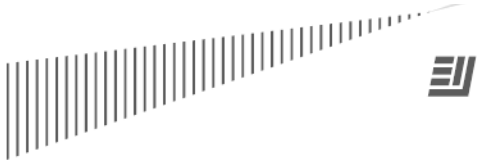
ERNST & YOUNG

Indiana University Health and subsidiaries

Consolidated Financial Statements

Years Ended December 31, 2010 and 2009

Contents



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Report of Independent Auditors

The Board of Directors
Indiana University Health and subsidiaries

We have audited the accompanying consolidated balance sheets of Indiana University Health (formerly known as Clarian Health Partners, Inc.) and subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the management of Indiana University Health and subsidiaries. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Indiana University Health and subsidiaries at December 31, 2010 and 2009, and the consolidated results of their operations and changes in their net assets and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

March 4, 2011

Indiana University Health and subsidiaries

Consolidated Balance Sheets
(Thousands of Dollars)

	December 31	
	2010	**2009**
Assets		
Current assets:		
Cash and cash equivalents	**$ 505,027**	$ 296,758
Patient accounts receivable, less allowance for uncollectible accounts of $193,284 and $189,745 at 2010 and 2009, respectively	**484,398**	487,414
Member premium and other receivables	**58,312**	70,095
Prepaid expenses (including educational and research support to Indiana University of $49,882 in 2010)	**82,088**	32,064
Inventories	**76,292**	67,650
Current portion of trustee-held funds	**4,428**	4,501
Total current assets	**1,210,545**	958,482
Assets limited as to use:		
Board-designated investment funds	**1,265,790**	1,136,947
Donor-restricted investment funds	**89,308**	102,847
Funds held under swap credit annex agreements	**26,847**	26,847
Trustee-held funds for construction and debt service, less current portion	**13,723**	14,112
Total assets limited as to use, less current portion	**1,395,668**	1,280,753
Property and equipment:		
Cost of property and equipment in service	**4,842,881**	4,386,260
Less accumulated depreciation	**(2,496,108)**	(2,292,747)
	2,346,773	2,093,513
Construction-in-progress	**195,579**	362,487
Total property and equipment, net	**2,542,352**	2,456,000
Other assets:		
Equity interest in unconsolidated subsidiaries	**74,668**	63,627
Interest in net assets of foundations	**12,959**	4,429
Unamortized bond issuance costs	**13,134**	14,983
Other	**64,004**	51,950
Total other assets	**164,765**	134,989
Total assets	**$ 5,313,330**	$ 4,830,224

Indiana University Health and subsidiaries

Consolidated Balance Sheets
(Thousands of Dollars)

	December 31	
	2010	**2009**
Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued expenses	**$ 331,597**	$ 258,584
Accrued salaries, wages, and related liabilities	**191,017**	189,126
Deferred state disproportionate share revenue	**119,781**	–
Accrued health claims	**37,628**	27,074
Estimated third-party payor allowances	**50,901**	38,889
Current portion of notes payable to banks	**–**	47,334
Current portion of long-term debt	**82,965**	51,984
Total current liabilities	**813,889**	612,991
Noncurrent liabilities:		
Long-term debt, less current portion	**1,607,139**	1,632,281
Interest rate swaps	**140,916**	66,686
Accrued pension obligations	**94,846**	112,449
Accrued medical malpractice claims	**58,535**	61,921
Other	**43,483**	29,571
Total noncurrent liabilities	**1,944,919**	1,902,908
Total liabilities	**2,758,808**	2,515,899
Net assets:		
Indiana University Health	**2,438,003**	2,218,416
Noncontrolling interest in subsidiaries	**14,516**	4,051
Total unrestricted	**2,452,519**	2,222,467
Temporarily restricted	**37,126**	35,468
Permanently restricted	**64,877**	56,390
Total net assets	**2,554,522**	2,314,325
Total liabilities and net assets	**$ 5,313,330**	$ 4,830,224

See accompanying notes.

Indiana University Health and subsidiaries

Consolidated Statements of Operations and Changes in Net Assets
(Thousands of Dollars)

	Year Ended December 31	
	2010	**2009**
Revenues:		
Net patient service revenue	**$ 4,058,796**	$ 3,526,943
Member premium revenue	**133,443**	90,298
Other revenue	**136,520**	143,016
Total operating revenues	**4,328,759**	3,760,257
Expenses:		
Salaries, wages, and benefits	**1,895,423**	1,682,170
Supplies, drugs, purchased services, and other	**1,498,788**	1,264,077
Health claims to providers	**81,822**	71,443
Depreciation and amortization	**244,358**	221,027
Provision for uncollected patient accounts	**281,645**	213,205
Interest	**53,244**	53,671
Total operating expenses	**4,055,280**	3,505,593
Operating income before educational and research support	**273,479**	254,664
Educational and research support to Indiana University	**(71,353)**	(81,130)
Total operating income	**202,126**	173,534
Nonoperating income (losses):		
Investment income, net	**126,884**	104,580
Income (losses) on interest rate swaps, net	**(94,094)**	175,668
Other	**–**	(307)
Total nonoperating income	**32,790**	279,941
Consolidated excess of revenues over expenses	**234,916**	453,475
Less amounts attributable to noncontrolling interest in subsidiaries	**22,746**	9,022
Excess of revenues over expenses attributable to Indiana University Health and subsidiaries	**212,170**	444,453

Continued on next page.

Indiana University Health and subsidiaries

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

	December 31 2010			December 31 2009		
	Total	**Controlling**	**Noncontrolling**	**Total**	**Controlling**	**Noncontrolling**
Unrestricted net assets:						
Excess of revenues over expenses	**$ 234,916**	**$ 212,170**	**$ 22,746**	$ 453,475	$ 444,453	$ 9,022
Change in pension obligations	**(380)**	**(380)**	**–**	23,102	23,102	–
Contributions for capital expenditures	**6,427**	**6,427**	**–**	5,436	5,436	–
Distributions to noncontrolling interests	**(11,977)**	**–**	**(11,977)**	(9,056)	–	(9,056)
Other	**1,066**	**1,370**	**(304)**	10,170	8,730	1,440
	230,052	**219,587**	**10,465**	483,127	481,721	1,406
Temporarily restricted net assets:						
Change in beneficial interest in net assets of foundations	**2,722**	**2,722**	**–**	(2,573)	(2,573)	–
Contributions	**4,324**	**4,324**	**–**	1,497	1,497	–
Investment return	**(466)**	**(466)**	**–**	595	595	–
Net assets released from restrictions	**(4,369)**	**(4,369)**	**–**	(20,581)	(20,581)	–
Other	**(553)**	**(553)**	**–**	–	–	–
	1,658	**1,658**	**–**	(21,062)	(21,062)	–
Permanently restricted net assets:						
Change in beneficial interest in net assets of foundations	**5,807**	**5,807**	**–**	2,816	2,816	–
Contributions and other	**2,680**	**2,680**	**–**	–	–	–
	8,487	**8,487**	**–**	2,816	2,816	**–**
Increase in net assets before contributions of net assets of acquired organizations	**240,197**	**229,732**	**10,465**	464,881	463,475	1,406
Contributions of net assets of acquired organizations at January 1, 2009:						
Unrestricted net assets of Ball Memorial	**–**	**–**	**–**	132,999	132,131	868
Temporarily restricted net assets of Ball Memorial	**–**	**–**	**–**	8,570	8,570	–
Permanently restricted net assets of Ball Memorial	**–**	**–**	**–**	14,401	14,401	–
Contributions of net assets of acquired organizations at December 31, 2009:						
Unrestricted net assets of Bloomington	**–**	**–**	**–**	210,023	210,023	–
Unrestricted net assets of Methodist Health Foundation	**–**	**–**	**–**	45,608	45,608	–
Temporarily restricted net assets of Bloomington	**–**	**–**	**–**	3,474	3,474	–
Permanently restricted net assets of Bloomington	**–**	**–**	**–**	634	634	–
	–	**–**	**–**	415,709	414,841	868
Increase in net assets	**240,197**	**229,732**	**10,465**	880,590	878,316	2,274
Net assets at beginning of year	**2,314,325**	**2,310,274**	**4,051**	1,433,735	1,431,958	1,777
Net assets at end of year	**$ 2,554,522**	**$ 2,540,006**	**$ 14,516**	$ 2,314,325	$ 2,310,274	$ 4,051

See accompanying notes.

Indiana University Health and subsidiaries

Consolidated Statements of Cash Flows

(Thousands of Dollars)

	Year Ended December 31	
	2010	**2009**
Operating activities		
Increase in net assets	**$ 240,197**	$ 464,881
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Change in fair value of interest rate swaps	**74,230**	(193,204)
Loss on extinguishment of debt	**–**	279
Change in pension liability	**380**	(23,102)
Loss (income) in unconsolidated subsidiaries	**15,478**	(21,811)
Provision for uncollected patient accounts	**281,645**	213,205
Depreciation and amortization	**244,358**	221,027
Gain on sale of medical office buildings (including amortization of deferred gain)	**(3,787)**	(4,424)
Restricted contributions	**(14,514)**	(2,335)
Trading securities	**(114,842)**	(143,762)
Net changes in operating assets and liabilities:		
Patient accounts receivable, net	**(278,629)**	(225,501)
Inventories and other assets	**(91,652)**	8,538
Accounts payable and accrued liabilities	**73,591**	(89,214)
Salaries, wages, and related liabilities	**1,891**	16,869
Deferred state disproportionate share revenue	**119,781**	–
Estimated third-party payor allowances	**12,012**	6,903
Net cash provided by operating activities	**560,139**	228,349
Investing activities		
Proceeds on sale of medical office buildings, net	**22,816**	42,457
Acquisition of subsidiary, net of cash received	**(10,506)**	(4,751)
Distributions received from managed care organization	**4,824**	4,702
Purchase of property and equipment, net of disposals	**(342,023)**	(176,645)
Net cash used in investing activities	**(324,889)**	(134,237)
Financing activities		
Increase in restricted net assets	**14,514**	2,335
Repayments on long-term debt	**(185,545)**	(67,486)
Proceeds from issuance of long-term debt	**121,218**	54,510
Proceeds from notes payable under line of credit, net of repayments	**22,832**	11,334
Net cash (used in) provided by financing activities	**(26,981)**	693
Increase in cash and cash equivalents	**208,269**	94,805
Beginning cash balances of acquired or merged organizations related to Ball Memorial, Bloomington, and Methodist Health Foundation	**–**	61,246
Cash and cash equivalents at beginning of year	**296,758**	140,707
Cash and cash equivalents at end of year	**$ 505,027**	$ 296,758

See accompanying notes.

Indiana University Health and subsidiaries

Notes to Consolidated Financial Statements
(Thousands of Dollars)

December 31, 2010 and 2009

Mission Statement

The mission of Indiana University Health is to improve the health of our patients and community through innovation and excellence in care, education, research, and service.

Indiana University Health will preserve, strengthen and build upon these values:
*A patient's **total care**, including mind, body and spirit*
*Excellence in **education** for health care providers*
*Quality of care and **respect** for life*
***Charity**, equality and justice in health care*
*Leadership in health promotion and **wellness***
*Excellence in **research***
*An internal community of **trust** and respect*

1. Organization and Nature of Operations

Name Change

During 2010, Clarian Health Partners, Inc. (Clarian) filed a Certificate of Assumed Business Name with the Secretary of the State of Indiana for itself and certain of its subsidiaries to change the "doing business as" names of the entities to include specific reference to Indiana University Health. Additionally, on January 6, 2011 Clarian filed a Certificate of Amendment with the Office of the Secretary of the State of Indiana to legally change its name to Indiana University Health, Inc. The change will become legally effective on April 1, 2011; however public notice was made on January 24, 2011, from which date forward, Clarian is to be known as Indiana University Health. These 2010 financial statements reflect this name change. No change in the corporate structure, management, or governance was made as a result of this name change.

History and Organization

Indiana University Health and subsidiaries operate as a health care delivery system, which includes an academic health center affiliated with Indiana University, providing health care services throughout the state of Indiana. Health care services provided by Indiana University Health and its subsidiaries (hereinafter referred to as the Indiana University Health System) include acute, nonacute, tertiary, and quaternary care services on an inpatient, outpatient, and emergency basis; medical education and research; medical management services; health care diagnostic and treatment services for individuals and families in physician clinics and physician-group practices; occupational health care for businesses; and personal and home health care.

1. Organization and Nature of Operations (continued)

Indiana University Health was formed as an Indiana nonprofit corporation through a consolidation, as of January 1, 1997, under the terms of a Definitive Health Care Resources Consolidation Agreement, as amended (the Consolidation Agreement), and certain other related agreements by and between the Trustees of Indiana University and Methodist Health Group, Inc. The facilities and operations of Indiana University Hospital and Outpatient Center (University Hospital), James Whitcomb Riley Hospital for Children (Riley Hospital), and Methodist Hospital of Indiana (Methodist Hospital) (collectively, the Downtown Academic Health Center) were merged and consolidated to form a single corporate entity, which was then licensed as a single, acute care hospital and operating as an academic health center.

Under terms of the Consolidation Agreement and related agreements, substantially all real property of University Hospital, Riley Hospital, and Methodist Hospital was sold, transferred, leased, or otherwise conveyed on a long-term basis (99 years) at an annual, nominal amount. Substantially all liabilities were also assumed or, in the case of long-term debt, refinanced. Members of the Board of Directors (Board) are selected by its two classes of members – the Methodist Class (members of which are members of Methodist Health Group, Inc.) and the University Class (members of which are the individuals who are the Trustees of Indiana University).

The Consolidation Agreement requires that the salaries and related employee benefit costs be funded for medical doctor interns and residents of the Indiana University School of Medicine (School of Medicine). The Board annually reviews and determines the level of support to the School of Medicine for these programs and the number of internships and residencies to be supported. The Consolidation Agreement also provides for additional support to the School of Medicine to recognize, as a result of the consolidation, the enhanced and increased level of services being provided, including services to the medically indigent through medical education and research. Annually (or more often), an appointed committee consisting of representatives of Indiana University Health, Methodist Health Group, Inc., and Indiana University determines the amount of such additional support to be provided to the School of Medicine.

1. Organization and Nature of Operations (continued)

The fifteen hospital subsidiaries or divisions of Indiana University Health are as follows:

Previously Known As	Doing Business As
Ball Memorial Hospital	Indiana University Health Ball Memorial Hospital
Bedford Regional Medical Center	Indiana University Health Bedford Hospital
Blackford Community Hospital	Indiana University Health Blackford Hospital
Bloomington Hospital	Indiana University Health Bloomington Hospital
Bloomington Hospital of Orange County	Indiana University Health Paoli Hospital
Clarian Arnett Health System	Indiana University Health Arnett Hospital
Clarian Health North	Indiana University Health North Hospital
Clarian Health West	Indiana University Health West Hospital
Goshen Health System	Indiana University Health Goshen
Indiana University Hospital	Indiana University Health University Hospital
LaPorte Regional Health System	Indiana University Health LaPorte Hospital
Methodist Hospital	Indiana University Health Methodist Hospital
Riley Hospital for Children	Riley Hospital for Children at Indiana University Health
Starke Memorial Hospital	Indiana University Health Starke Hospital
Tipton Hospital	Indiana University Health Tipton Hospital

Nature of Operations

The Indiana University Health System operates as an integrated health care delivery system, comprised of nonprofit and for-profit entities, with coordinated activities and policies designed to meet the mission of the Indiana University Health System. The principal operating activities of the Indiana University Health System are conducted at owned facilities or majority-owned or controlled subsidiaries and consist of the following:

Downtown Academic Health Center (Hospital Campuses) – Consists of three acute, nonacute, tertiary and quaternary care, and diagnostic facilities, licensed as a single hospital, which constitutes the principal hospital activities of the academic health center and whose operations are located in the downtown area of Indianapolis, Indiana. These three hospitals, Indiana University Health Methodist Hospital (Methodist Hospital), Indiana University Health University Hospital (University Hospital),

1. Organization and Nature of Operations (continued)

and Riley Hospital for Children at Indiana University Health (Riley Hospital) are located on or near the campus of Indiana University-Purdue University in Indianapolis and the Indiana University School of Medicine.

Suburban Facilities (Indiana University Health West Hospital (West) and Indiana University Health North Hospital (North)) – Consist of two acute care hospitals located in the western and northern suburban areas of metropolitan Indianapolis, Indiana.

Statewide Facilities – Consist of acute care hospitals and health care systems located in Bedford, Bloomington, Goshen, Hartford City, Knox, Lafayette, LaPorte, Muncie, Paoli, and Tipton, Indiana. Principal hospital subsidiaries include Indiana University Health Bedford Hospital (Bedford), Indiana University Health Arnett Hospital (Arnett), Indiana University Health LaPorte Hospital (LaPorte), Indiana University Health Goshen (Goshen), Indiana University Health Ball Memorial Hospital and subsidiaries (Ball Memorial), Indiana University Health Tipton Hospital (Tipton), and Indiana University Health Bloomington Hospital and subsidiaries (Bloomington). Ball Memorial and Tipton were merged into consolidated operations effective January 1, 2009, and Bloomington was merged effective December 31, 2009 (see Note 4).

Physician Operations – Consists of physician offices and physician-group practices and clinics. Principal subsidiaries or divisions include Indiana University Health Arnett Physicians, Indiana University Health Ball Memorial Physicians, Indiana University Health Southern Indiana Physicians, Indiana University Health LaPorte Physicians, Indiana University Health Goshen Physicians, Methodist Cardiology Physicians, Clarian Cardiovascular Surgeons Group, LLC, Indiana Radiology Partners, Inc., and Heart Partners of Indiana, LLC. Additionally, physician operations include Indiana University Health Physicians, a nonprofit organization, with locations primarily in Indianapolis, Indiana designed to integrate Indiana University Health-owned or operated physician practices, privately owned practices, and the practice plans of the School of Medicine into a delivery model that facilitates access, coordinates care, and improves quality, all designed to provide a better health care experience for patients. Certain physician groups of Indiana University Health and the School of Medicine joined the Indiana University Health Physicians in 2010 and 2009 (see Note 4).

Ambulatory Care – Consists of occupational, personal, and home health care services, which are located throughout the state of Indiana. Principal subsidiaries or divisions include Indiana University Health Occupational Services and Indiana University Health Home Care.

1. Organization and Nature of Operations (continued)

Medical Risk – Consists of the medical management of health care services of members whose health care coverage is provided by the managed care networks of the Indiana University Health System.

Foundations - Indiana University Health is the sole corporate member of Methodist Health Foundation, Inc. (Methodist Health Foundation), which aids and supports Methodist Hospital and other programs and areas of Indiana University Health. Ball Memorial is the sole corporate member of Indiana University Ball Memorial Hospital Foundation (BMH Foundation), which aids in carrying out the mission of Ball Memorial.

Indiana University Health or its subsidiaries have also entered into certain limited liability company agreements with physicians for the operation of ambulatory surgery and diagnostic centers (located throughout the state of Indiana); network or management arrangements with several other hospitals to provide or operate hospital, rural outreach, or other medical services and programs (located in Columbus, Evansville, Greensburg, Kokomo, Martinsville, South Bend, and Terre Haute, Indiana); a joint venture arrangement with another Indianapolis, Indiana hospital for the operation of a long-term rehabilitative care hospital (also located in Indianapolis, Indiana); a 50% membership interest with a county governmental institution (located in Indianapolis, Indiana) in a nonprofit corporation that holds a health maintenance organization license and manages networks serving Medicaid patients; and a 50% membership interest with Indiana University Emerging Technology Corp., a nonprofit corporation owned by Indiana University, in a specialized cancer treatment and diagnostic clinic (located in Bloomington, Indiana.) In addition, due to the existence of certain participatory rights by the minority ownership members, Indiana University Health does not meet the conditions of control of Indiana University Health Physicians for purposes of consolidation. Where applicable, these arrangements are accounted for using the equity method of accounting.

2. Community Benefit and Charity Care

The Indiana University Health System provides health care services and other financial support through various programs that are designed, among other matters, to enhance the health of the community, improve the health of low-income patients, and foster medical education and research through its affiliation with the School of Medicine. In addition, the Indiana University Health System provides services intended to benefit the poor and underserved, including those persons who cannot afford health insurance because of inadequate resources or are uninsured or underinsured. Health care services to patients under government programs, such as Medicare and Medicaid, are also considered part of the Indiana University Health System's benefit provided to the community since a substantial portion of such services are reimbursed at amounts less than cost.

2. Community Benefit and Charity Care (continued)

The Indiana University Health System's financial assistance policies are designed to provide care to patients regardless of their ability to pay. Patients who meet certain criteria for charity care (generally based on up to 400% of federal poverty income guidelines, who are victims of certain catastrophic events, or who meet criteria to be part of the Indiana University Health System's medical education and research programs) are provided care without charge or at amounts less than established rates. In addition, financial assistance is available to patients under the Indiana University Health System policies in which services are to be provided at discounted rates, generally determined based on federal poverty income guidelines.

The amount of charity care provided is determined based on the qualifying criteria, as defined in the financial assistance policies, through approved applications completed by patients and their families or beneficiaries, or based on analysis of patients without third-party insurance coverage who did not apply for charity and whose income was equal to or less than 200% of federal poverty income guidelines. No payment for services is anticipated for those patients whose charity care applications have been approved, as well as for those other patient accounts identified whose income is equal to or less than 200% of federal poverty income guidelines and meet certain other criteria. Charity care, measured by the difference between standard charges for services rendered and the amount, if any, ultimately received, was $331,765 and $233,067 in 2010 and 2009, respectively. In addition, the Indiana University Health System provides a significant amount of uncompensated care to other uninsured and underinsured patients, which is included in the provision for uncollected patient accounts.

Enacted March 23, 2010, the Patient Protection and Affordable Care Act (Affordable Care Act) requires, among other things, that hospital organizations establish a financial assistance policy and a policy relating to emergency medical care. The hospital organizations of the Indiana University Health System have adopted a financial assistance policy which conforms with the Affordable Care Act and includes: financial assistance eligibility criteria, the basis for calculating amounts charged to patients, the method for applying for financial assistance, billing and collections policies with regards to actions that may be taken in the case of nonpayment as well as its measures to widely publicize the policy within the communities served by the organization. Additionally, the Indiana University Health System's hospital organizations have adopted policies requiring the organizations to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under their financial assistance policy. These hospital organizations have also adopted policies to limit the amount charged for emergency or other medically necessary care that is provided to individuals eligible for assistance under the organization's financial assistance policy to not more than the amounts generally billed to individuals who have insurance covering such care. Finally, the Indiana University Health System hospital organizations have adopted policies to forego extraordinary collection actions against an individual before the organization has made reasonable efforts to determine whether the individual is eligible for assistance under the hospital organization's financial assistance policy. Conformance with the Affordable Care Act did not have a material impact on the consolidated financial position or results of operations of the Indiana University Health System for the year ended December 31, 2010.

2. Community Benefit and Charity Care (continued)

Reimbursements are received by the Indiana University Health System for Medicare and Medicaid beneficiaries in accordance with reimbursement agreements and related regulatory rules and regulations. Also, the Indiana University Health System receives certain additional Medicaid Disproportionate Share (DSH) payments from the state of Indiana for those patients who qualify as medically indigent (see Note 3). These reimbursements and payments are less than the cost of providing the related services.

The Indiana University Health System also provides education for health care providers, including support to the School of Medicine; counseling centers and chaplaincy programs that support patients' medical, spiritual, and emotional needs; programs to enhance quality of and respect for life, including neighborhood revitalization, community health clinics, and school-based health programs; charity, equality, and justice programs, including education programs available to independent health providers, and an AIDS clinic, older adult clinics, and other clinical programs; health promotion and wellness programs, Indiana Poison Center, safe driving, and other prevention and intervention programs; other medical research and support to the Children's Values Fund; and fosters an internal community of trust, respect, and empowerment, including employee wellness development. The costs of providing these programs and services are included in expenses in the accompanying consolidated statements of operations and changes in net assets.

3. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Indiana University Health and all majority-owned or controlled subsidiaries. The equity method of accounting is used for investments in joint ventures, partnerships, and companies where control is participatory with others or where ownership is 50% or less. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Fair Values of Financial Instruments

Financial instruments include cash and cash equivalents, patient, member premium and other accounts receivable, assets limited as to use, accounts payable and accrued expenses, estimated third-party payor allowances, notes payable to banks, long-term debt, derivative financial instruments (i.e., fixed payor and basis swaps), and certain other current assets and liabilities.

3. Summary of Significant Accounting Policies (continued)

The fair values for cash and cash equivalents, patient, member premiums and other accounts receivable, accounts payable and accrued expenses, estimated third-party payor allowances, notes payable to banks, and certain other current assets and liabilities approximate the carrying amounts reported in the consolidated balance sheets and, in the opinion of management, represent highly liquid assets or short-term obligations. The fair values for assets limited as to use, long-term debt, and derivative financial instruments are described in Notes 5, 7, 8, and 9.

In September 2009, accounting guidance was issued to define how to measure the fair value of alternative investments held in the defined benefit plans. This guidance also requires additional disclosures for organizations that hold alternative investments and was effective for interim and annual periods ending after December 15, 2009. The adoption of this guidance did not have a material impact on the Indiana University Health System's consolidated financial condition or results of operations.

In January 2010, accounting guidance was issued to further expand disclosure requirements related to fair value measurements. Additional disclosures under this guidance include disclosing transfers in and out of Level 1 and Level 2 fair value measurements and the reasons for those transfers, valuation techniques and inputs used to measure Level 2 and Level 3 fair value measurements, and disclosure of purchases, sales, issuances, and settlements separately within the Level 3 fair value measurements reconciliation. The Indiana University Health System adopted this guidance effective January 1, 2010.

Derivative Financial Instruments

The Indiana University Health System has entered into fixed payor swap and basis swap transactions. As of and for the years ended December 31, 2010 and 2009, the Indiana University Health System's fixed payor swap and basis swap agreements did not qualify for hedge accounting. Therefore, the changes in fair value of these interest rate swaps during these years are reported with nonoperating income (losses) in the consolidated statements of operations and changes in net assets.

Net Patient Service Revenue

Net patient service revenue is reported at estimated net realizable amounts from patients, third-party payors, and others at the time services are rendered. Certain revenue is subject to estimated retroactive revenue adjustments under reimbursement agreements with third-party payors due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period that the related services are rendered, and such amounts are adjusted in future periods as adjustments become known.

For the year ended December 31, 2010, the percentage of net patient service revenue derived under Medicare, Medicaid, and managed care programs approximated 25%, 7%, and 55%, respectively (23%, 8%, and 51%, respectively, in 2009). A managed care provider represented 33% of net patient service

3. Summary of Significant Accounting Policies (continued)

revenue in 2010 and 30% in 2009. Provision has been made, by a charge to contractual allowances as an offset to patient service revenue, for the differences between gross charges for patient services and estimated reimbursement from these government and insurance programs.

Indiana University Health has historically qualified as a Medicaid DSH provider under Indiana law (IC 12-15-16(1-3)) and, as such, is eligible to receive state DSH payments. For the most recently determined fiscal year (2010) of the state of Indiana, certain subsidiaries of Indiana University Health qualified as state DSH providers. The amount of these additional state DSH funds is dependent on regulatory approval by agencies of the federal and state governments, and is determined by the level, extent, and cost of uncompensated care (as defined) and various other factors. For the years ended December 31, 2010 and 2009, state DSH payments have been made by the state of Indiana, and amounts were recorded as revenue based on data acceptable to the state of Indiana less any amounts management believes may be subject to adjustment. State DSH payments by the state of Indiana are based on the fiscal year of the state, which ends June 30th of each year. State DSH reimbursement is recognized as revenue after eligibility is determined by the state, and payments are probable and reasonably estimable. The 2010 state DSH payments received by Indiana University Health and certain subsidiaries were $173,032, of which $169,032 was recorded in operating revenue in the accompanying consolidated statements of operations, and the remainder was recorded within estimated third-party payor allowances on the accompanying consolidated balance sheets. Additionally, Indiana University Health and certain subsidiaries received $119,781 of 2011 state DSH payments in December 2010, which was recorded as deferred state DSH revenue in the accompanying consolidated balance sheets.

Laws and regulations governing Medicare, Medicaid, and other government programs are extremely complex and subject to interpretation. As a result, there is a reasonable possibility that recorded estimated settlements could change by a material amount in the near term. The Indiana University Health System received favorable Medicare, Medicaid, and Champus settlements and resolutions on prior year filed and appealed cost reports and other matters, which increased excess of revenues over expenses by $3,965 in 2010 and $14,199 in 2009.

Member Premium Revenue and Health Claims

The Indiana University Health System has agreements to provide medical services to subscribing participants or members, which generally provide for predefined payments (on a per member/per month basis) regardless of services actually performed. The cost to provide health care services under these agreements, and for self-insured health benefits to employees, is accrued in the period in which the health care services are provided to a member or covered employee based, in part, on estimates, including an accrual for medical services provided but not yet reported. Expenses to unrelated providers are reported as health claims to providers in the accompanying consolidated statements of operations and changes in net assets. The accrual for medical services provided but not yet reported is reflected as accrued health claims in the accompanying consolidated balance sheets.

3. Summary of Significant Accounting Policies (continued)

Cash Equivalents

Investments in highly liquid instruments with an original maturity of three months or less when purchased, excluding assets limited as to use, are considered by management to be cash equivalents.

The Indiana University Health System routinely invests in money market funds. These funds generally invest in prime funds. Financial instruments that are potentially subject to concentrations of credit risk include cash and cash equivalents. The Indiana University Health System places its cash and cash equivalents with institutions with high credit quality, since, at certain times, such cash and cash equivalents may be in excess of government-provided insurance limits.

Accounts Receivable and Allowance for Uncollectible Accounts

The Indiana University Health System does not require collateral or other security for the delivery of health care services from its patients, substantially all of whom are residents of the state of Indiana. However, assignment of benefit payments payable under patients' health insurance programs and plans (e.g., Medicare, Medicaid, health maintenance organizations, and commercial insurance policies) is routinely obtained, consistent with industry practice.

The provision for uncollected patient accounts is based upon management's assessment of historical and expected net collections considering business and economic conditions, changes and trends in health care coverage, and other collection indicators. Periodically, management assesses the adequacy of the allowance for uncollectible accounts based upon accounts receivable payor composition and aging, the significance of individual payors to outstanding accounts receivable balances, and historical write-off experience by payor category, as adjusted for collection indicators. The results of this review are then used to make any modifications to the provision for uncollected patient accounts and the allowance for uncollectible accounts. In addition, the Indiana University Health System follows established guidelines for placing certain past due patient balances with collection agencies. Patient accounts that are uncollected, including those placed with collection agencies, are initially charged against the allowance for uncollectible accounts in accordance with collection policies of the Indiana University Health System and, in certain cases, are reclassified to charity care if deemed to otherwise meet financial assistance policies of the Indiana University Health System.

3. Summary of Significant Accounting Polices (continued)

The composition of net patient accounts receivable is summarized as follows as of December 31:

	2010	2009
Managed care	**49%**	46%
Medicare	**22**	21
Medicaid	**8**	8
Other third-party payors	**12**	14
Patients	**9**	11
	100%	100%

A managed care payor represented 26% and 22% of net patient accounts receivables at December 31, 2010 and 2009, respectively.

Inventories

Inventories consist primarily of drugs and supplies, are stated at the lower of cost or market, and are generally valued using the average cost method.

Assets Limited as to Use

Assets limited as to use include: (i) cash and cash equivalents and designated investment assets, including those funds held by the consolidated foundations, set aside by the Board for future capital improvements and for other purposes, over which the Board retains control and may, at its discretion, use for other purposes; (ii) donor-restricted investment assets in which their use has been specified by the donor; (iii) assets held by trustees under bond or trust indenture agreements for construction and debt service; and (iv) funds held under swap credit annex agreements that serve as collateral provided to swap counterparties. Substantially all assets limited as to use are invested and managed by professional investment managers and are held in custody by financial institutions. These funds are classified as trading securities. Accordingly, changes in unrealized gains and losses in the fair value of investments are included in nonoperating income with investment income in the accompanying consolidated statements of operations and changes in net assets. The Indiana University Health System is a limited partner in funds that focus on absolute return investment strategies. These investments are accounted for using the equity method of accounting, based on the fund's financial information.

Property and Equipment

Property and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the assets. Included in property and equipment are costs for software developed for internal use.

3. Summary of Significant Accounting Polices (continued)

Equipment under capital lease obligations is amortized on the straight-line method over the lease term or the estimated useful life of the equipment, whichever period is shorter. Such amortization is included with depreciation in the accompanying consolidated statements of operations and changes in net assets. Interest cost incurred on borrowed funds during the period of construction and other interest costs related to tax-exempt bonds are capitalized as a component of the cost of constructing the assets. In addition, interest earnings on unexpended borrowed funds related to tax-exempt financings offset capitalized tax-exempt interest. Repair and maintenance costs are expensed when incurred.

The Indiana University Health System evaluates when events or changes in circumstances have occurred that would indicate that the remaining estimated useful life of long-lived assets warrant revision or that the remaining balance of such assets may not be recoverable. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset or asset group. If undiscounted cash flows are insufficient to recover the carrying value of the long-lived asset, such asset is written down to its fair value if its carrying value exceeds fair value.

Unamortized Bond Issuance Costs and Bond Discount or Premium

Costs incurred in connection with the issuance of long-term debt and bond discounts or premiums are amortized or accreted using the effective interest rate method. Amortization and accretion is included in interest expense in the accompanying consolidated statements of operations and changes in net assets (see Note 7).

Goodwill and Intangible Assets

In connection with past business combinations, the Indiana University Health System has recorded goodwill and definite lived intangible assets on the accompanying consolidated balance sheets. The Indiana University Health System reviews annually, or more frequently if events or changes in circumstances suggest impairment may have occurred, the carrying value of the goodwill and intangible assets for impairment and to determine if an adjustment, for definite-lived intangibles, to the amortization period is necessary. If circumstances suggest that the recorded amounts of any of these assets cannot be recovered, the carrying values of such assets are reduced to fair value. If the carrying value of any of these assets is impaired, a material charge may be incurred to results of operations. It has been determined that there was no significant impairment to intangible assets, including goodwill, as of December 31, 2010 and 2009.

3. Summary of Significant Accounting Policies (continued)

Contributions

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give, including indications of an intention to give, are reported at fair value at the date the gift is received. If the gifts are received with donor stipulations that limit the use of the donated assets, the gifts are reported as either temporarily or permanently restricted. Donor-restricted contributions for which restrictions are met in the same year as received are reported as unrestricted contributions in the accompanying consolidated financial statements.

Noncontrolling Interest in Subsidiaries

In December 2007, accounting guidance was issued related to noncontrolling (minority) interests in a consolidated subsidiary. This guidance became effective for not-for-profits for fiscal years beginning after December 15, 2009 and, among other matters, requires the recognition of a noncontrolling interest as net assets in the consolidated financial statements and separate from the parent's net assets. The amount of net income attributable to the noncontrolling interest is included in consolidated excess of revenues over expenses in the consolidated statements of operations and changes in net assets. The Indiana University Health System adopted the guidance on January 1, 2010, and reclassified amounts from other liabilities to unrestricted net assets, which results in the presentation of $4,051 of noncontrolling interests at December 31, 2009. This accounting guidance also stated that a portion of the excess of revenues over expenses would be allocated (on a prospective basis) to the noncontrolling interest even if the majority interest had not been credited the full amount of losses it had absorbed under prior guidance. The Indiana University Health System attributed income of $22,746 and $9,022 for the years ended December 31, 2010 and 2009, respectively to the noncontrolling interests based on the ownership percentage of the noncontrolling interests in certain of the Indiana University Health System's consolidated subsidiaries. These amounts are reflected in the unrestricted net assets in the consolidated balance sheets, net of distributions.

Distributions

Certain consolidated subsidiaries of Indiana University Health have members who hold a noncontrolling ownership interest. Upon authorization from the Boards of Directors of those subsidiaries, cash available for distribution, or a portion thereof, arising from operations may be distributed to Indiana University Health and the noncontrolling members ratably in accordance with the members' respective membership interests.

3. Summary of Significant Accounting Policies (continued)

Temporarily and Permanently Restricted Net Assets

Temporarily and permanently restricted net assets are those assets whose use has been limited by donors to a specific time period or purpose. These net assets are generally restricted for indigent and other patient care services, medical education and research programs, and medical supplies and equipment.

Interests in net assets of unconsolidated foundations are included in other assets in the accompanying consolidated balance sheets. The underlying assets of these interests in foundations consist primarily of cash and cash equivalents, money market and mutual funds, and marketable equity and debt securities (see Note 14).

Business Combinations

Accounting guidance was recently issued for mergers and acquisitions involving not-for-profit entities. This guidance establishes principles to assist not-for-profit entities in determining if a combination is to be accounted for as a merger or an acquisition. The guidance applies the carryover (similar to pooling) method to accounting for a merger, and the purchase accounting method to accounting for an acquisition, and clarifies the valuation basis to be used in determining the values of the assets and liabilities acquired. In addition, this guidance makes provisions related to goodwill and noncontrolling interests fully applicable to not-for-profit entities. This accounting guidance was effective for fiscal years beginning after December 15, 2009 or for mergers (as defined in the new accounting guidance) that occurred after December 15, 2009 and retroactive application is prohibited. The impact of this guidance substantively changes the accounting for certain business combinations, which prior to the effective date would have been accounted for similar to the pooling-of-interests method.

Operating and Performance Indicators

The activities of the Indiana University Health System are primarily related to providing health care services and, accordingly, expense information by functional classification is not used as a basis for measuring performance. Further, since substantially all resources are derived from providing health care services, similar to that if provided by a business enterprise, the following indicators are considered important in evaluating how well management has discharged its stewardship responsibilities:

Operating Indicator (Operating Income) – Includes all unrestricted revenue, gains, and other support, equity income or loss of unconsolidated health care subsidiaries, and expenses directly related to the recurring and ongoing health care operations during the reporting period. The operating indicator excludes investment income or losses on assets limited as to use (including changes in unrealized gains and losses on investments), changes in the fair value of fixed payor and basis swaps, gain or loss on the extinguishment of debt, noncontrolling interest, and gains and losses deemed by management not to be directly related to providing health care services.

3. Summary of Significant Accounting Policies (continued)

Performance Indicator (Excess (Deficiency) of Revenues Over Expenses) – Includes operating income and nonoperating income (losses). The performance indicator excludes certain changes in pension obligations and contributions for capital expenditures, distributions, and net assets released from restricted funds.

Income Taxes

The Internal Revenue Service (IRS) has determined that Indiana University Health and certain of its affiliated entities are tax-exempt organizations as defined in Section 501(c)(3) of the Internal Revenue Code. The Suburban Hospitals are organized as pass-through limited liability companies for which Indiana University Health's share of operating results is generally not taxable.

Certain subsidiaries of Indiana University Health are taxable entities, the tax expense and liabilities of which are not material to the consolidated financial statements.

Subsequent Events

For the consolidated financial statements as of and for the year ended December 31, 2010, management has evaluated subsequent events through March 4, 2011, the date that these financial statements were issued.

New Accounting Guidance Not Yet Applicable

In August 2010, new accounting guidance was issued that requires cost be used as the measurement basis for charity care disclosure purposes and, for those purposes, defines cost as the direct and indirect costs of providing charity care. This guidance also requires disclosure of the method used to identify and determine costs. This guidance is effective for fiscal years beginning after December 15, 2010. Adoption of this guidance will not have an impact on the Indiana University Health System's financial condition or results of operations.

In August 2010, new accounting guidance was issued that clarifies health care entities should not net expected insurance recoveries against a related claim liability. In addition, the claim liability is determined without consideration of insurance recoveries. A cumulative-effect adjustment is to be recognized in the opening net assets in the period of adoption if a difference exists between any liabilities and insurance receivables recorded as a result of applying this new guidance. This guidance is effective for annual or interim periods beginning after December 15, 2010. The Indiana University Health System is currently evaluating the impact of adoption of this guidance on January 1, 2011 on its financial condition and results of operations, but the impact, if any, is not expected to be material.

4. Business Combinations and Other Strategic Transactions

Bloomington Hospital

On March 5, 2009, Indiana University Health executed an Integration Agreement (the Bloomington Integration Agreement) whereby Indiana University Health became the sole corporate member of Bloomington effective December 31, 2009. The Bloomington Integration Agreement was designed to enable both organizations to further their common charitable missions of improving the health of their respective patients and communities they serve.

As a result of the change in control, the membership structure of Bloomington changed, but the commitments and operational obligations of Bloomington remain with Bloomington. The Bloomington debt obligations, issued pursuant to its Master Trust Indenture (MTI), remain the obligations of the Bloomington Obligated Group.

As the sole corporate member of Bloomington, Indiana University Health has control of Bloomington (and its wholly controlled subsidiary, Bloomington Hospital of Orange County in Paoli, Indiana) through appointment of the majority of the Board of Directors of Bloomington. The transaction with Bloomington was accounted for in a manner similar to the pooling of interests method. At December 31, 2009, Indiana University Health recorded the value of the working capital and assets limited to use of $133,548, and property and equipment $139,941, net of long-term debt assumed of $59,357, with an increase to net assets of $214,132. The balance sheet of Bloomington was consolidated effective December 31, 2009, but the operations of Bloomington for the year ended December 31, 2009, have not been consolidated. Results of Bloomington's operations are reflected in Indiana University Health's consolidated financial statements effective January 1, 2010.

Starke Memorial Hospital

LaPorte entered into an Asset Purchase Agreement for the purchase of Starke Memorial Hospital (Starke Memorial) for $6,815 effective July 1, 2009. Starke Memorial is a 35-bed hospital located in Knox, Indiana. The transaction was accounted for as a purchase by LaPorte with the assets acquired of $7,452, which includes property and equipment of $6,500, and liabilities assumed of $637 recorded at their fair value as of the effective date of the purchase.

Cardinal Health System, Inc.

On November 19, 2008, Indiana University Health entered into an Integration Agreement (the Cardinal Integration Agreement) with Cardinal Health System, Inc. and its subsidiaries (Cardinal) whereby Cardinal merged into its wholly owned subsidiary, Ball Memorial, and Indiana University Health replaced Cardinal as the sole corporate member of Ball Memorial, all effective as of January 1, 2009. The Cardinal Integration Agreement was designed to enable both organizations to further their common charitable missions of improving the health of their respective patients and communities that they serve.

4. Business Combinations and Other Strategic Transactions (continued)

As a result of the change in control, the membership structure of Ball Memorial changed, but the commitments and operational obligations of Ball Memorial and its subsidiaries remain with Ball Memorial. The Ball Memorial debt obligations, issued pursuant to its MTI, remain the obligations of the Ball Memorial Obligated Group, as defined in the MTI.

As the sole corporate member of Ball Memorial, Indiana University Health has control of Ball Memorial (and its wholly controlled subsidiary, Blackford Community Hospital, Inc. in Hartford City, Indiana) through appointment of the majority of the Board of Directors of Ball Memorial. The transaction with Ball Memorial was accounted for in a manner similar to the pooling of interests method. The financial position and financial results of Ball Memorial were consolidated with Indiana University Health effective January 1, 2009.

Tipton County Memorial Hospital

On October 31, 2008, Indiana University Health entered into an Affiliation and Asset Purchase Agreement (the Tipton Agreement) with Tipton County Memorial Hospital, a county hospital located in Tipton, Indiana, whereby effective January 1, 2009, Tipton County Memorial Hospital ceased to exist, sold certain of its assets and liabilities (excluding Tipton Hospital Foundation) to Tipton, a newly created nonprofit organization, and Indiana University Health became the sole corporate member of Tipton. The Tipton Agreement was designed to enable both organizations to better position themselves to serve patients and to provide Tipton with system support.

The purchase price was $1.00, plus the assumption of liabilities and the forgiveness of an amount due from Tipton County Memorial Hospital prior to affiliation with Indiana University Health of $198. The transaction was accounted for as a purchase by Tipton with the assets acquired, including a definite-lived intangible asset of $13,813 relating to a favorable (below-market), fixed-term operating lease for the hospital and related buildings and the land on which they are located, and liabilities assumed recorded at their fair market value as of the effective date of the purchase. The intangible asset is being amortized over 35 years, which is equal to the lease term. The results of operations of Tipton have been included in the consolidated statements of operations and changes in net assets effective January 1, 2009.

CNI Surgicare

LaPorte entered into an Asset Purchase Agreement for the purchase of Lakeshore Surgicare for $10,506 effective April 1, 2010. Lakeshore Surgicare is an ambulatory surgery center located in Chesterton, Indiana. The transaction was accounted for as a purchase by LaPorte with the assets acquired of $6,148, which includes property and equipment of $5,484, and liabilities assumed of $288 recorded at their fair value as of the effective date of the purchase. This purchase resulted in goodwill of $4,646.

4. Business Combinations and Other Strategic Transactions (continued)

Methodist Health Foundation

On December 16, 2009, Indiana University Health became the sole corporate member of Methodist Health Foundation, replacing Methodist Health Group, Inc. This transaction was designed to enable Indiana University Health and Methodist Health Foundation to further aid and support Methodist Hospital. Prior to this transaction, Indiana University Health recorded its interest in the net assets of the Methodist Health Foundation for donor-restricted funds held for the benefit of Indiana University Health.

The transaction was accounted for in a manner similar to the pooling of interests method, and net assets of Methodist Health Foundation were recorded as contributions to net assets. The balance sheet of Methodist Health Foundation was consolidated as of December 31, 2009, but the operations for the year ended December 31, 2009 have not been consolidated because they are not material. Results of Methodist Health Foundation's operations are reflected in Indiana University Health's consolidated financial statements effective January 1, 2010.

The following table summarizes abbreviated financial statement information of Bloomington and Methodist Health Foundation prior to Indiana University Health obtaining control because the results of operations of these entities were not reflected in these consolidated financial statements until January 1, 2010. CNI Surgicare and Starke Memorial have been excluded from the table below due to immateriality.

	Fiscal Year 2009		
	Bloomington	Methodist Health Foundation	Total
		(Unaudited)	
Operating revenues	$ 346,807	$ 10,409	$ 357,216
Operating expenses	329,410	13,280	342,690
Operating income (losses)	17,397	(2,871)	14,526
Nonoperating income	13,993	18,634	32,627
Excess of revenues over expenses	$ 31,390	$ 15,763	$ 47,153

Saxony Medical Center, L.L.C.

Clarian Saxony Medical Center, LLC, doing business as Indiana University Health Saxony Hospital (Saxony), was organized by Indiana University Health in 2008 to operate an acute care hospital and ambulatory care facility providing cardiology, cardiovascular, orthopedic, and neurosurgery services in Hamilton County, Indiana.

4. Business Combinations and Other Strategic Transactions (continued)

On December 1, 2009, Indiana University Health and Saxony entered into an agreement with an independent development company (Hospital Developer) for the design and construction, including the completion of site work, of the hospital facility. The land on which the facility will be located is owned by Indiana University Health and was leased by the Hospital Developer and was to be subleased to Saxony under a 99-year land lease. Upon completion of the construction, Saxony was to lease the hospital facility from the Hospital Developer. Because, among other factors, Indiana University Health previously incurred certain costs related to this development and held a purchase option on the hospital facility, accounting guidance required the development assets to be capitalized, with an offsetting financing obligation.

During 2010, Indiana University Health entered into an Agreement of Purchase and Sale of Membership Interests with the Hospital Developer to purchase the hospital facility improvements, thereby terminating both the land lease with Indiana University Health and the lease of the hospital facility from the Hospital Developer. Total consideration transferred by Indiana University Health was $102,659 and was recorded as construction in progress at the transaction date.

On November 25, 2009, Indiana University Health entered into an agreement with another independent development company for the design, construction, and completion of site work of a medical office building located adjacent to the hospital and ambulatory care facility. The total cost of construction is estimated to be $25,337. Saxony and certain other Indiana University Health subsidiaries will lease certain space in the medical office building from the developer upon its completion.

Neuroscience Center of Excellence (NCOE)

On November 18, 2010, Indiana University Health entered into a lease, as amended on December 23, 2010, and construction agreements with an NCOE Developer to construct the Neuroscience Center of Excellence medical office building, parking structure and related site development. The medical office building will be located on the campus of Methodist Hospital. It is designed to become a destination for patients throughout the Midwestern United States suffering from brain, nerve and mental maladies. The construction started on the building in December 2010 and is expected to be completed in the first half of 2012.

The project is being financed through a 25-year capital lease with an NCOE Developer, as well as $18,800 financing from Indiana University Health. Under the lease, Indiana University Health obtains ownership of the medical office building at the end of the lease term. Additionally, Indiana University Health has a call option in year five of the lease to acquire the project for the then-current balance of amounts owed under the capital lease. As of December 31, 2010, $19,735 had been capitalized as construction in progress related to this development.

4. Business Combinations and Other Strategic Transactions (continued)

Indiana University Health Physicians

On January 23, 2009, Indiana University Health became a Class B member of Indiana University Health Care Associates, Inc. (doing business as Indiana University Health Physicians). Indiana University Health holds 51 membership units. Individuals who serve as the Trustees of Indiana University are the Class A members and hold 49 membership units. Due to participatory rights of the Class A members, Indiana University Health accounts for Indiana University Health Physicians using the equity method of accounting (see Note 14).

Certain physicians who were employed by other certain subsidiaries of Indiana University Health became employees of Indiana University Health Physicians effective December 20, 2009 and, on this date, Indiana University Health Physicians purchased the fixed assets of these physician groups for approximately $3,300. Additional physicians that are employed by Indiana University Health or its subsidiaries are expected to become employees of Indiana University Health Physicians, and it is anticipated that Indiana University Health Physicians will purchase the fixed assets of these physician groups. Certain physicians and physician groups previously affiliated with Indiana University joined Indiana University Health Physicians in 2009, and other physician groups, both those affiliated and unaffiliated with Indiana University, joined in 2010.

5. Assets Limited as to Use

Board-designated and donor-restricted investment funds are invested in accordance with Board-approved policies, which include, among other matters, targeted investment returns balanced by diversification of the investment portfolio, establishment of credit risk parameters, and limitation in the amount of investment in any single organization. Trustee-held funds are generally invested in cash equivalents and U.S. government and agency obligations, as defined by the debt agreements.

The estimated fair value of the assets limited as to use is determined using market information and other appropriate valuation methodologies. The methods and assumptions used to estimate the fair value of assets limited as to use are: cash and cash equivalents — the carrying amounts reported in the consolidated balance sheets approximate fair value; marketable securities — the fair value amounts of marketable securities are based on quoted market prices or, if quoted market prices are not available, fair values are based on quoted market prices of comparable instruments; and other investments, including alternative investments (such as hedge funds, absolute return investments, and private equity investments) — these investments are accounted for using the equity method of accounting based upon the net asset values as determined by the administrators of each underlying fund, in consultation with and approval of the fund investment managers.

5. Assets Limited as to Use (continued)

The Indiana University Health System is a limited partner in funds that focus on absolute return investment strategies. Although execution could be limited, absolute return investment strategies are designed to reduce overall portfolio risk while producing positive investment returns regardless of market direction; however, investment returns are not guaranteed. Generally, redemptions may be made with written notice ranging from 30 to 90 days; however, some funds have redemption charges of 3% of net asset value for redemptions made on or before the first anniversary date of initial investment. Upon complete redemption, many of the funds have "hold-back" provisions of up to 10% that are returned only after the fund's audited financial statements for the redemption period are issued. These investments are accounted for using the equity method of accounting, based on the fund's financial information.

Alternative investments include certain other risks that may not exist with other investments that are more widely traded. These include reliance on the skill of the fund managers, who often employ complex strategies with various financial instruments, including futures contracts, foreign currency contracts, structured notes, and interest rate, total return, and credit default swaps. Additionally, alternative investments may have limited information on a fund's underlying assets and valuation, and limited redemption or redemption-penalty provisions. Management believes that the Indiana University Health System, in consultation with its investment advisor, has the capacity to analyze and interpret the risks associated with alternative investments, and with this understanding, has determined that investing in these investments creates a balanced approach to its portfolio management.

The largest fund allocation to any fund manager is $145,700 at December 31, 2010, and there are no investments in any individual fund greater than 10% of that fund's net assets. As of December 31, 2010, there are no unfunded commitments relating to alternative investments. Changes in the value of these funds are included in nonoperating income and losses in the accompanying consolidated statements of operations and changes in net assets.

5. Assets Limited as to Use (continued)

The composition of assets limited as to use is set forth below.

	December 31	
	2010	**2009**
Cash and cash equivalents	**$ 159,742**	$ 124,552
Marketable securities:		
U.S. government and agency obligations	**85,167**	117,422
U.S. corporate obligations	**318,770**	288,839
U.S. equity securities	**254,066**	223,924
Non-U.S. securities	**188,737**	164,496
Total marketable securities	**846,740**	794,681
Other investments:		
Alternative investments:		
Absolute return strategy (fund of funds)	**310,284**	280,532
Absolute return strategy (direct)	**74,268**	74,661
Real estate investment trusts and other	**9,062**	10,828
Total other investments	**393,614**	366,021
	1,400,096	1,285,254
Less current portion	**(4,428)**	(4,501)
Total assets limited as to use, less current portion	**$ 1,395,668**	$ 1,280,753

The current portion of assets limited as to use represents construction draws on trustee-held funds for amounts included in accounts payable.

The fair value of assets limited as to use held by Methodist Health Foundation and BMH Foundation as of December 31, 2010 aggregated $179,443, of which $90,135 is considered board-designated investment funds and $89,308 is considered donor-restricted investment funds.

5. Assets Limited as to Use (continued)

The composition and presentation of investment income (losses) recognized in the accompanying consolidated statements of operations and changes in net assets are as follows:

	Year Ended December 31	
	2010	**2009**
Investment income (losses):		
Interest and dividend income	**$ 24,722**	$ 22,104
Investment management and administration fees	**(1,664)**	(2,050)
Realized gains (losses) on sales of investments, net	**41,978**	(143,545)
Unrealized gains on investments	**37,831**	175,319
Equity gains of absolute return strategy investments	**24,017**	52,752
	$ 126,884	$ 104,580

6. Property and Equipment

The cost of property and equipment in service is summarized as follows:

	December 31	
	2010	**2009**
Land and improvements	**$ 216,639**	$ 217,795
Buildings and improvements	**2,678,067**	2,323,993
Equipment (including software developed for internal use of $201,004 in 2010 and $170,159 in 2009)	**1,948,175**	1,844,472
	$ 4,842,881	$ 4,386,260

Useful lives of each category of assets are based on the estimated useful time frame that the particular assets are expected to be in service, generally in accordance with guidelines established by the American Hospital Association. Assets are depreciated on a straight-line basis beginning in the month when placed in service with asset lives ranging as follows: 20-30 years for land improvements, 15-40 years for buildings and improvements, and 3-10 years for equipment, including software developed for internal use.

6. Property and Equipment (continued)

Construction-in-progress for assets currently under development is anticipated to extend through 2014 and includes commitments for the construction, refurbishment, and replacement of facilities and equipment. A summary of the construction-in-progress is as follows:

	December 31	
	2010	**2009**
Riley Simon Family Tower	**$ –**	$ 239,405
Software developed for internal use	**19,021**	35,790
Saxony development	**117,835**	24,594
Neuroscience Center of Excellence	**19,735**	–
Other facilities and equipment	**38,988**	62,698
	$ 195,579	$ 362,487

Firm commitments for construction-in-progress totaled $127,543 at December 31, 2010. However, other amounts are anticipated to be incurred but are not legally required or committed and are subject to change or authorization by the Board, aggregating approximately $346,431.

Certain buildings, medical and computer equipment, and software are accounted for as capital leases expiring in various years through 2021 and are included in property and equipment. Amortization of assets under capital leases is included in depreciation expense. The following is a summary of property held under capital leases:

	December 31	
	2010	**2009**
Software	**$ 20,885**	$ 21,135
Computer and office equipment	**2,272**	1,902
Medical equipment	**22,054**	16,856
Buildings	**16,108**	16,001
	61,319	55,894
Less accumulated amortization	**(27,467)**	(21,757)
	$ 33,852	$ 34,137

Interest rates are imputed based on the lower of the incremental borrowing rate at the inception of each lease or the lessor's implicit rate of return.

7. Debt

Obligated Groups

The Indiana University Health System operates under three separate MTIs. Each indenture provides for the issuance of long-term debt under various obligated group structures. The obligated groups and their respective members are comprised of the specific separate entities so named in the indenture and are described as follows: (1) the Indiana University Health Obligated Group, which includes the Downtown Academic Health Center and LaPorte as members; (2) the Ball Memorial Obligated Group, including Ball Memorial, and Indiana University Health Blackford Hospital, as members, and (3) the Bloomington Obligated Group, which includes Bloomington as the sole member. These groups are required to meet certain covenants and their members are jointly and severally liable for the obligations under their respective MTIs. The obligated groups are also subject to financial performance covenants that, among other compliance requirements, require the maintenance of debt service ratios and limit each obligated group's ability to encumber certain of its respective assets.

As of December 31, 2010, the Indiana University Health System was in compliance with all financial covenants.

Issuance and Extinguishment of Debt

Indiana University Health Obligated Group

Variable Rate Demand Securities, Tax-Exempt Revenue Refunding Bonds, Series 2008B were redeemed for par value, or $48,385, plus accrued interest on December 9, 2010 with the proceeds from the Indiana University Health System's revolving line of credit.

On December 17, 2010, a direct bank loan of $42,550 (which was used to redeem Series 2003F bonds) was amended to include a maturity date of January 31, 2012, with interest at one-month London Interbank Offered Rate (LIBOR), plus a margin of 0.85%.

7. Debt (continued)

Ball Memorial Obligated Group

On December 8, 2009, Series 2009A, tax-exempt, fixed rate, refunding bonds were issued for $24,700, with the proceeds used to refund the Series 1998 variable rate bonds, fund a debt service reserve of $2,470, and pay certain expenses incurred with the issuance. At the time of refinancing, the Series 1998 bonds were outstanding in the principal amount of $23,200, including $20,400 of such outstanding amount representing "Bank Bonds" (as defined), which previously failed to market under the normal remarketing process. These transactions resulted in a write-off of $279 in unamortized issuance costs, which was included in other nonoperating expenses for the year ended December 31, 2009.

Other

In December 2010, Tipton refunded its Adjustable Rate Demand Economic Development Revenue Bonds, Series 2006A and Series 2006B in the aggregate principal amount of $24,670 and terminated the related interest rate swap for a one-time cash expenditure of $760. Proceeds for the transaction were acquired by liquidating $9,000 from Tipton's investments with the remaining proceeds borrowed under the line of credit.

On April 9, 2010, Indiana University Health entered into a $25,332 fixed-rate, fully amortizing, and privately placed tax-exempt lease purchase agreement to finance four helicopters. Pursuant to the terms of the agreement, principal and interest are payable using a ten-year amortization at a fixed rate of 4.09% per annum. The financing agreement is secured with a lien on the helicopters.

On March 18, 2010, Indiana University Health executed a $45,000 loan agreement to finance information technology property and services. Under the agreement, periodic advances are to be amortized and paid over five years at an annual interest rate of 4.75%. The loan agreement is secured under the provisions of Indiana University Health Obligated Group's MTI and as of December 31, 2010, $43,325 was advanced under the loan agreement.

The Indiana University Health Obligated Group has executed stand-by purchase and direct-pay letter-of-credit agreements in support of its variable rate bond series, which require the credit provider to purchase bonds in the event the bonds are not remarketed. The existence of these agreements allows for the long-term classification of the associated variable rates bond series. As of December 31, 2010, no amounts were drawn on these agreements. Because certain of these agreements expire prior to December 31, 2011, Indiana University Health reflected approximately $21,000 of variable rate bonds as the current portion of long-term debt in the accompanying balance sheet.

7. Debt (continued)

Long-term debt as of December 31, 2010 and 2009 consists of the following:

	2010	2009
Indiana University Health Obligated Group		
Indiana Finance Authority:		
Variable Rate Demand Securities, Tax-Exempt Revenue Refunding Bonds, Series 2008A, B, C, and D, Series 2005 A, B, C, and D payable in varying installments through 2033, variable interest rates ranging between 0.31% and 0.36%, respectively, at December 31, 2010	**$ 401,405**	$ 466,215
Variable Rate Demand Notes, Taxable Hospital Revenue Bonds, Series 2003E and G Serial Bonds, payable in varying principal installments through 2033, with variable interest rates ranging between 0.50% and 0.62%, respectively, at December 31, 2010,	**169,275**	172,225
Indiana Health and Educational Facility Financing Authority:		
Fixed Rate, Tax-Exempt Hospital Revenue Refunding Bonds, Series 2006A, 2006B, and 200A Serial and Term Bonds, payable in varying principal installments through 2040, with interest rates ranging from 4.75% to 5.25% at December 31, 2010	**682,835**	689,220
Variable Rate Commercial Bank Loans, payable in varying principal installments through 2015, with interest rates ranging from 0.96% to 1.11% at December 31, 2010	**112,716**	43,300
Fixed Rate Commercial Bank Loan, payable in varying principal installments through 2016, with an interest rate of 4.75% at December 31, 2010	**43,325**	–
Ball Memorial Obligated Group		
Hospital Authority of Delaware County, Indiana:		
Fixed Rate, Tax-Exempt Revenue Refunding Bonds, Series 2009A, 2006, and 1997 Term Bonds, payable in varying principal installments through 2036, with interest rates ranging from 5.00% to 5.63% at December 31, 2010	**108,985**	112,915
Bloomington Obligated Group		
Hospital Authority of Monroe County, Indiana:		
Fixed Rate, Tax-Exempt Revenue Bonds, Series 1999B and 1997 Serial and Term Bonds payable in varying principal installments through 2029, with interest rates ranging from 5.13% to 6.00% at December 31, 2010	**39,360**	41,120
Variable Rate, Tax-Exempt Equipment Financing Agreements, payable in varying installments through 2016, with interest rates ranging from 1.49% to 1.72% at December 31, 2010	**9,183**	11,795
Fixed Rate, Commercial Bank Loan, payable in annual principal installments through 2011, with an interest rate of 4.84% at December 31, 2010	**3,165**	6,965
Other Nonobligated Group Debt		
Tipton, Tax-Exempt Adjustable Rate Demand Economic Development Revenue Bonds, Series 2006A and Taxable Series 2006B	**–**	25,415
Bloomington, Variable Rate, Taxable Revenue Bonds, Series 2008 Private Placement Bonds, payable in quarterly installments through 2019, variable interest rate of 0.81% at December 31, 2010	**3,612**	3,941
Stonehenge Community Development VII, LLC:	**25,000**	25,000
Fixed Rate, Unsecured New Market Tax Credit Notes A and B, due in 2014 at an interest rate of 3.29%		
Mortgage obligations (interest rates ranging from 4.10% to 7.05 %)	**14,710**	17,274
Capital lease obligations	**40,290**	42,244
Other	**32,823**	23,324
Total long-term debt	**1,686,684**	1,680,953
Unamortized premium	**3,420**	3,312
Less current portion	**(82,965)**	(51,984)
Long-term portion, less current portion	**$ 1,607,139**	$ 1,632,281

7. Debt (continued)

The scheduled maturities and mandatory redemptions of long-term debt, assuming remarketing of variable rate bonds, are as follows:

	Indiana University Health Obligated Group	Ball Memorial Obligated Group	Bloomington Obligated Group	Other	Total
Year ending December 31:					
2011	$ 55,642	$ 5,623	$ 8,121	$ 13,579	$ 82,965
2012	146,882	3,906	4,305	10,007	165,100
2013	36,617	5,241	3,696	6,385	51,939
2014	37,833	4,666	3,444	33,142	79,085
2015	37,596	4,817	3,416	5,595	51,424
Thereafter	1,094,986	93,084	36,350	31,751	1,256,171
	$ 1,409,556	$ 117,337	$ 59,332	$ 100,459	$ 1,686,684

The estimated fair value of the revenue bonds at December 31, 2010 and 2009 amounted to $1,321,198 (which includes Ball Memorial – $89,382 and Bloomington – $35,997) and $1,441,946, respectively, based on market interest rates and conditions for similar issues as of those dates. The carrying value of the revenue bonds at December 31, 2010 and 2009 amounted to $1,401,860 and $1,507,110, respectively. The recorded value of all debt obligations not traded in the secondary credit markets approximated fair value at December 31, 2010 and 2009.

During December 2010, Indiana University Health renewed its $86,000 secured line of credit, which is secured under the terms of its Obligated Group MTI and bears interest on a variable rate based on LIBOR and matures January 31, 2012. As of December 31, 2010, the Indiana University Health System had total lines of credit totaling $90,000 of which $70,166 was drawn and outstanding and included within long-term debt in the consolidated balance sheet.

Total interest paid on long-term debt for the years ended December 31, 2010 and 2009 aggregated $68,789 and $77,396, respectively. Total interest capitalized during the years ended December 31, 2010 and 2009 amounted to $8,393 and $12,984, respectively, which was offset by interest income of $8 and $29, respectively, on nontaxable, unexpended borrowed funds.

7. Debt (continued)

Guarantees

Indiana University Health has guaranteed with its joint venture partner the long-term debt of a rehabilitative care hospital. Indiana University Health's portion of its guarantee aggregated approximately $6,400 and $7,009 as of December 31, 2010 and 2009, respectively, and could be subject to execution due to noncompliance with certain financial covenants by the rehabilitative care hospital. In addition to this guarantee, Indiana University Health has also loaned the rehabilitative care hospital $1,500 during 2010, which matures during 2017.

Indiana University Health and certain of its subsidiaries also have agreements with physician groups and others that guarantee minimum revenue totals. Accruals are made periodically for any minimum revenue guarantee, which aggregated $1,900 at December 31, 2010 and $2,927 at December 31, 2009.

8. Derivative Financial Instruments

Long-term interest rate swap arrangements have been entered into with the primary objective being to mitigate interest rate risk. The following fixed payor swaps, stated at current notional amounts, remain in place as of December 31, 2010:

Notional Amount	Effective Date	Maturity Date	Underlying Debt	Rate Received	Rate Paid
$139,425	2/15/2005	5/15/2021	Series 2005A and B	62.3% LIBOR plus .24%	3.19%
148,250	11/15/2005	2/15/2030	Series 2005C and D	62.3% LIBOR plus .24%	3.35%
211,600	6/26/2003	3/01/2033	Series 2003E, Direct Bank Loan (2003F refunded), and 2003G	LIBOR	4.92%
4,000	6/30/2008	6/30/2013	Mortgage	LIBOR plus 1.75%	6.00%
2,311	6/01/2004	6/01/2024	Mortgage	LIBOR plus 1.50%	7.05%
1,744	6/01/2006	6/01/2026	Mortgage	LIBOR plus 1.25%	7.15%
221	10/1/1999	10/01/2019	Mortgage	Prime plus 1.86%	7.72%

8. Derivative Financial Instruments (continued)

In addition, long-term basis swap arrangements were entered into for the purpose of mitigating the effect on cash flows and were in place as of December 31, 2010 as follows:

Notional Amount	Effective Date	Maturity Date	Swap Type	Rate Received	Rate Paid
$140,446	3/10/2021	2/15/2033	Forward Starting Basis	75.0% three-month LIBOR minus 0.05%	Securities Industry and Financial Markets Association (SIFMA)
183,957	1/02/2008	2/15/2033	Basis	75.0% one-month LIBOR	SIFMA
183,957	2/15/2009	2/15/2021	Basis	72.0% three-month LIBOR minus 0.13%	SIFMA
309,200	3/10/2021	1/07/2033	Forward Starting Basis	75.0% three-month LIBOR minus 0.04%	SIFMA
309,200	3/7/2009	3/07/2021	Basis	72.0% three-month LIBOR minus 0.12%	SIFMA
309,200	1/03/2008	1/07/2033	Basis	75.0% one-month LIBOR	SIFMA
250,000	3/10/2021	9/30/2038	Forward Starting Basis	80.5% three-month LIBOR minus 0.03%	SIFMA
250,000	3/01/2009	3/01/2021	Basis	77.0% three-month LIBOR minus 0.11%	SIFMA
250,000	3/01/2009	3/01/2021	Basis	77.0% three-month LIBOR minus 0.11%	SIFMA
250,000	3/10/2021	9/30/2038	Forward Starting Basis	81.0% three-month LIBOR minus 0.03%	SIFMA

As of December 31, 2010, interest rate swaps had a total notional amount of $1,993,865, including $507,551 of fixed payor swaps and $1,486,314 of basis swaps.

Under agreements executed with counterparties, Indiana University Health is obligated to fund collateral amounts when the aggregate market value of swaps made with each counterparty falls below certain thresholds. The aggregate fair value of all derivative instruments, consisting of fixed payor and basis swaps, with credit-risk-related contingent features that are in a liability position on December 31, 2010 and 2009, respectively, was $124,141 and $49,962, respectively, for which collateral of $26,847, had been posted for both years. Such collateral amounts are shown as funds held under swap credit annex agreements in the consolidated balance sheets.

During March 2009, Indiana University Health transferred uninsured interest rate swaps to a new counterparty and negotiated with existing counterparties to restructure various contractual terms associated with its basis swaps. The restructuring included assigning the first 12 years of the term structure to a new counterparty with the existing counterparty retaining a forward starting position.

8. Derivative Financial Instruments (continued)

Guidance on fair value accounting stipulates that a credit valuation adjustment (CVA) should be applied to the mark-to-market valuation position of interest rate swaps to more closely capture the fair value of such instruments. Collateral arrangements reduce the credit exposure and are considered in determining the CVA. As of December 31, 2010, the fair value of interest rate swaps was $140,916, which is net of CVA of $15,219. As of December 31, 2009, the fair value of interest rate swaps was $66,686, which is net of CVA of $3,214. The fair values of the swaps have been included with noncurrent liabilities in the accompanying consolidated balance sheets. Changes in the fair value of these derivative financial instruments are included in the accompanying consolidated statements of operations and changes in net assets with nonoperating income and losses.

The Indiana University Health System recorded the following income (losses) in the accompanying consolidated statements of operations and changes in net assets related to these derivative financial instruments:

	Year Ended December 31	
	2010	**2009**
Income (losses) on interest rate swaps, net:		
Unrealized gains (losses) on interest rate swaps	**$ (74,229)**	$ 193,824
Realized losses on interest rate swaps	**(19,865)**	(18,156)
	$ (94,094)	$ 175,668

9. Fair Value Measurements

Recent accounting guidance addresses aspects of the expanding application of fair value accounting. The fair value accounting guidance provides, among other matters, for the following: defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a framework for measuring fair value; establishes a three-level hierarchy for fair value measurements based upon the observability of inputs to the valuation of an asset or liability as of the measurement date; requires consideration of nonperformance risk when valuing liabilities; and expands disclosures about instruments measured at fair value. The three-level hierarchy is based upon the nature of valuation techniques and whether such techniques are based upon observable or unobservable inputs, as defined.

9. Fair Value Measurements (continued)

Observable inputs are intended to reflect market data obtained from independent sources, while unobservable inputs may reflect market assumptions made by management or measurements made by financial specialists generally associated with the financial asset or liability. These two types of inputs create the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities as of the reporting date. Level 1 primarily consists of financial instruments such as money market securities and listed equities.

- Level 2 – Pricing inputs other than quoted prices included in Level 1 that are either directly observable or that can be derived or supported from observable data as of the reporting date. Instruments in this category include certain U.S. government agency and sponsored entity debt securities and interest rate swap contracts.

- Level 3 – Pricing inputs include those that are significant to the fair value of the financial asset or financial liability and are not observable from objective sources. In evaluating the significance of inputs, the Indiana University Health System generally classifies assets or liabilities as Level 3 when their fair value is determined using unobservable inputs that individually or when aggregated with other observable inputs, represent more than 10% of the fair value of the assets or liabilities. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

The following table sets forth by level within the fair value hierarchy the Indiana University Health System's financial assets and liabilities that were accounted for at fair value on a recurring basis as of December 31, 2010 and 2009. The financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement requires judgment, could be subject to change or variation, and may affect the valuation of fair value assets and liabilities and their classification within the fair value hierarchy levels.

9. Fair Value Measurements (continued)

December 31, 2010	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Cash and cash equivalents	**$ 551,764**	**$ –**	**$ –**	**$ 551,764**
Trading securities:				
U.S. government and agency	**60,254**	**24,913**	**–**	**85,167**
U.S. corporate obligations	**264,782**	**53,988**	**–**	**318,770**
U.S. equity securities	**253,491**	**575**	**–**	**254,066**
Non-U.S. securities	**123,937**	**64,800**	**–**	**188,737**
Real estate investment trusts and other	**6,302**	**2,760**	**–**	**9,062**
Beneficial interests in charitable remainder and perpetual trusts	**–**	**9,525**	**–**	**9,525**
Total assets measured at fair value on a recurring basis	**$ 1,260,530**	**$ 156,561**	**$ –**	**$ 1,417,091**
Liabilities				
Interest rate swaps	**$ –**	**$ 140,916**	**$ –**	**$ 140,916**
Total liabilities measured at fair value on a recurring basis	**$ –**	**$ 140,916**	**$ –**	**$ 140,916**

December 31, 2009	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Cash and cash equivalents	$ 304,967	$ –	$ –	$ 304,967
Trading securities:				
U.S. government and agency	86,405	31,017	–	117,422
U.S. corporate obligations	209,050	79,789	–	288,839
U.S. equity securities	221,687	2,237	–	223,924
Non-U.S. securities	135,429	29,067	–	164,496
Real estate investment trusts and other	9,124	1,704	–	10,828
Beneficial interests in charitable remainder and perpetual trusts	–	9,007	–	9,007
Total assets measured at fair value on a recurring basis	$ 966,662	$ 152,821	$ –	$1,119,483
Liabilities				
Interest rate swaps	$ –	$ 66,686	$ –	$ 66,686
Total liabilities measured at fair value on a recurring basis	$ –	$ 66,686	$ –	$ 66,686

9. Fair Value Measurements (continued)

The fair value of cash and cash equivalents, which consist mainly of funds invested in money market funds, is based on quoted market prices and classified as Level 1. The fair value of Level 1 trading securities is based on quoted market prices from an active exchange. The fair value of Level 2 trading securities is based on third-party quotes based on quoted market prices of similar securities and other observable inputs. The fair value of interest rate swaps is based upon forward interest rate curves, as adjusted for CVA (see Note 8).

The Indiana University Health System's cash and cash equivalents of $113,005 and $116,343, as of December 31, 2010 and 2009, respectively, are not included in the table because they are not held in money market accounts. The Indiana University Health System's $384,552 and $355,193 of alternative investments as of December 31, 2010 and 2009, respectively, are not included in the table because they are accounted for using the equity method of accounting (see Note 5). The beneficial interests in charitable remainder and perpetual trusts are shown within other long-term assets on the accompanying consolidated balance sheet.

10. Commitments and Contingencies

Leases

In August 2010, a medical office building of West was sold for $23,260, and the buyer obtained all rights and interests as landlord for the existing leases of the medical office building. West and other subsidiaries of Indiana University Health entered into operating leases with the buyer to leaseback a portion of the office building. A gain on the sale of the office building of $6,018 was recognized, of which $2,083 was recognized at the time of sale with the remaining $3,935 gain being accreted over the term of the leases. Indiana University Health continues to own the land, and a ground lease agreement was entered into with the buyer under which the land that the facilities occupy is leased for 75 years. The total amount of rent over the term was $330, was prepaid to Indiana University Health, and is being recognized over the term of the ground lease.

In December 2009, a medical office building of North was sold for $25,800, and the buyer obtained all rights and interests as landlord for the existing leases of the medical office building. North and other subsidiaries of Indiana University Health entered into operating leases with the buyer to leaseback a portion of the office building. A gain on the sale of the office building of $6,863 was recognized, of which $1,693 was recognized at the time of sale with the remaining $5,170 gain being accreted over the term of the leases. Indiana University Health continues to own the land, and a ground lease agreement was entered into with the buyer under which the land that the facilities occupy is leased for 75 years. The total amount of rent over the term was $2,600, was prepaid to Indiana University Health, and is being recognized over the term of the ground lease.

10. Commitments and Contingencies (continued)

In May 2009, Indiana University Health entered into a sale-leaseback arrangement with a real estate investment trust. Under the arrangement, various outpatient and professional office facilities were sold and then leased back. The leaseback has been accounted for as an operating lease. A gain on the sale of the office building of $9,225 was recognized, of which $2,302 was recognized at the time of sale with the remaining $6,923 gain being accreted over the term of the leases. For the year ended December 31, 2009, $2,371 of gain was recognized relating to the sale. Concurrently with this sale-leaseback arrangement, Indiana University Health and the real estate investment trust entered into a ground lease agreement under which the land that the facilities occupy is leased for 75 years. The total amount of rent over the term of the lease is $905, was prepaid to Indiana University Health, and is being recognized over the term of the ground lease.

Rent and lease expense amounted to $68,967 and $60,539 for the years ended December 31, 2010 and 2009, respectively.

Other buildings and medical and office equipment are leased under noncancelable operating and capital leases. Future minimum lease payments as of December 31, 2010 are as follows:

Year ending December 31:	Operating Leases	Capital Leases
2011	$ 37,375	$ 14,063
2012	27,339	9,330
2013	20,836	6,347
2014	16,558	5,562
2015	12,494	4,473
Thereafter	32,108	13,923
Total minimum lease payments	$ 146,710	53,698
Less amount representing interest		(13,408)
Present value of net minimum lease payments		$ 40,290

On December 17, 2010, Indiana University Health entered in a Purchase and Sale Agreement to purchase a 280,000 square foot building located in Indianapolis, Indiana, for $8,200. Indiana University Health System currently leases space in the building under operating leases for administrative and support services. In connection with this agreement, Indiana University Health also entered into an agreement to purchase certain parking lot space related to the building for approximately $4,500. These agreements are anticipated to become effective in the first quarter of 2011.

11. Medical Malpractice

The Indiana University Health System's medical malpractice coverage is provided through a program of commercial insurance with a self-insured retention for claims made prior to July 1, 2002, and coverage through wholly owned captive insurance companies effective July 1, 2002. The program of medical malpractice coverage considers limitations in claims and damages prescribed by the Indiana Medical Malpractice Act (the Act), which limits the amount of individual claims to $1,250 and annual aggregate claims to $7,500, of which up to $1,000 would be paid by the State of Indiana Patient Compensation Fund (the Fund) and $250 by the Indiana University Health System for each occurrence of malpractice. The Act also requires that health care providers meet certain requirements, including making funding payments to the Fund and maintaining certain insurance levels. The Indiana University Health System has met these requirements and is a qualified provider under the Act, retaining risk of $250 per occurrence and $7,500 in the annual aggregate.

The Indiana University Health System's medical malpractice program includes coverage offered by the captive insurance companies or, from July 1, 2002 to June 30, 2004, by the fronting carrier, Continental Casualty Company. Commercial insurance carriers also provide reinsurance for certain excess general liability coverage of the captive insurance companies on a claims-made basis (aggregating $100,000).

Contributions for coverage provided by the captive insurance companies are expensed as incurred, and loss reserves are established for incurred but not yet reported claims. Laws in the jurisdiction in which the captive insurance companies are domiciled require, among other matters, that certain capital and funding requirements be met. The actuarially determined amount of accrued medical malpractice claims is included in noncurrent liabilities in the accompanying consolidated balance sheets.

Investments held by the captive insurance companies aggregated $73,286 and $61,667 at December 31, 2010 and 2009, respectively, and are included in the accompanying consolidated balance sheets with board-designated investment funds.

12. Retirement Plans

Defined Contribution Plans

Pension benefits are provided to substantially all employees of the Indiana University Health System primarily through defined contribution plans. Contributions to the defined contribution plans are based on compensation of qualified employees and amounted to $71,627 in 2010 and $61,982 in 2009 (net of forfeitures of $1,519 and $830 in 2010 and 2009, respectively).

12. Retirement Plans (continued)

Defined Benefit Plans

Defined benefit pension plans sponsored by Indiana University Health, LaPorte, Ball Memorial, and Bloomington have been curtailed with benefits generally frozen or limited and no new participants are allowed. The defined benefit pension plans applicable to Indiana University Health were principally limited to current and former employees who elected not to participate in the defined contribution plan established at the time of Indiana University Health's formation and current and former executives who participated in a supplemental employee retirement plan of Indiana University Health. The LaPorte defined benefit pension plan was limited to current and former employees of LaPorte who were participants in the LaPorte defined benefit pension plan as of November 30, 2006. Ball Memorial's defined benefit pension plan was frozen December 31, 2006 for new employees and replaced with a defined contribution plan. During July 2009, benefits were frozen within Ball Memorial's defined benefit pension plan, which resulted in a gain of $21,917. Bloomington's defined benefit plan was frozen on July 1, 2006 for participants under 50 years of age as of December 31, 2006 and replaced with a defined contribution plan. Employees who had attained age 50 as of December 31, 2006 continue to receive credit for service years for the remainder of their employment based on earnings as of June 30, 2006.

Pension benefits are based on years of service and compensation of employees (as defined) and are actuarially determined. Where applicable, the funding policy is to annually contribute the contribution required to comply with applicable legislation and IRS regulations.

Adjustments to pension liabilities to reflect funded status are charged or credited to unrestricted net assets. A reduction to the pension liability of $10,134 has been recorded in 2010 due primarily to improvement in the capital markets in 2010 and employer contributions made to the plans in 2010. Additionally, the pension liability decreased $7,469 due to the transfer of a physician group defined benefit plan to Indiana University Health Physicians, an equity method joint venture, in April 2010.

12. Retirement Plans (continued)

The following table sets forth the funded status of the defined benefit pension plans and amounts recognized in the consolidated financial statements as of and for the years ended December 31, 2010 and 2009. The date of data collection was January 1 for 2010 and 2009 (rolled forward to year-end and adjusted for changes in employment status). The discount rates used vary with each plan based on plan characteristics such as the average age of participants. The net periodic pension costs related to Bloomington's pension plan is not included for 2009 in the table below and amounted to $5,050 for 2009.

	2010	2009
Changes in benefit obligation of the plans:		
Benefit obligation at beginning of the year	**$ 385,382**	$ 117,067
Ball Memorial benefit obligation as of January 1, 2009	**–**	181,566
Transfer of benefit obligation to Indiana University Health Physicians	**(7,469)**	–
Benefit obligation at the beginning of the year, as adjusted	**377,913**	298,633
Service cost and other	**2,737**	4,520
Interest cost	**21,848**	18,658
Actuarial loss	**16,695**	23,283
Benefits paid	**(14,748)**	(16,155)
Plan amendments	**–**	(21,846)
Bloomington benefit obligation as of December 31, 2009	**–**	78,289
Benefit obligation at end of year	**$ 404,445**	$ 385,382
Changes in assets of the plans:		
Fair value of assets at beginning of year	**$ 273,199**	**$** 66,221
Ball Memorial fair value of assets at January 1, 2009	**–**	118,138
Fair value of assets at beginning of year, as adjusted	**273,199**	184,359
Actual return on assets	**30,551**	27,609
Employer contributions	**20,863**	9,902
Benefits paid	**(14,748)**	(16,155)
Bloomington fair value of assets at December 31, 2010	**–**	67,484
Fair value of assets at end of year	**$ 309,865**	$ 273,199
Funded deficiency at December 31	**$ (94,580)**	$ (112,183)
Items not yet recognized as a component of net periodic pension cost:		
Net actuarial loss	**$ 86,761**	$ 88,345
Prior service cost	**(880)**	(1,158)
Net transition obligation	**–**	242
	$ 85,881	$ 87,429

12. Retirement Plans (continued)

The amount of items not yet recognized as a component of net periodic pension cost for Bloomington as of December 31, 2009 was $18,427.

	2010	2009
Components of net pension benefit cost:		
Service cost	**$ 2,737**	$ 4,520
Interest cost	**21,848**	18,658
Expected return on assets	**(22,132)**	(14,666)
Amortization of unrecognized prior service cost	**(283)**	(286)
Amortization of unrecognized net asset	**–**	81
Amortization of unrecognized net loss	**8,941**	11,115
Termination benefit and settlement expense	**–**	687
Net periodic pension cost	**$ 11,111**	$ 20,109
Weighted-average actuarial assumptions to determine benefit cost:		
Discount rate for net periodic pension cost	**5.90%**	6.28%
Discount rate for benefit obligations	**5.56**	5.88
Expected rate of return on plan assets	**8.00**	8.00
Rate of compensation increase	**3.00**	2.33
Accumulated benefit obligation	**$ 402,361**	$ 383,667
Fair value of assets at end of year	**309,865**	273,199
Accumulated benefit obligation exceeding fair value of plan assets	**$ 92,496**	$ 110,468

Expected future benefit payments:	
2011	$ 14,587
2012	16,242
2013	18,747
2014	24,840
2015	20,660
2016 – 2019	134,483

12. Retirement Plans (continued)

Contributions are expected to aggregate $13,678 to the defined benefit pension plans during 2011.

Accumulated adjustments to unrestricted net assets at December 31, 2010 include amounts related to net actuarial loss, prior service costs, and transition obligations that have not yet been recognized in net pension benefit cost. Expected amortization of amounts in unrestricted net assets are expected to increase net periodic pension costs of $6,961 during the year ending December 31, 2011.

The principal long-term determinant of a plan's investment return is its asset allocation. The plans' allocations are heavily weighted towards equity assets versus other investments. The expected long-term rate of return assumption is based on the mix of assets in the plans, the long-term earnings expected to be associated with each asset class, and any additional return expected through active management. These assumptions are periodically benchmarked against peer plans.

The weighted-average asset allocations of the plans at December 31, by asset category, are as follows:

Asset category	**2010**	**2009**
Equity securities	**52%**	53%
Fixed income securities	**25**	29
Absolute return strategy (fund of funds)	**20**	16
Cash and cash equivalents	**3**	2
	100%	100%

The allocation strategy for the plans is currently comprised of approximately 50% to 85% of equity investments and 15% to 50% of fixed income investments. The largest component of these equity instruments is public equity securities that are diversified and invested in U.S. and international companies.

12. Retirement Plans (continued)

The following table presents the plans' financial instruments as of December 31, 2010 and 2009, measured at fair value on a recurring basis within the fair value hierarchy as disclosed in Note 9:

December 31, 2010	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Cash equivalents	**$ 7,420**	**$ –**	**$ –**	**$ 7,420**
Equity securities	**144,146**	**16,687**	**–**	**160,833**
Fixed income securities	**48,059**	**30,194**	**–**	**78,253**
Absolute return strategy (fund of funds)	**-**	**63,359**	**–**	**63,359**
Total assets measured at fair value on a recurring basis	**$ 199,625**	**$ 110,240**	**$ –**	**$ 309,865**

December 31, 2009	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Cash equivalents	$ 5,580	$ 209	$ –	$ 5,789
Equity securities	140,779	4,206	–	144,985
Fixed income securities	79,837	–	–	79,837
Absolute return strategy (fund of funds)	–	42,588	–	42,588
Total assets measured at fair value on a recurring basis	$ 226,196	$ 47,003	$ –	$ 273,199

The fair value of cash equivalents, which consist mainly of funds invested in money market funds, is based on quoted market prices and classified as Level 1. The fair value of Level 1 investments is based on quoted market prices from an active exchange. The fair value of Level 2 investments is based on third-party quotes based on quoted market prices of similar securities and other observable inputs.

13. Endowments

Endowment funds of Methodist Health Foundation and BMH Foundation consist of donor-restricted endowment funds held for various specific purposes. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of both foundations have interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the foundations classify as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the foundations in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the foundations consider the various factors in making a determination to appropriate or accumulate donor-restricted endowment funds**,** such as the duration and preservation of the fund, the purposes of the foundations and the donor-restricted endowment fund, general economic conditions, the possible effect of inflation and deflation, the expected total return from income and the appreciation of investments, other resources of the organization, and the investment policies of the foundations.

The endowment net asset composition by type of fund for both foundations as of December 31, 2010 and December 31, 2009 were as follows:

December 31, 2010	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Donor-restricted endowment funds	**$ 10,470**	**$ 44,349**	**$ 54,819**

December 31, 2009	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Donor-restricted endowment funds	$ 12,104	$ 43,150	$ 55,254

13. Endowments (continued)

Changes in endowment net assets for both foundations for the year ended December 31, 2010 and December 31, 2009 were as follows:

	Temporarily Restricted	**Permanently Restricted**	**Total**
Endowment net assets at January 1, 2010	**$ 12,104**	**$ 43,150**	**$ 55,254**
Contributions	**36**	**–**	**36**
Investment return	**(368)**	**1,199**	**831**
Appropriation of endowment assets for expenditures	**(1,302)**	**–**	**(1,302)**
Endowment net assets at December 31, 2010	**$ 10,470**	**$ 44,349**	**$ 54,819**

	Temporarily Restricted	**Permanently Restricted**	**Total**
Endowment net assets at January 1, 2009	$ 13,904	$ 41,106	$ 55,010
Contributions	1	2,044	2,045
Investment return	(41)	403	362
Reclassification	(443)	(403)	(846)
Appropriation of endowment assets for expenditures	(1,252)	–	(1,252)
Other	(65)	–	(65)
Endowment net assets at December 31, 2009	$ 12,104	$ 43,150	$ 55,254

In 2010, Methodist Health Foundation and BMH Foundation transferred a total of $869 from unrestricted net assets to temporarily restricted net assets to maintain donor restricted endowment funds at the level required by the donor stipulations or law. In 2009, the BMH Foundation transferred a total of $846 from temporarily and permanently restricted net assets back to unrestricted net assets as a result of a 2008 transfer from unrestricted to maintain donor restricted endowment funds at the level required by the donor stipulations or law.

Methodist Health Foundation and BMH Foundation have adopted separate investment and spending policies for endowment assets. Policies for both foundations attempt to preserve capital, maximize the return within reasonable and prudent levels of risk, and provide a return to the restricted funds. Endowment assets are invested in a manner that is intended to produce results that exceed the initial

13. Endowments (continued)

recorded value of the investment and yield a targeted long-term rate while assuming a moderate level of investment risk. Distributions are made for the purposes of supporting various Indiana University Health and Ball Memorial program services. Each foundation has set a threshold for the amount available to distribute each year.

14. Related Party Transactions

Indiana University School of Medicine

The Consolidation Agreement requires that Indiana University Health fund salaries and related employee benefit costs for medical doctor interns and residents of the School of Medicine who provide services at the Indiana University Health System's facilities. These costs totaled $37,453 and $36,274 in 2010 and 2009, respectively, and have been reported with salaries, wages, and benefits expense in the accompanying consolidated statements of operations and changes in net assets.

The Consolidation Agreement also provides for additional support to the School of Medicine to recognize, as a result of the consolidation, the enhanced and increased level of services being provided, including services to the medically indigent through medical education and research. During 2010 and 2009, Indiana University Health paid and expensed $71,353 and $81,130, respectively, related to educational and research support provided to the School of Medicine. As of December 31, 2010, Indiana University Health had prepaid $49,882 of education and research support to the School of Medicine. The School of Medicine rents space at Indiana University Health's Fairbanks Hall, an educational and resource center, under a 34-year lease agreement with Indiana University Health. The School of Medicine prepaid the rent, totaling $4,887 under the agreement, and the income is being recognized over the term of the lease.

Indiana University Health purchases certain services from the School of Medicine. These expenses, principally for medical care case management services, utilities, laboratory services, and other services, totaled $18,898 and $21,364 for the years ended December 31, 2010 and 2009, respectively, and have been reported with supplies, drugs, purchased services, and other expenses in the accompanying consolidated statements of operations and changes in net assets.

Suburban Hospitals

The Suburban Hospitals are limited liability companies formed by Indiana University Health, which each own, operate, or lease an acute care hospital and a related medical office building. As of December 31, 2010, Indiana University Health holds 76.9% and 63.8% of the membership interests in West and North, respectively. The remaining membership interests are held by physicians and physician-group practices. Under the terms of the membership offerings, Indiana University Health will hold not less than 60% of

14. Related Party Transactions (continued)

the membership interests in West and North. Total assets of the Suburban Hospitals are $417,238 and $414,398 as of December 31, 2010 and 2009. Total revenues are $380,909 and $346,936 as of December 31, 2010 and 2009.

Other Foundations

Bloomington Hospital Foundation and Riley Children's Foundation are tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code and are organized primarily to provide support to indigent and other patient care programs, fund medical education and research activities, and engage in fundraising activities, a substantial portion of which is on behalf of, or for, specific health care activities. Tipton County Foundation, a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, holds funds solely on behalf of Tipton. The financial statements of these foundations are not included in the consolidated financial statements. The interests in net assets of these other foundations are included with other assets and net assets in the accompanying consolidated balance sheets and solely represent donor-restricted funds for the benefit of Bloomington, Tipton, and Riley Hospitals.

The interest in net assets of the Bloomington Hospital Foundation amounted to $4,314 and $4,109 at December 31, 2010, and 2009, respectively. The interest in net assets of the Tipton County Foundation amounted to $8,356 at December 31, 2010. The interest in net assets of the Riley Children's Foundation amounted to $289 and $320 at December 31, 2010 and 2009, respectively. The consolidated net assets include unrestricted support, provided by Riley Children's Foundation, of $5,000 for the years ended December 31, 2010 and 2009, respectively, for the Riley Simon Family Tower. Other changes in the net assets of these foundations are generally reflected with temporarily and permanently restricted net assets.

Other Equity Interest Ventures

Indiana University Health holds a 51% ownership interest in Indiana University Health Physicians. Due to Indiana University Health funding all operating losses of Indiana University Health Physicians, Indiana University Health recorded 100% of Indiana University Health Physicians' net losses.

Indiana University Health holds a 94% ownership interest in The HealthCare Group, LLC (THCG). THCG's wholly owned subsidiary, The M●Plan, formerly was a licensed health maintenance organization (HMO) that provided coverage to enrolled members throughout the state of Indiana. The M●Plan exited the business of providing commercial health care coverage effective as of the year ended December 31, 2007 and wound down the business through 2010. As a result of the exit activities of The M●Plan, distributions of $4,824 and $4,385 were made to Indiana University Health during 2010 and 2009, respectively.

14. Related Party Transactions (continued)

Indiana University Health has a 50% membership interest in MDWise, Inc., a tax-exempt organization under Section 501(c)(4) of the Internal Revenue Code, which holds an HMO license and manages a network of health care providers serving Indiana Medicaid patients throughout the state of Indiana. Included in prepaid expenses at December 31, 2010 and 2009 is $262 and $1,402, respectively, representing prepayments to MDWise, Inc. of future administrative fees. MDWise, Inc. provides administrative and health claims payment processing for these networks, including Carewise, a division of the Indiana University Health System.

The Indiana University Health System also has joint venture arrangements for the operation of ambulatory surgery centers, a long-term rehabilitative care hospital, and cancer treatment and diagnostic clinics.

Summarized financial information for THCG, MDWise, Inc., Indiana University Health Physicians, the ambulatory surgery centers, rehabilitative hospital, and cancer treatment and diagnostic clinics as of and for the years ended December 31 as reported by the respective entities is as follows:

	2010	**2009**
	(Unaudited)	
Net assets	**$ 39,043**	$ 76,168
Total revenues	**850,121**	827,537
Excess of revenues over expenses	**5,109**	36,634

In the accompanying consolidated financial statements, the Indiana University Health System has recorded its equity in the income (loss) of its unconsolidated subsidiaries that provide health care-related services with other operating revenue, totaling ($15,478) and $21,811 for the years ended December 31, 2010 and 2009, respectively.

Cash and cash equivalents held and managed by Indiana University Health on behalf of organizations that are not consolidated aggregated $9,698 and $13,556 at December 31, 2010 and 2009, respectively, and are included with accounts payable and accrued expenses in the consolidated balance sheets.

15. Health Care Legislation and Regulation

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, participation requirements, reimbursement for patient services, Medicare and Medicaid fraud and abuse, and security, privacy, and standards of health information. Government activity has continued with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and noncompliance with regulations by health care providers. Violations of these

15. Health Care Legislation and Regulation (continued)

laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, significant repayments for patient services previously billed, and disruptions or delays in processing administrative transactions, including the adjudication of claims and payment.

In the opinion of management, there are no known regulatory inquiries that are expected to have a material adverse effect on the consolidated financial statements of the Indiana University Health System; however, 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.

In March 2010, Congress adopted comprehensive health care insurance legislation, *Patient Care Protection and Affordable Care Act* and *Health Care and Education Reconciliation Act*. The legislation, among other matters, is designed to expand access to coverage to substantively all citizens by 2019 through a combination of public program expansion and private industry health insurance. Changes to existing Medicare and Medicaid coverage and payments are also expected to occur as a result of this legislation. Implementing regulations are generally required for these legislative acts, which are to be adopted over a period of years and, accordingly, the specific impact of any future regulations is not determinable.

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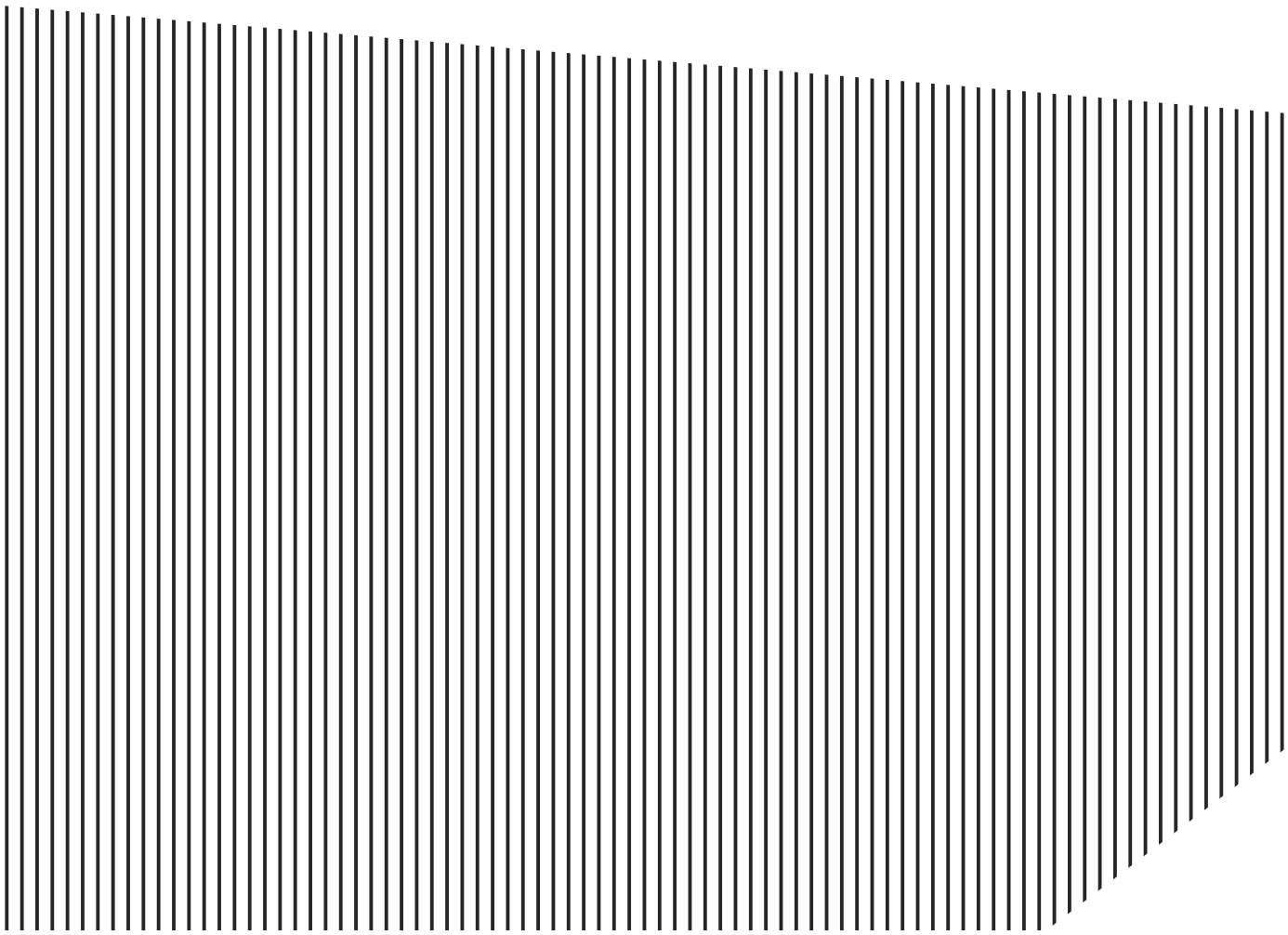

APPENDIX C

SUMMARY OF PRINCIPAL DOCUMENTS AND DEFINITIONS

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APPENDIX C

SUMMARY OF PRINCIPAL DOCUMENTS AND DEFINITIONS

The following statements are summaries of certain provisions of the Indentures, the Master Indenture and the Loan Agreements. These summaries do not purport to be complete and are subject to all of the terms and conditions of the Indentures, the Master Indenture or the Loan Agreements, to which reference is hereby made, the form of which is available for examination at the offices of the Authority and the Trustee. Capitalized terms not defined elsewhere in the Official Statement or in this Appendix C, have the meanings set forth in the Indentures.

DEFINITIONS OF CERTAIN TERMS

"2011 Obligations" means collectively, the Corporation's Master Note Obligation, Series 2011A, Master Note Obligation, Series 2011B, Master Note Obligation, Series 2011C, Master Note Obligation, Series 2011D, and Master Note Obligation, Series 2011E, each dated the date of issuance of the Bonds, delivered by the Corporation pursuant to the Master Indenture.

"Account" means each Remarketing Account, Borrower Purchase Account, Credit Facility Purchase Account and Liquidity Facility Purchase Account established within each Bond Purchase Fund.

"Accounts" means, collectively, all accounts (as such term is defined in the UCC), accounts receivable, other receivables, contracts, contractual rights, tax refunds or other obligations or indebtedness owing to any Member of any kind or description, secured or unsecured, now or hereafter existing, whether or not arising out of or in connection with the payment for goods sold or leased for services rendered, whether or not earned by performance, and all sums of money or other proceeds due or not earned by performance, all sums of money or other proceeds due or becoming due thereon, together with all rights now or hereafter existing under guarantees and collateral security therefore and under leases and other contracts securing, guaranteeing or otherwise relating to any of the foregoing, including without limitation (a) all rights to receive any performance or any payments in money or in kind; (b) all right, title and interest in and to the goods, services or other property that give rise to or that secure any of the foregoing, and insurance policies and proceeds thereof relating thereto; (c) all rights as an unpaid seller of goods and services including, without limitation, all rights or stoppage in transit, replevin, reclamation and resale; (d) all rights to receive any Medicare/Medicaid Receivables or rights to payments under any other federal programs or state and local governmental programs providing for the payment of or reimbursement for services rendered, and private insurance programs (including without limitation, Blue Cross and prepaid health organizations, including health maintenance organizations or preferred provider organizations), in each case only to the extent permitted under applicable law; (e) reversionary interests in pension and profit-sharing plans, and reversionary, beneficial and residual interests in trusts, credits with and any other claims against any Person; and (f) all ledger sheets, files, records and documents relating to any of the foregoing, including all computer records, programs, storage media and computer software used or required in connection therewith.

"Act" means collectively the Indiana Code 4-4-10.9 and -11 and Indiana Code 5-1-16, as from time to time amended or supplemented.

"Alternate Credit Facility" means a replacement irrevocable direct-pay letter of credit with respect to a series of the Bonds containing administrative provisions reasonably satisfactory to the Trustee, issued and delivered to, and accepted by, the Trustee in accordance with the Indenture; provided, however, that any amendment, extension, renewal or substitution of the Credit Facility then in effect for the purpose of extending the expiration date of such Credit Facility or modifying such Credit Facility pursuant to its terms shall not be deemed to be an Alternate Credit Facility for purposes of each Indenture.

"Alternate Liquidity Facility" means a replacement Liquidity Facility delivered to, and accepted by, the Tender Agent; provided, however, that any amendment, extension, renewal or substitution of the Liquidity Facility

then in effect for the purpose of extending the Expiration Date of such Liquidity Facility shall not be deemed to be an Alternate Liquidity Facility for purposes of each Indenture.

"Annual Evaluation Date" means the last day of each Fiscal Year of the Members, currently December 31, commencing December 31, 2011.

"Authority" means the Indiana Finance Authority, as statutory successor to the Indiana Health Facility Financing Authority and the Indiana Health and Educational Facility Financing Authority, a public body politic and corporate organized under the laws of the State of Indiana, and any successors and assigns.

"Authorized Denominations" means (a) with respect to the Bonds which are subject to a Long-Term Interest Rate Period, $5,000 or any integral multiple thereof, and (b) with respect to Bonds which are not described in the preceding clause (a), $100,000 or any integral multiple of $5,000 in excess of $100,000.

"Available Moneys" means, if a Credit Facility is in effect, (i) moneys drawn under the Credit Facility which at all times since their receipt by the Trustee or the Tender Agent were held in a separate segregated account or accounts or subaccount or subaccounts in which no moneys (other than those drawn under the Credit Facility) were at any time held, (ii) moneys which have been paid to the Trustee or the Tender Agent by a Member of the Credit Group and have been on deposit with the Trustee or the Tender Agent for at least 124 days (or, if paid to the Trustee or the Tender Agent by an "affiliate," as defined in Bankruptcy Code §101(2), of a Member of the Credit Group, 366 days) during and prior to which no Event of Bankruptcy shall have occurred, (iii) any other moneys, if, in the opinion of nationally recognized counsel experienced in bankruptcy matters (which opinion shall be acceptable to each Rating Agency then rating the Bonds other than S&P), the application of such moneys will not constitute a voidable preference in the event of the occurrence of an Event of Bankruptcy, (iv) proceeds of obligations issued to refund the Bonds, (v) proceeds from the sale, to a person other than any Member of the Credit Group or the Authority upon the remarketing of the Bonds, and (vi) investment earnings on any of the moneys described above; otherwise, "Available Moneys" means any moneys deposited with the Trustee or the Tender Agent.

"Bank Accounts" means all deposit accounts and shall include, without limitation, all checking, investment or deposit accounts (general or specific, time or demand, provisional or final) at any time maintained by any Member, including without limitation M/M Accounts, and all moneys, securities, instruments, and general intangibles deposited or held therein.

"Bank Bond Interest Differential Amount" means, as to any Bank Bond for any period for which interest on such Bank Bond has not been paid, the difference between the amount of accrued interest on such Bank Bond at the Bank Bond Rate during such period and the amount of accrued interest on such Bond included in the sales price therefor.

"Bank Bond Rate" means the interest rate, if any, specified in the Liquidity Facility or Credit Facility Agreement then in effect as the rate at which Bank Bonds shall bear interest, such rate not to exceed the Maximum Lawful Rate; provided, however, that if no such rate is specified in the Liquidity Facility or Credit Facility Agreement then in effect, then Bank Bonds shall continue to bear interest and such interest shall accrue and be payable as specified in the Indentures as if such Bank Bonds were not Bank Bonds.

"Bank Bonds" means the Bonds purchased by the Liquidity Facility Provider or Credit Facility Provider pursuant to a Liquidity Facility or Credit Facility during the period beginning on the date such Bonds are purchased until the earlier of (i) the date on which such Bonds are remarketed to a purchaser identified by the Remarketing Agent, or (ii) the date on which the Liquidity Facility Provider or the Credit Facility Provider elects pursuant to the related Indenture not to sell such Bonds to a purchaser identified by the Remarketing Agent.

"Basic Agreements" means each of each Indenture, the Bonds and the Borrower Security Instruments.

"Beneficial Owner" means any Person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bond (including any Person holding a Bond through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bond for federal income tax purposes.

"Bond Counsel" means Ice Miller LLP or any other attorney at law or firm of attorneys selected by the Authority and reasonably acceptable to the Trustee and the Corporation of nationally recognized standing in matters pertaining to the validity of and the tax-exempt nature of interest on bonds issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America.

"Bond Fund" means the Bond Fund created in each Indenture.

"Bond Interest Term" means, with respect to any Bond, each period established in accordance with the Indentures during which such Bond bears interest at a Bond Interest Term Rate.

"Bond Interest Term Rate" means, with respect to each Bond, a non-variable interest rate on such Bond established periodically in accordance with each Indenture.

"Bond Purchase Fund" means each such trust fund established with a Tender Agent pursuant to each Indenture.

"Bondholder," "Holder" or "Owner of the Bonds" means, with respect to provisions related to the Master Indenture, the registered owner of any Related Bond, and with respect to provisions related to each Indenture, as of any time, the registered owner of any Bond as shown in the register kept by the Trustee as bond registrar.

"Bonds" means, collectively, the Series 2011A Bonds, the Series 2011B Bonds, the Series 2011C Bonds, the Series 2011D Bonds and the Series 2011E Bonds.

"Borrower Bonds" means the Bonds held by the Tender Agent for and on behalf of the Corporation or any nominee for (or any Person who owns such Bonds for the sole benefit of) the Corporation pursuant to each Indenture.

"Borrower Purchase Account" means each account with that name established within each Bond Purchase Fund pursuant to each Indenture.

"Borrower Representative" means the person or each alternate designated to act for the Corporation by written certificate furnished to the Authority and the Trustee, containing the specimen signature of such person and signed on behalf of the Corporation by the Chief Financial Officer, the Treasurer or any President, Executive Vice President, Senior Vice President or Vice President of the Corporation.

"Borrower Security Instruments" means each of (a) the Loan Agreements, (b) the 2011 Obligations, and (c) each of such additional or supplemental notes and other instruments as the Corporation, the Obligated Group or any other Person from time to time may enter into in favor of the Trustee for the purpose of securing or supporting the obligations of the Corporation to pay all or any portion of the Loan Payments or for the purpose of securing all or any portion of the Bonds and as shall be identified as a "Borrower Security Instrument" for the purpose of the related Indenture by written agreement of the Corporation and the Trustee, each as from time to time in effect.

"Business Day" means, pursuant to the Master Indenture, a day which is not a Saturday, Sunday or legal holiday on which banking institutions in the State of Indiana or the State of New York are authorized by law to close or a day on which the New York Stock Exchange is closed, and pursuant to each Indenture, any day other than a Saturday, Sunday or other day on which banks located (a) in the city in which the corporate trust office of the Trustee responsible for the administration of the related Indenture is located, (b) in the city in which the corporate trust office of the Master Trustee responsible for the administration of the Master Indenture is located, (c) in the city in which the principal office of the Liquidity Facility Provider or Credit Facility Provider at which drawings under the Liquidity Facility or Credit Facility are to be honored is located, (d) in the city in which the corporate trust office

of the Trustee or Tender Agent at which the Bonds may be tendered for purchase by the Holders thereof is located, and (e) in the city in which the principal office of the Remarketing Agent is located, are required or authorized to remain closed or on which the New York Stock Exchange is closed, or the payment system of the Federal Reserve Bank is not operational.

"Capital Lease" means any lease of real or personal property which, in accordance with generally accepted accounting principles, is required to be capitalized on the balance sheet of the lessee. The principal amount of Indebtedness in the form of Capital Lease shall be deemed to be the amount, as of the date of determination, at which the aggregate Net Rentals due and to become due under such Capital Lease would be reflected as a liability on the balance sheet of the lessee determined in accordance with generally accepted accounting principles.

"Code" means, with respect to provisions related to the Master Indenture, the Internal Revenue Code of 1986, as amended from time to time, and with respect to provisions related to each Indenture, the Internal Revenue Code of 1986, as from time to time amended, and any regulations promulgated thereunder which are applicable to the Bonds, including without limitation any Treasury Regulations or Temporary or Proposed Regulations, as the same shall from time to time be amended including (until modified, amended or superseded) Treasury Regulations or Temporary or Proposed Regulations under the Internal Revenue Code of 1954, as amended, as applicable to the Bonds.

"Consultant" means a professional consulting firm acceptable to the Master Trustee, recognized as having the skill and experience necessary to render the particular report required, which firm shall have no interest, direct or indirect, in any Member or Obligated Group Affiliate and shall not have any partner, member, director, officer or employee who is a partner, member, director, officer or employee of any Member or Obligated Group Affiliate.

"Contract Rights" means all rights of each Member in and to contracts to which any Member is now or shall become a party pursuant to which any Member has the right to perform medical and/or management services and receive payment, reimbursement, insurance proceeds or any other form or manner of compensation, including without limitation, the Medicare and Medicaid reimbursement agreements to which any Member is a party and any and all other agreements and/or arrangements between any Member and a governmental or quasi-governmental entity pursuant to which any Member provides such healthcare services and receives any form of payment, and any other agreements pursuant to which any Member provides healthcare services on a reimbursed, capitated or other form of payment arrangement.

"Controlling Member" means the Member designated by the Obligated Group Agent to establish and maintain control over an Obligated Group Affiliate as provided by the Master Indenture.

"Conversion" means a conversion of the Bonds of a particular series from one Interest Rate Period to another Interest Rate Period (including the establishment of a new interest period within the Long-Term Interest Rate Period or a new Index Interest Rate Period) as provided in each Indenture.

"Conversion Date" means the effective date of a Conversion of any series of the Bonds.

"Corporation" means Indiana University Health, Inc., an Indiana nonprofit corporation, organized and existing under the laws of the State of Indiana, and its successors and assigns.

"Costs of Collection" means all reasonable attorneys' fees and out-of-pocket expenses incurred by the Trustee and all costs and expenses associated with travel on behalf of the Trustee, which costs and expenses are directly or indirectly related to the Trustee's efforts to collect or enforce the Bonds, the related Indenture or the Borrower Security Instruments, or any of the Trustee's rights, remedies, powers, privileges, or discretion against or in respect of the Corporation thereunder (whether or not suit is instituted in connection with any of the foregoing).

"Coverage Test" means the Historical Debt Service Coverage Ratio for the Obligated Group and the Obligated Group Affiliates for the period in question is greater than or equal to 1.1:1.

"Credit Facility" or "Credit Facilities" means, initially, collectively, the Series 2011A Credit Facility, the Series 2011B Credit Facility, the Series 2011C Credit Facility, the Series 2011D Credit Facility and the Series 2011E Credit Facility, and all amendments, extensions, renewals or substitutions thereof, and upon the effectiveness of any Alternate Credit Facility, such Alternate Credit Facility.

"Credit Facility Agreement" means any agreement between the Corporation (or any affiliate of the Corporation) and the Credit Facility Provider, pursuant to which a Credit Facility for a series of the Bonds is issued by a Credit Facility Provider, as the same may be amended or supplemented.

"Credit Facility Provider" or "Credit Facility Providers" means the issuer of a Credit Facility and upon the effectiveness of an Alternate Credit Facility, the issuer of such Alternate Credit Facility, and initially means, collectively the Series 2011A Credit Facility Provider, the Series 2011B Credit Facility Provider, the Series 2011C Credit Facility Provider, the Series 2011D Credit Facility Provider and the Series 2011E Credit Facility Provider.

"Credit Facility Purchase Account" means each account with that name established within each Bond Purchase Fund pursuant to each Indenture.

"Credit Group" means the Members and the Obligated Group Affiliates.

"Daily Interest Rate" means a variable interest rate for the Bonds established in accordance with each Indenture.

"Daily Interest Rate Period" means each period during which a Daily Interest Rate is in effect for the Bonds of a particular series.

"Debt Service Requirements" means, with respect to the period of time for which calculated, the aggregate of (i) the payments required to be made in respect of principal (whether at maturity, or as a result of mandatory prepayment or otherwise) and interest on all outstanding Indebtedness of the Person or group of Persons involved, (ii) mandatory deposits to an irrevocable escrow or sinking fund and (iii) the amount of the Obligation Payments.

"Default" means any Event of Default or any event or condition which, with the passage of time or giving of notice or both, would constitute an Event of Default.

"Electronic Means" means facsimile transmission, email transmission or other similar electronic means of communication providing evidence of transmission, including a telephone communication confirmed by any other method set forth in this definition.

"Escrow Obligations" means (a) with respect to any Obligations which secure a series of Related Bonds, the obligations permitted to be used to defease such series of Related Bonds under the Related Bond Indenture, (b) with respect to any Obligations for which there are no Related Bonds, the obligations, if any, permitted to be used to defease such Obligations by the Supplemental Master Indenture under which such Obligations were issued, and (c) with respect to any other Obligations;

(i) United States Obligations; and

(ii) evidences of direct ownership of a proportionate or individual interest in future principal or interest payments on specified direct obligations of, or obligations the payment of the principal of and interest on which are unconditionally guaranteed by the United States of America, which obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian pursuant to the terms of a custody agreement in form and substance satisfactory to the Master Trustee in which obligations are not available to satisfy creditors of the custodian.

"Event of Bankruptcy" means any of the following events:

(i) a member of the Credit Group (or any other Person obligated, as guarantor or otherwise, to make payments on the Bonds or under the Loan Agreements, the 2011 Obligations, the Master Indenture or a Credit Facility Agreement, or an "affiliate" of a member of the Credit Group as defined in Bankruptcy Code § 101(2)) or the Authority shall (a) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee, liquidator or the like of a member of the Credit Group (or such other Person), or the Authority or of all or any substantial part of their respective property, (b) commence a voluntary case under the Bankruptcy Code, or (c) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts; or

(ii) a proceeding or case shall be commenced, without the application or consent of a member of the Credit Group (or any other Person obligated, as guarantor or otherwise, to make payments on the Bonds or under the related Loan Agreement, 2011 Obligations, the Master Indenture or a Credit Facility Agreement, or an "affiliate" of a member of the Credit Group as defined in Bankruptcy Code § 101(2)) or the Authority in any court of competent jurisdiction, seeking (a) the liquidation, reorganization, dissolution, winding-up, or composition or adjustment of debts, of a member of the Credit Group (or any such other Person), or the Authority, (b) the appointment of a trustee, receiver, custodian, liquidator or the like of a member of the Credit Group (or any such other Person), or the Authority or of all or any substantial part of their respective property, or (c) similar relief in respect of a member of the Credit Group (or any such other Person), or the Authority under any law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts.

"Event of Default" has the meaning set forth below under "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES—Events of Default and Remedies."

"Favorable Opinion of Bond Counsel" means, with respect to any action relating to the Bonds the occurrence of which requires such an opinion, a written legal opinion of Bond Counsel addressed to the Trustee, the Corporation, the Credit Facility Provider and the related Remarketing Agent, as applicable, to the effect that such action is permitted under the related Indenture and will not impair the exclusion of interest on the Bonds from gross income for purposes of federal income taxation (subject to customary exceptions).

"Fiscal Year" means any twelve-month period beginning on January 1 of any calendar year and ending on December 31 of such calendar year or such other consecutive twelve-month periods selected by the Obligated Group Agent as the fiscal year for the Members.

"Fitch" means Fitch Ratings, a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, shall be deemed to refer to any other nationally recognized securities rating agency designated by the Corporation by notice to the Authority and the Trustee.

"Fund" means any of the Project Fund, Bond Fund and the Bond Purchase Fund created under each Indenture.

"General Intangibles" means the right to use all general intangibles (as such term is defined in the UCC) of any Member including, without limitation, trademarks, copyrights, patents, contracts, licenses, franchises, trade names, computer programs and other computer software, inventions, designs, trade secrets, goodwill, proprietary rights, customer lists, supplier contacts, sale orders, correspondence and advertising materials.

"Governing Body" means the board of directors, board of trustees or similar group in which the right to exercise the powers of corporate directors or trustees is vested or an executive committee of such board or any duly authorized committee of that board to which the relevant powers of that board have been lawfully delegated.

"Historical Debt Service Coverage Ratio" means with respect to the period of time for which calculated, the ratio consisting of a numerator equal to the amount determined by dividing Income Available for Debt Service for that period by the Debt Service Requirements for such period and a denominator of one; provided, however, that in calculating the Debt Service Requirements for such period, the following shall be excluded (a) principal or interest on Indebtedness paid from amounts on deposit in an irrevocable escrow established to pay such principal or

interest, (b) principal or interest on Short Term Indebtedness, (c) principal or interest on Indebtedness of a Member or Obligated Group Affiliate to any other Member or Obligated Group Affiliate, any guarantee by any Member or Obligated Group Affiliate of Indebtedness of any other Member or Obligated Group Affiliate, or the joint or several liability of any Member on Indebtedness incurred by any other Member, (d) the principal amount of any Interim Indebtedness paid during such period to the extent such principal amount is paid from a source other than revenues.

"Income Available for Debt Service" means, with respect to the period of time for which calculated, the amount, if any, by which total revenue exceeds total expenses (other than depreciation, amortization and interest together with Obligation Payments to the extent that such Obligation Payments are treated as an expense during such period of time), of the Person or group of Persons involved determined in accordance with generally accepted accounting principles; provided, however, that no determination thereof shall take into account (a) any gain or loss resulting from the extinguishment of Indebtedness, (b) any gain or loss resulting from the sale, exchange or other disposition of assets not in the ordinary course of business, (c) any gain or loss resulting from any discontinued operations, (d) any gain or loss resulting from pension terminations, settlements or curtailments, (e) any unusual charges for employee severance, (f) adjustments to the value of assets or liabilities resulting from changes in generally accepted accounting principles, (g) any unrealized change in value, or unrealized gains or losses on investments, including those related to alternative investments, or (h) any unrealized change in value, or unrealized gains or losses from, derivative instruments.

"Indebtedness" means any indebtedness of a Person for the repayment of borrowed money (including Capital Leases, installment purchase contracts and guarantees of indebtedness) which is shown as a liability on the balance sheet of such Person or which is properly capitalized on the balance sheet of such Person in accordance with generally accepted accounting principles (including indebtedness evidenced by Obligations issued under the Master Indenture and indebtedness not evidenced by Obligations under the Master Indenture).

"Indebtedness Ratio" means the ratio determined by dividing the aggregate principal amount of Outstanding Indebtedness of the Credit Group by the sum of (i) the aggregate principal amount of such Indebtedness and (ii) total Unrestricted Net Assets of the Credit Group. For purposes of this ratio, Indebtedness shall not include the principal amount of a guaranty unless the Credit Group has made a payment on such guaranty in the last three Fiscal Years prior to the time of such measurement.

"Indenture" or Indentures" means collectively the Series 2011A Trust Indenture, the Series 2011B Trust Indenture, the Series 2011C Trust Indenture, the Series 2011D Trust Indenture and the Series 2011E Trust Indenture.

"Index Interest Rate" means the rates set forth in the related Indenture.

"Index Interest Rate Bonds" means Bonds bearing interest at the Index Interest Rate.

"Index Interest Rate Period" means any period during which the Bonds bear interest at an Index Interest Rate.

"Institution" means any financial institution which enters into a depository agreement with any Member and the Master Trustee.

"Interest Accrual Date" with respect to the Bonds means: (a) for any Weekly Interest Rate Period, the first day thereof and, thereafter, the first Wednesday of each calendar month during such Weekly Interest Rate Period; (b) for any Daily Interest Rate Period, the first day thereof and, thereafter, the first day of each month; (c) for any Long-Term Interest Rate Period, the first day thereof and, thereafter, each Interest Payment Date during that Long-Term Interest Rate Period, other than the last such Interest Payment Date; (d) for each Bond Interest Term within a Short-Term Interest Rate Period, the first day thereof; and (e) for any Index Interest Rate Period, the first day thereof and thereafter, the first Business Day of each month during such Index Interest Rate Period.

"Interest Payment Date" means: (a) for any Weekly Interest Rate Period, the first Wednesday of each calendar month, or, if the first Wednesday is not a Business Day, the next succeeding Business Day; (b) for any

Daily Interest Rate Period, the fifth Business Day of the next succeeding calendar month; (c) for any Long-Term Interest Rate Period, each March 1 and September 1, or if any March 1 or September 1 is not a Business Day, the next succeeding Business Day; (d) for any Bond Interest Term, the day next succeeding the last day of that Bond Interest Term; (e) for any Index Interest Rate Period, the first Business Day of each calendar month; (f) for each Interest Rate Period, the day next succeeding the last day thereof; and (g) for Bank Bonds, as set forth in the Liquidity Facility or Credit Facility Agreement applicable to that Series.

"Interest Rate Agreement" means an interest rate exchange, hedge or similar agreement, expressly identified in an Officer's Certificate of the Obligated Group Representative delivered to the Master Trustee as being entered into in order to hedge the interest payable on all or a portion of any Indebtedness, which agreement may include, without limitation, an interest rate swap, a forward or futures contract or an option (e.g. a call, put, cap, floor or collar) and which agreement does not constitute an obligation to repay money borrowed, credit extended or the equivalent thereof. An Interest Rate Agreement shall not constitute Indebtedness under the Master Indenture.

"Interest Rate Period" means each Daily Interest Rate Period, Weekly Interest Rate Period, Short Term Interest Rate Period, Long-Term Interest Rate Period or Index Interest Rate Period.

"Interim Indebtedness" means Indebtedness with respect to which the Obligated Group Agent certifies, at the time of the incurrence thereof, that the Obligated Group Agent expects to pay the principal amount of such Indebtedness from a source other than the revenues of the Obligated Group, including but not limited to the proceeds of other Indebtedness.

"Issue Date" means the date of delivery of the Bonds to the applicable Underwriter against payment therefor.

"LaPorte" means LaPorte Regional Health Systems, Inc.

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

"Liquidity Facility" means a letter of credit, standby bond purchase agreement, line of credit, loan, guaranty or similar agreement by a Liquidity Facility Provider to provide liquidity support to pay the Tender Price of a series of Bonds tendered for purchase in accordance with the provisions of the related Indenture and any Alternate Liquidity Facility delivered pursuant to the terms of the related Indenture and with terms that are not inconsistent with the terms of each Indenture.

"Liquidity Facility Provider" means the provider of a Liquidity Facility for a series of Bonds, and its successors and permitted assigns, and, upon the effective date of an Alternate Liquidity Facility, the bank or banks or other financial institution or financial institutions or other Person or Persons issuing such Alternate Liquidity Facility, their successors and assigns. If any Alternate Liquidity Facility is issued by more than one bank, financial institution or other Person, notices required to be given to the Liquidity Facility Provider may be given to the bank, financial institution or other Person under such Alternate Liquidity Facility appointed to act as agent for all such banks, financial institutions or other Persons.

"Liquidity Facility Purchase Account" means each account with that name established within each Bond Purchase Fund pursuant to each Indenture.

"Loan Agreement" or "Loan Agreements" means, collectively, the Series 2011A Loan Agreement, the Series 2011B Loan Agreement, the Series 2011C Loan Agreement, the Series 2011D Loan Agreement and the Series 2011E Loan Agreement.

"Loan Payment" means a payment by the Corporation pursuant to the applicable 2011 Obligation of amounts which correspond to interest, or principal and interest on account of debt service on the Bonds, plus related fees and expenses, all in accordance with the Loan Agreement and the Obligations.

"Long-Term Interest Rate" means a term, non variable interest rate established in accordance with each Indenture.

"Long-Term Interest Rate Period" means each period during which a Long-Term Interest Rate is in effect.

"Majority of the Bondholders" means the holders of more than 50 percent of the aggregate principal amount of Outstanding Bonds.

"Mandatory Standby Tender" means the mandatory tender of a series of Bonds pursuant to the related Indenture upon receipt by the Trustee of written notice from the Liquidity Facility Provider that an event with respect to the Liquidity Facility has occurred which requires or gives such Liquidity Facility Provider the option to terminate the Liquidity Facility upon notice. Mandatory Standby Tender shall not include circumstances where the Liquidity Facility Provider may suspend or terminate its obligations to purchase securities without notice, in which case there will be no mandatory tender.

"Master Indenture" means the Master Trust Indenture, dated as of December 1, 1996, among the Corporation, LaPorte and any additional member of the Obligated Group (as defined therein) and The Bank of New York Mellon Trust Company, N.A., as successor Master Trustee, as supplemented and amended by various supplemental indentures from time to time.

"Master Trustee" means The Bank of New York Mellon Trust Company, N.A., as successor Master Trustee, or any successor Master Trustee appointed pursuant to the provisions of the Master Indenture.

"Maximum Bond Interest Rate" means the lesser of 12% per annum and the Maximum Lawful Rate.

"Maximum Lawful Rate" means the maximum rate of interest on the relevant obligation permitted by applicable law.

"Medicaid" means the Medicaid program as established pursuant to the Social Security Act (42 U.S.C. 1935 et seq. and related statutes) and any successor, replacement or related program.

"Medicare" means the Medicare program as established pursuant to the Social Security Act (42 U.S.C. 1395 et seq. and related statutes) and any successor, replacement or related program.

"Medicare/Medicaid Receivables" means all accounts and other rights to payment now or at any time hereafter owing, and all reimbursements now or hereafter due, whether directly or indirectly through an intermediary, from the United States Health Care Financing Administration, the United States Department of Health and Human Services, any other governmental authority, or any other Person in connection with Medicare and Medicaid, the Civilian Health and Medical Program of the Uniform Services and the Civilian Health and Medical Program of the Veterans' Administration.

"Member" or "Member of the Obligated Group" means the Corporation and any other Person which has fulfilled the requirements for entry into the Obligated Group set forth in the Master Indenture.

"M/M Account" means a deposit account with a Depository Institution to which all payments with respect to Medicare/Medicaid Receivables are remitted.

"Moody's" means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other

nationally recognized securities rating agency designated by the Corporation by notice to the Authority and the Trustee.

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

"Obligated Group" means the Corporation, LaPorte and any other Person which has fulfilled the requirements for entry into the Obligated Group set forth in the Master Indenture and which has not ceased such status pursuant to the Master Indenture.

"Obligated Group Affiliate" means any Person which has been designated as such in accordance with the Master Indenture so long as such Person has not been further designated as no longer being an Obligated Group Affiliate as provided in the Master Indenture.

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

"Obligation Holder," "Holder" or "Owner of the Obligation" means the registered owner of any fully registered or book entry Obligation unless alternative provision is made in the Supplemental Master Indenture pursuant to which such Obligation is issued for establishing ownership of such Obligation, in which case such alternative provision shall control.

"Obligation Payments" means payments (however designated) required under any Obligation then Outstanding which does not constitute Indebtedness.

"Obligations" means any obligation of the Obligated Group issued under the Master Indenture, as a joint and several obligation of each Member, which may be in any form set forth in a Supplemental Master Indenture, including, but not limited to bonds, notes, obligations, debentures, reimbursement agreements, loan agreements or leases. Reference to a series of Obligations or to Obligations of a series shall mean Obligations or series of Obligations issued pursuant to a single Supplemental Master Indenture.

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

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

"Outstanding" when used with reference to Bonds means the amount of principal of the Bonds which has not at the time been paid, exclusive of (a) Bonds in lieu of which others have been authenticated under each Indenture, (b) principal of any Bond which has become due (whether by maturity, call for redemption or otherwise) and for which provision for payment as required in the related Indenture has been made, and (c) for purposes of any direction, consent or waiver under each Indenture, Bonds deemed not to be outstanding as follows: in determining whether the Holders of the requisite principal amount of Outstanding Bonds have concurred in any direction, consent or waiver under the related Indenture or any other Basic Agreements, Bonds owned by the Authority or the Corporation shall be disregarded and deemed not to be Outstanding, except that in determining whether the Trustee shall be protected in relying upon any such direction, consent, or waiver, only Bonds which the Trustee knows to be so owned shall be disregarded; provided that Bonds paid by payments made under a Credit Facility shall be deemed to be Outstanding Bonds until the Credit Facility Provider is reimbursed in full.

"Participant" means, with respect to DTC or another Securities Depository, a member or participant in DTC or such other Securities Depository, respectively.

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

"Permitted Encumbrances" means any Liens on any Property created by the Master Indenture, any Related Loan Document, any Related Bond Indenture and, as of any particular time:

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

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

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

(d) any Lien on Property if such Lien equally or ratably secures all of the Obligations and, if the Obligated Group Agent shall so determine, any other Indebtedness of a Member or any Obligated Group Affiliate;

(e) leases which relate to Property of a Member or an Obligated Group Affiliate which is of a type that is customarily the subject of such leases, such as office space for physicians and educational institutions, food service facilities, gift shops and radiology or other hospital-based specialty services, pharmacy and similar departments; leases, licenses or similar rights to use Property to which the Corporation or an Obligated Group Affiliate (or any predecessor in interest of such parties) is a party existing as of December 31, 1996 and any renewals and extensions thereof; and any leases, licenses or similar rights to use Property whereunder a Member or an Obligated Group Affiliate is lessee, licensee or the equivalent thereof upon fair and reasonable terms no less favorable to the lessee or licensee than would obtain in a comparable arm's-length transaction;

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

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

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

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

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

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

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

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

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

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

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

(q) any Lien in any rebate fund, any depreciation reserve, debt service or interest reserve, debt service fund, bond purchase or tender fund or any similar fund established pursuant to the terms of any Supplemental Master Indenture, Related Bond Indenture or Related Loan Document in favor of the Master Trustee, a Related Bond Trustee, a Related Issuer or the creditor of the Indebtedness issued or secured pursuant to such Supplemental Master Indenture, Related Bond Indenture or Related Loan Document;

(r) any Lien on any Related Bond or any evidence of Indebtedness of any Member or Obligated Group Affiliate acquired by or on behalf of any Member or Obligated Group Affiliate in favor of the provider of liquidity or credit support for such Related Bond or Indebtedness;

(s) such Liens, covenants, conditions and restrictions, if any, which do not secure Indebtedness and which are other than those of the type referred to above, and which (i) in the case of Property of the Corporation on January 1, 1997, do not and will not, so far as can reasonably be foreseen, materially adversely affect the value of the Property currently affected thereby or materially impair the same, and (ii) in the case of any other Property, do not materially impair or materially interfere with the operation or usefulness thereof for the purpose for which such Property was acquired or is held by a Member;

(t) Liens on accounts receivable, provided that the principal amount of Indebtedness secured by any such Lien does not exceed the amount received with respect to such accounts receivable by the Member or the Obligated Group Affiliate in connection with the creation of such lien; provided, further, that no more than 25% of the aggregate principal amount of accounts receivable of the Members and the Obligated Group Affiliates shall be subject to such liens;

(u) Liens on any Property of a Member or of an Obligated Group Affiliate at January 1, 1997 or existing at the time any Person becomes a Member or an Obligated Group Affiliate; provided that no such Lien (or the amount of Indebtedness secured thereby) may be increased, extended, renewed or modified to apply to any Property of the Member or any Obligated Group Affiliate not subject to such Lien on such date unless such Lien as so increased, extended, renewed or modified is otherwise permitted under the Master Indenture;

(v) Liens on Property of a Person existing at the time such Person is merged into or consolidated with a Member or an Obligated Group Affiliate, or at the time of a sale, lease or other disposition of the Properties of a Person as an entirety or substantially as an entirety to a Member or an Obligated Group Affiliate which becomes part of a Property that secured Indebtedness that is assumed by a Member or an Obligated Group Affiliate as a result of any such merger, consolidation or acquisition; provided, that no such Lien may be increased, extended, renewed, or modified after such date to apply to any Property of a Member or an Obligated Group Affiliate not subject to such Lien on such date unless such Lien as so increased, extended, renewed or modified is otherwise permitted under the Master Indenture;

(w)Liens on any Property of a Member or an Obligated Group Affiliate securing any Indebtedness or Obligation if at the time of incurrence of such Indebtedness and after giving effect to all Liens permitted under this subparagraph, the aggregate amount of Indebtedness or the Obligation secured by such Liens pursuant to this subparagraph does not exceed 15% of the value of the total assets of the Obligated Group and Obligated Group Affiliates, as such value is shown on the most recent financial reports required to be delivered in the Master Indenture;

(x) Liens on any Property of a Member or an Obligated Group Affiliate to secure any Indebtedness incurred for the purpose of financing all or any part of the purchase price or the cost of constructing or improving the Property subject to such Lien; provided, that such Lien shall not apply to any Property theretofore owned by a Member or an Obligated Group Affiliate, other than any theretofore unimproved real property on which the Property so constructed or improved is located; and

(y) Liens on the Property of a Member or an Obligated Group Affiliate created by the Definitive Health Care Resources Consolidation Agreement dated May 2, 1996 among the Trustees of Indiana University, Methodist Health Group, Inc., Methodist Hospital of Indiana Inc., and the Corporation, as amended on or prior to January 1, 1997 (the "Definitive Agreement"), including but not limited to the MHI Lease and the Indiana University Hospital Lease (as defined in such Definitive Agreement).

"Person" means, with respect to provisions related to the Master Indenture, any natural person, firm, joint venture, limited liability company, association, partnership, business trust, corporation, public body, agency or political subdivision thereof or any other similar entity, and with respect to provisions related to each Indenture, a corporation, association, partnership, limited liability company, joint venture, trust, organization, business, individual or government or any governmental agency or political subdivision thereof.

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

"Principal Office" means with respect to the Trustee or the Tender Agent, the address of such Person identified as its notice address in the related Indenture or otherwise notified in writing by such Person to the Authority, the Corporation, the Trustee (in the case of notice by the Tender Agent), the Tender Agent (in the case of notice by the Trustee), the Credit Facility Provider and the Remarketing Agent.

"Project" means the facilities financed and refinanced with the proceeds of the Bonds.

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

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

"Qualified Investments" means investments identified in Exhibit A of each Indenture.

"Rating Agency" according to the Master Indenture, means, as of any date, Moody's, S&P or Fitch and their respective successors and assigns, and according to each Indenture, means as of any date each of Moody's, if Bonds are then rated by Moody's, Fitch, if Bonds are then rated by Fitch and S&P, if Bonds are then rated by S&P.

"Record Date" means (a) with respect to any Interest Payment Date in respect to any Daily Interest Rate Period, the last Business Day of each calendar month and, in the case of the last Interest Payment Date in respect to a Daily Interest Rate Period, the Business Day immediately preceding such Interest Payment Date, (b) with respect to any Interest Payment Date in respect to any Weekly Interest Rate Period, any Index Interest Rate Period or any Short-Term Interest Rate Period, the Business Day immediately preceding such Interest Payment Date, and (c) with respect to any Interest Payment Date in respect to any Long-Term Interest Rate Period, the fifteenth day immediately preceding that Interest Payment Date or, in the event that an Interest Payment Date shall occur less than 15 days after the first day of a Long-Term Interest Rate Period, that first day.

"Refunded Bonds" means the Indiana Finance Authority Hospital Revenue Refunding Bonds (Clarian Health Partners, Inc. Obligated Group) Series 2008A, Series 2008C and Series 2008D, and a portion of the line of credit relating to the prior refunding of the Series 2008B Bonds.

"Related Bond Indenture" means any Indenture, bond resolution or similar instrument pursuant to which any series of Related Bonds is issued.

"Related Bond Trustee" means any trustee under any Related Bond Indenture and any successor trustee thereunder or, if no trustee is appointed under a Related Bond Indenture, the Related Issuer.

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

"Related Issuer" means any issuer of a series of Related Bonds.

"Related Loan Document" means any document or documents (including without limitation any loan agreement, lease, sublease or installment sales contract) pursuant to which any proceeds of any Related Bonds are advanced to any Member or Obligated Group Affiliate (or any Property financed or refinanced with such proceeds is leased, sublet or sold to a Member or Obligated Group Affiliate).

"Related Rights" means all tangible chattel paper, documents and/or instruments relating to the Accounts, the General Intangibles, the Contract Rights, and the Bank Accounts and all rights now or hereafter existing in and

to all security agreements, leases and other contracts securing or otherwise relating to the Accounts, the Bank Accounts, the Gross Revenues, the Contract Rights or the General Intangibles or any such chattel papers, documents and/or instruments.

"Remarketing Account" means each account with that name established within each Bond Purchase Fund pursuant to each Indenture.

"Remarketing Agent" means each Person qualified under the related Indenture to act as Remarketing Agent for the Bonds other than Index Interest Rate Bonds and appointed by the Corporation with the consent of the Authority from time to time, subject to the prior written approval of the Credit Facility Provider.

"Remarketing Agreement" means a Remarketing Agreement for a series of Bonds between the Corporation and the Remarketing Agent whereby the Remarketing Agent for such series undertakes to perform the duties of the Remarketing Agent under the applicable Indenture, as amended from time to time.

"Request" means a request by the Tender Agent under a Liquidity Facility or an Alternate Liquidity Facility for the payment of Tender Price of Bonds in accordance with the terms of each Indenture.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Corporation by notice to the Authority and the Trustee.

"S&P Weekly High Grade Index" means for a Computation Date, the level of the "S&P Weekly High Grade Index" (formerly known as the J.J. Kenny Index) maintained by Standard & Poor's Securities Evaluations Inc. for a one week maturity as published each Wednesday, or if any Wednesday is not a Business Day, on the next succeeding Business Day.

"Securities Depository" means DTC or, if applicable, any successor securities depository appointed pursuant to each Indenture.

"Self Liquidity Arrangement" means that the Bonds are rated in the highest short-term rating category (without giving effect to any gradations within such category) without the support of a Liquidity Facility or a Credit Facility by at least one of Moody's, S&P or Fitch and by all of them that will maintain short term ratings of the Bonds upon the effectiveness of such Self Liquidity Arrangement.

"Series 2011 Supplemental Master Indentures" means, collectively, the Series 2011A Supplemental Master Indenture, the Series 2011B Supplemental Master Indenture, the Series 2011C Supplemental Master Indenture, the Series 2011D Supplemental Master Indenture and the Series 2011E Supplemental Master Indenture, each dated as of April 1, 2011, between the Corporation and The Bank of New York Mellon Trust Company, N.A. as successor Master Trustee.

"Series 2011A Bonds" means the Authority's Hospital Revenue Bonds (Indiana University Health Obligated Group) Series 2011A, issued in the aggregate principal amount of $41,550,000.

"Series 2011A Credit Facility" means, initially, the irrevocable, direct-pay letter of credit issued in favor of the Trustee for the account of the Corporation by The Northern Trust Company for the Series 2011A Bonds and all amendments, extensions, renewals or substitutions thereof pursuant to its terms, and upon the effectiveness of any Alternate Credit Facility, such Alternate Credit Facility.

"Series 2011A Credit Facility Provider" means the issuer of the Series 2011A Credit Facility for the Series 2011A Bonds, initially The Northern Trust Company.

"Series 2011A Indenture" means the Trust Indenture dated as of April 1, 2011, between the Authority and the Trustee relating to the Series 2011A Bonds.

"Series 2011A Loan Agreement" means the Loan Agreement dated as of April 1, 2011, between the Authority and the Corporation relating to the Series 2011A Bonds.

"Series 2011B Bonds" means the Authority's Hospital Revenue Bonds (Indiana University Health Obligated Group) Series 2011B, issued in the aggregate principal amount of $47,135,000.

"Series 2011B Credit Facility" means, initially, the irrevocable, direct-pay letter of credit issued in favor of the Trustee for the account of the Corporation by Bank of America, N.A. for the Series 2011B Bonds and all amendments, extensions, renewals or substitutions thereof pursuant to its terms, and upon the effectiveness of any Alternate Credit Facility, such Alternate Credit Facility.

"Series 2011B Credit Facility Provider" means the issuer of the 2011B Credit Facility for the Series 2011B Bonds, initially Bank of America, N.A.

"Series 2011B Indenture" means the Trust Indenture dated as of April 1, 2011, between the Authority and the Trustee relating to the Series 2011B Bonds.

"Series 2011B Loan Agreement" means the Loan Agreement dated as of April 1, 2011, between the Authority and the Corporation relating to the Series 2011B Bonds.

"Series 2011C Bonds" means the Authority's Hospital Revenue Bonds (Indiana University Health Obligated Group) Series 2011C, issued in the aggregate principal amount of $46,210,000.

"Series 2011C Credit Facility" means, initially, the irrevocable, direct-pay letter of credit issued in favor of the Trustee for the account of the Corporation by The Northern Trust Company for the Series 2011C Bonds and all amendments, extensions, renewals or substitutions thereof pursuant to its terms, and upon the effectiveness of any Alternate Credit Facility, such Alternate Credit Facility.

"Series 2011C Credit Facility Provider" means the issuer of the Series 2011C Credit Facility for the Series 2011C Bonds, initially The Northern Trust Company.

"Series 2011C Indenture" means the Trust Indenture dated as of April 1, 2011, between the Authority and the Trustee relating to the Series 2011C Bonds.

"Series 2011C Loan Agreement" means the Loan Agreement dated as of April 1, 2011, between the Authority and the Corporation relating to the Series 2011C Bonds.

"Series 2011D Bonds" means the Authority's Hospital Revenue Bonds (Indiana University Health Obligated Group) Series 2011D, issued in the aggregate principal amount of $23,075,000.

"Series 2011D Credit Facility" means, initially, the irrevocable, direct-pay letter of credit issued in favor of the Trustee for the account of the Corporation by The Northern Trust Company for the Series 2011D Bonds and all amendments, extensions, renewals or substitutions thereof pursuant to its terms, and upon the effectiveness of any Alternate Credit Facility, such Alternate Credit Facility.

"Series 2011D Credit Facility Provider" means the issuer of the Series 2011D Credit Facility for the Series 2011D Bonds, initially The Northern Trust Company.

"Series 2011D Indenture" means the Trust Indenture dated as of April 1, 2011, between the Authority and the Trustee relating to the Series 2011D Bonds.

"Series 2011D Loan Agreement" means the Loan Agreement dated as of April 1, 2011, between the Authority and the Corporation relating to the Series 2011D Bonds.

"Series 2011E Bonds" means the Authority's Hospital Revenue Bonds (Indiana University Health Obligated Group) Series 2011E, issued in the aggregate principal amount of $70,225,000.

"Series 2011E Credit Facility" means, initially, the irrevocable, direct-pay letter of credit issued in favor of the Trustee for the account of the Corporation by Bank of America, N.A. for the Series 2011E Bonds and all amendments, extensions, renewals or substitutions thereof pursuant to its terms, and upon the effectiveness of any Alternate Credit Facility, such Alternate Credit Facility.

"Series 2011E Credit Facility Provider" means the issuer of the Series 2011E Credit Facility for the Series 2011E Bonds, initially Bank of America, N.A.

"Series 2011E Indenture" means the Trust Indenture dated as of April 1, 2011, between the Authority and the Trustee relating to the Series 2011E Bonds.

"Series 2011E Loan Agreement" means the Loan Agreement dated as of April 1, 2011, between the Authority and the Corporation relating to the Series 2011E Bonds.

"Series" means any series of the Bonds.

"Short Term Indebtedness" means Indebtedness having an original maturity less than one year and not renewable at the option of the debtor for a period greater than one year from the date of original issuance thereof.

"Short-Term Interest Rate Period" means each period, consisting of Bond Interest Terms, during which the Bonds of a particular series bear interest at one or more Bond Interest Term Rates.

"SIFMA Index" means, for any Computation Date, the level of the index which is issued weekly and which is compiled from the weekly interest rate resets of tax exempt variable rate issues included in a database maintained by Municipal Market Data which meet specific criteria established from time to time by the Securities Industry and Financial Markets Association and issued on Wednesday of each week, or if any Wednesday is not a Business Day, the next succeeding Business Day. If the SIFMA Index is no longer published, then "SIFMA Index" shall mean the S&P Weekly High Grade Index.

"Supplemental Master Indenture" means an indenture amending or supplementing the Master Indenture entered into pursuant to the Master Indenture.

"Tax-Exempt Organization" means a Person organized under the laws of the United States of America or any state thereof which is an organization described in Section 501(c)(3) of the Code, which is exempt from federal income taxation under Section 501(a) of the Code, and which is not a "private foundation" within the meaning of Section 509(a) of the Code, or corresponding provisions of federal income tax laws from time to time in effect.

"Tender Agent" means each Person qualified under the related Indenture to act as Tender Agent with respect to a series of Bonds and so appointed by the Corporation and so acting from time to time, and its successors.

"Tender Date" means the date on which Bonds are required to be purchased pursuant to each Indenture.

"Tender Price" means the purchase price to be paid to the Holders of Bonds purchased pursuant to each Indenture, which shall be equal to the principal amount thereof tendered for purchase, without premium, plus accrued interest from the immediately preceding Interest Accrual Date to the Tender Date (if the Tender Date is not an Interest Payment Date); provided, however, that in the case of a Conversion or attempted Conversion from a Long-Term Interest Rate Period on a date on which the Bonds being converted would otherwise be subject to optional redemption pursuant to the related Indenture if such Conversion did not occur, the Tender Price shall also include the optional redemption premium, if any, provided for such date under each Indenture.

"Trust Estate" means the property and other rights assigned by the Authority to the Trustee in the granting clauses of each Indenture.

"Trust Indenture Act" means the Trust Indenture Act of 1939, as amended, and any successor thereto.

"Trustee" means The Bank of New York Mellon Trust Company, N.A., a national banking association organized and existing under the laws of the United States of America.

"UCC" means the Uniform Commercial Code in effect from time to time in the State of Indiana.

"Undelivered Bond" means any Bond which constitutes an Undelivered Bond under the provisions of each Indenture.

"United States Obligations" means, pursuant to the Master Indenture, noncallable direct obligations of, or obligations the timely payment of the principal of and interest on which is fully guaranteed by, the United States of America, including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America; and pursuant to each Indenture, direct general obligations of, or obligations the payment of the principal of and interest on which are unconditionally guaranteed as to full and timely payment by, the United States of America, which obligations are noncallable.

"Unrestricted Fund Balance" means the unrestricted fund balance, capital and surplus, or other equivalent accounting classification representing the net worth of a Person.

"Unrestricted Net Assets" means the unrestricted net assets of the Credit Group determined in accordance with generally accepted accounting principles.

"Weekly Interest Rate" means a variable interest rate for the Bonds established in accordance with the Indentures.

"Weekly Interest Rate Period" means each period during which a Weekly Interest Rate is in effect for the Bonds.

"Written Request" means a request in writing signed by the President or a Vice President of the Corporation or any other officers designated by the Corporation.

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES

Any reference in the summary of the Indentures to the Corporation, the Authority or the Trustee will include those Persons which succeed to their functions, duties or responsibilities pursuant to or by operation of law or who are lawfully performing their functions. Any reference in the summary of the Indentures to any statute or law or chapter or section thereof shall include all amendments, supplements or successor provisions thereto.

The following is a combined summary of the Series 2011A Indenture, the Series 2011B Indenture, the Series 2011C Indenture, the Series 2011D Indenture and the Series 2011E Indenture. Each Indenture contains similar provisions in all respects.

Defeasance of Lien

The lien created by each Indenture will terminate when the Authority has paid or has been deemed to have paid the Holders of all of the Bonds the principal and interest and premium, if any, due or to become due thereon at the times and in the manner stipulated in each Indenture, and all amounts due under the applicable Credit Facility Agreement have been paid to the Credit Facility Provider, and all other obligations owing to the Trustee under such Indenture or the related Loan Agreement with respect to the related Bonds have been paid or provided for.

Outstanding Bonds shall be deemed to have been paid under the related Indenture if the Trustee shall be holding in trust for and shall have irrevocably committed to the payment of such outstanding Bonds (i) Available Moneys or (ii) if the Bonds bear interest at a Long-Term Interest Rate to the maturity date of the Bonds, United States Obligations the payments on which when due, without reinvestment, together with any Available Moneys, so held and so committed, will be in the opinion of a firm of certified public accountants or other verification agent acceptable to the Trustee and Corporation, sufficient for the payment of all principal of and interest and premium, if any, on such Bonds to the date of maturity or redemption, as the case may be; provided, however, that if any of such Bonds are deemed to have been paid prior to the earlier of the redemption or the maturity thereof, the Trustee, the Corporation and the Authority shall have received an opinion of Bond Counsel that such payment and the holding thereof by the Trustee shall not in and of itself cause interest on the Bonds to be included in gross income for federal income tax purposes; and provided further that, if any such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption will have been duly given to the Bondholders or irrevocable provisions satisfactory to the Trustee will have been duly made for the giving of such notice to the Bondholders.

Notwithstanding any other provision of the related Indenture to the contrary, if an Outstanding Bond has been deemed to be paid under the related Indenture and the Holder or Beneficial Owner of such Bond delivers an optional tender notice with respect to such Bond, that would result in a purchase of such Bond pursuant to the related Indenture prior to its maturity or redemption date: (1) the Remarketing Agent shall not remarket such series of Bonds; (2) the Trustee shall transfer to the Tender Agent, not later than 2:30 p.m. on the Tender Date for such Bond, Available Moneys from the deposit described in the preceding paragraph sufficient to pay the Tender Price of such Bond; (3) the Tender Agent shall purchase such Bond on the Tender Date applicable to such Bond; and (4) such Bond shall be delivered to the Trustee for cancellation and shall be cancelled.

Notwithstanding any other provision of the related Indenture to the contrary, if Outstanding Bonds shall have been deemed to be paid because a deposit of Available Moneys has been made under an Indenture, the Interest Rate Period for such series of Bonds may not thereafter be converted to another Interest Rate Period by the Corporation.

Notwithstanding any other provision of the related Indenture to the contrary, if Outstanding Bonds have been deemed to be paid because a deposit of Available Moneys has been made under the "Defeasance of Lien" section, with the proceeds of one or more drawings under the applicable Credit Facility, then the surrender by the Trustee of the Credit Facility to the applicable Credit Facility Provider for cancellation prior to maturity or redemption date of the Bonds shall not cause the Bonds to be subject to purchase under the related Indenture.

After all of the Outstanding Bonds shall be deemed to have been paid and all other amounts required to be paid under the related Indenture shall have been paid, then upon the termination of the Indenture any amounts in the related Project Fund and the related Bond Fund shall be paid first to the Trustee and then to the Authority to the extent necessary to repay any unpaid obligations owing to the Trustee and/or the Authority under the related Indenture or under the related Loan Agreement with respect to the Bonds, and then to the related Credit Facility Provider to the extent necessary to pay any amounts owing to the related Credit Facility Provider under the applicable Credit Facility Agreement and thereafter the remainder, if any, shall be paid to the Corporation.

Notwithstanding any other provision of the related Indenture to the contrary, Bonds paid by payments made under the applicable Credit Facility, shall be deemed to be Outstanding Bonds until all amounts due under the applicable Credit Facility Agreement have been paid to the Credit Facility Provider.

The Bonds

Interest and Payment Terms of Bonds. Except as provided in the provisions of the related Indenture with respect to the Index Interest Rate Bonds and Bank Bonds, the interest rate and Interest Rate Period on and for a particular series of Bonds may be adjusted as set forth in each Indenture. Except while a particular series of Bonds bears interest at Bond Interest Term Rates, all Bonds of the same series shall bear the same interest rate for the same Interest Rate Period. No Bond shall, at any time, bear interest in excess of the Maximum Bond Interest Rate, provided that the interest rate on Bank Bonds pursuant to any Liquidity Facility, Credit Facility, Credit Facility Agreements or agreement providing for a Liquidity Facility and Bonds bearing interest at an Index Interest Rate and

Unremarketed Bonds shall not be subject to the Maximum Bank Bond Interest Rate and may bear interest in excess thereof.

Interest on a particular series of Bonds shall be paid on each Interest Payment Date, any redemption date and on the Maturity Date therefor. Except during a Long-Term Interest Rate Period, interest on the Bonds shall accrue on the basis of the actual number of days elapsed during the Interest Rate Period and a year of 365 days (366 days in a leap year). Interest on the Bonds bearing interest at a Long-Term Interest Rate shall accrue on the basis of a 360 day year based on twelve 30 day months.

Interest shall be paid on each series of Bonds on each applicable Interest Payment Date. Each Bond shall bear interest from and including the Interest Accrual Date immediately preceding the date of authentication thereof or, if such date of authentication is an Interest Accrual Date to which interest on such Bond has been paid in full or duly provided for, from such date of authentication or, if it is the first payment of interest on such series of Bonds, the date thereof. If, as shown by the records of the Trustee, interest on the particular series of Bonds is in default, Bonds issued in exchange for Bonds surrendered for registration of transfer or exchange shall bear interest from the date to which interest has been paid in full on the Bonds of such series so surrendered or, if no interest has been paid on such Bonds, from the date thereof.

For any Daily Interest Rate Period, interest on the Bonds of a series bearing interest at a Daily Interest Rate shall be payable on each Interest Payment Date for the period commencing on the Interest Accrual Date preceding the prior Interest Payment Date (or, in the case of the first Interest Payment Date during any Daily Interest Rate Period, the Interest Accrual Date preceding such Interest Payment Date) and ending on the last day of the month in which such Interest Accrual Date occurs (or, if sooner, the last day of the Daily Interest Rate Period). For any Weekly Interest Rate Period, interest on the Bonds shall be payable on each Interest Payment Date for the period commencing on the immediately preceding Interest Accrual Date (or, if any Interest Payment Date is not a Wednesday, commencing on and including the second preceding Interest Accrual Date) and ending on and including the Tuesday immediately preceding the Interest Payment Date (or, if sooner, the last day of the Weekly Interest Rate Period).

In any event, interest on each series of Bonds shall be payable for the final Interest Rate Period to the date on which such series of Bonds has been paid in full.

The terms of the Bonds shall be divided into consecutive Interest Rate Periods during each of which the Bonds shall bear interest at the Daily Interest Rate, Weekly Interest Rate, Bond Interest Term Rates, Index Interest Rate or Long-Term Interest Rate. However, at any given time, all Bonds shall bear interest at a Daily Interest Rate, a Weekly Interest Rate, a Long-Term Interest Rate, an Index Interest Rate or at Bond Interest Term Rates.

For a summary of the provisions relating to determination of the interest rates, conversion and optional and mandatory tender of the Bonds while the Bonds bear interest at the Weekly Interest Rate or Daily Interest Rate, see 'THE BONDS" in the forepart of this Official Statement. Each Indenture provides for the Conversion to and from the other rates at which the Bonds could bear interest during a Bond Interest Rate Term Period, Long-Term Interest Rate Period and Index Interest Rate Period as well as how these other interest rates are determined. Each series of Bonds shall be subject to mandatory tender for purchase on the first day of each Interest Rate Period.

Determinations of Remarketing Agent Binding

The determination for a particular series of Bonds bearing interest at the Daily Interest Rate and the Weekly Interest Rate by the Remarketing Agent shall be conclusive and binding upon the Corporation, the Authority, the Trustee, the Tender Agent, the Remarketing Agent, the Liquidity Facility Provider (if any), the Credit Facility Provider (if any) and such Bondholders.

Bank Bonds

Bank Bonds shall bear interest at the Bank Bond Rate and such interest shall accrue and be payable on any Interest Payment Date for Bank Bonds. On each Interest Payment Date for which interest is payable with respect to

Bank Bonds, if any Bonds were not Bank Bonds at any time since the last Interest Payment Date, the Corporation shall pay directly to the Liquidity Facility Provider or the Credit Facility Provider the amount by which the interest accrued on such Bank Bonds for such period exceeds the amount of interest that would have accrued on such Bank Bonds during such period if such Bank Bonds had not been Bank Bonds during such period.

Maximum Bond Interest Rate to Apply Under Certain Circumstances

Notwithstanding anything in the related Indenture to the contrary, if the Bonds are bearing interest at a Weekly Interest Rate, a Daily Interest Rate or Bond Interest Term Rates and the Remarketing Agent resigns and no successor has been appointed as of the effective date of such resignation, then the Bonds shall bear interest at the Maximum Bond Interest Rate until a successor Remarketing Agent has been appointed and begins determining the Weekly Interest Rate, Daily Interest Rate or Bond Interest Term Rates. Notwithstanding anything in the related Indenture to the contrary, if a Liquidity Facility is required to be maintained pursuant to the related Indenture and no Liquidity Facility, Self Liquidity Arrangement or Credit Facility is in effect, then the Bonds shall bear interest at the Maximum Bond Interest Rate until an Alternate Liquidity Facility is delivered to the Tender Agent and accepted pursuant to the related Indenture, a Self Liquidity Arrangement becomes effective pursuant to the related Indenture, or a Credit Facility is delivered to the Trustee and accepted pursuant to the related Indenture.

Irrevocable Notice Deemed to be Tender of Bond

The giving of notice by a Holder of Bonds as provided in the Indentures shall constitute the irrevocable tender for purchase of each Bond with respect to which such notice is given regardless of whether that Bond is delivered to the Tender Agent for purchase on the relevant Tender Date.

The Tender Agent may refuse to accept delivery of any Bond for which a proper instrument of transfer has not been provided. Such refusal shall not affect the validity of the purchase of such Bond as described in each Indenture.

Payment of Tender Price by Corporation

If all or a portion of the Bonds tendered for purchase cannot be remarketed and the Liquidity Facility Provider or the Credit Facility Provider, if any, fails to purchase all or any part of the unremarketed portion of such tendered Bonds in accordance with the Liquidity Facility or the Credit Facility on a Tender Date, the Corporation shall pay to the Tender Agent as soon as practicable on a Tender Date immediately available funds (together with any remarketing proceeds and any funds provided under such Liquidity Facility or Credit Facility) sufficient to pay the Tender Price on the Bonds tendered for purchase. The Tender Agent shall deposit the amount paid by the Corporation, in the Borrower Purchase Account of each Bond Purchase Fund pending application of the money to the payment of the Tender Price as set forth in the related Indenture.

Bonds to be Paid at Maturity or Redeemed Instead of Being Purchased

Bonds that are to be paid at maturity, or to be redeemed in accordance with the related Indenture, on the same date that such Bonds are to be purchased pursuant to the mandatory tender provisions of the related Indenture (and Bonds issued in exchange for or upon the registration of transfer of such Bonds) shall be paid or redeemed, as applicable, on such date instead of being purchased on such date.

Liquidity Facility

A Liquidity Facility, in an amount at least equal to the sum of outstanding principal and interest calculated at the Maximum Bond Interest Rate for an Interest Rate Period, plus five days, shall be maintained by the Corporation for Bonds bearing interest at the Weekly Interest Rate, the Daily Interest Rate or Bond Interest Term Rates and, if and to the extent that the Corporation shall elect for Bonds bearing interest at the Long-Term Interest Rate. The Corporation may maintain a Self Liquidity Arrangement in lieu of a Liquidity Facility.

Requests to Pay Tender Price. If there is not a sufficient amount of money available to pay the Tender Price pursuant to the Indentures on a Tender Date on which Bonds are required to be purchased, the Tender Agent

shall make a Request or Requests under the Liquidity Facility in accordance with its terms, at the times and in the manner required by the related Indenture to receive immediately available funds on the Tender Date sufficient to pay the balance of the Tender Price. The Tender Agent will deposit the proceeds of such Requests in the Liquidity Facility Purchase Account pursuant to the related Indenture pending application of that money to the payment of the Tender Price. In determining the amount of the Tender Price then due, the Tender Agent shall not take into consideration any Bank Bonds or Borrower Bonds. No Requests shall be made under a Liquidity Facility to pay the Tender Price of Bank Bonds or Borrower Bonds which are registered in the name of the Corporation or, to the best knowledge of the Tender Agent, of any nominees for (or any Person who owns such Bonds for the sole benefit of) any of the foregoing. Bank Bonds and Borrower Bonds may not be tendered for purchase at the option of the Liquidity Facility Provider or the Corporation, respectively. If the Liquidity Facility Provider fails to honor a properly presented and conforming draw presented in accordance with the terms of the Liquidity Facility, the Tender Agent shall immediately by Electronic Means notify the Corporation and request that the Corporation make a deposit to the Borrower Account of each Bond Purchase Fund in an amount together with other funds on deposit in the applicable account will be sufficient to make the related payment.

Surrender of Liquidity Facility. If an Alternate Liquidity Facility is delivered to the Tender Agent and accepted pursuant to an Indenture, a Self Liquidity Arrangement becomes effective, or a Credit Facility is delivered to the Trustee and accepted pursuant to an Indenture, then the Tender Agent shall surrender the Liquidity Facility previously held for cancellation, provided that no Liquidity Facility shall be surrendered until after the date on which Bonds required to be purchased as a result of termination, replacement, expiration, or the occurrence of a Mandatory Standby Tender, have been purchased or deemed purchased in accordance with the related Indenture. If a Liquidity Facility automatically terminates or is no longer required to be maintained under the related Indenture, the Tender Agent shall surrender such Liquidity Facility to the issuer thereof for cancellation in accordance with the terms of the Liquidity Facility. Upon the defeasance of the Bonds pursuant to an Indenture and if, at such time, the Bonds are no longer subject to tender for purchase, the Tender Agent shall surrender the Liquidity Facility, if any, to the Liquidity Facility Provider for cancellation in accordance with the terms of that Liquidity Facility. The Tender Agent shall comply with the procedures set forth in each Liquidity Facility relating to the termination thereof and shall deliver any certificates reducing the stated amount of the Liquidity Facility in accordance with the provisions thereof.

Alternate Liquidity Facility

Delivery by Corporation of Alternate Liquidity Facility. Prior to the expiration or termination of a Liquidity Facility or Credit Facility or if a Self Liquidity Arrangement is in effect, the Corporation may provide for the delivery to the Tender Agent of an Alternate Liquidity Facility which has a term of at least 364 days. Any Alternate Liquidity Facility delivered to the Tender Agent pursuant to an Indenture shall be delivered and become effective not later than ten (10) days prior to the date on which the former Liquidity Facility terminates or expires and shall contain administrative provisions reasonably acceptable to the Tender Agent and the related Remarketing Agent. On or prior to the date of the delivery of the Alternate Liquidity Facility to the Tender Agent, the Corporation shall furnish to the Tender Agent the documents specified in such Indenture.

Acceptance by Tender Agent. If at any time there is delivered to the Tender Agent (i) an Alternate Liquidity Facility covering all of the Bonds, (ii) the information, opinions and data required by the related Indenture, and (iii) all information required to give the notice of mandatory tender for purchase of the Bonds of such Series, then the Tender Agent shall accept such Alternate Liquidity Facility. If a Liquidity Facility is then in effect, the Tender Agent shall surrender the Liquidity Facility pursuant to the related Indenture. If a Credit Facility is then in effect for a Series of Bonds, the Tender Agent shall surrender the Credit Facility pursuant to the related Indenture.

Effectiveness of Self Liquidity Arrangement. A Self Liquidity Arrangement shall become effective upon delivery to the Tender Agent of letters from at least one of Moody's, S&P or Fitch and by all of them that are then rating the Bonds confirming that the Bonds are rated in the highest short-term rating category (without giving effect to any gradations within such category). A Self Liquidity Arrangement shall be deemed to be replaced by an Alternate Liquidity Facility or a Credit Facility on the date that such Alternate Liquidity Facility is delivered to the Tender Agent and accepted pursuant to the related Indenture or a Credit Facility is delivered to the Trustee and accepted pursuant to the related Indenture.

Rights and Duties under Liquidity Facility

The Tender Agent, by accepting its appointment as such, agrees without further direction, to make Requests under the Liquidity Facility then in effect, if any, for the payment or purchase of Bonds in accordance with the terms and conditions set forth in the Indentures and that Liquidity Facility at the times, in the manner and for the purposes set forth therein.

Notice of Expiration, Termination, or Proposed Replacement of Liquidity Facility or Self Liquidity Arrangement

The Trustee shall give notice as provided in the Indentures to the Holders of the Bonds secured by a Liquidity Facility of the expiration or termination or expiration of such Liquidity Facility in accordance with its terms, the proposed replacement of such Liquidity Facility, or any Mandatory Standby Tender under such Liquidity Facility. If there should occur any event resulting in the immediate termination or suspension of the obligation of the Liquidity Facility Provider to purchase Bonds under the terms of any Liquidity Facility, then the Trustee shall as soon as practicably possible thereafter notify the Authority, the Corporation, the Tender Agent, the related Remarketing Agent and the Holders of all the Bonds of such series then outstanding secured by such Liquidity Facility as provided in the related Indenture.

Credit Facility

While the Bonds bear interest at the Weekly Interest Rate, the Daily Interest Rate or Bond Interest Term Rates and, if and to the extent that the Corporation shall elect, the Long-Term Interest Rate, the Corporation may maintain a Credit Facility in lieu of a Liquidity Facility.

If a Credit Facility for the Bonds is in effect, the Trustee shall, on or before each Interest Payment Date, and each other date on which a payment of principal is due either at maturity or as a result of any mandatory or optional redemption of such Bonds or any acceleration of the maturity of such Bonds or otherwise to make a drawing under such Credit Facility, in accordance with the terms of the Credit Facility, no later than the time provided in such Credit Facility for presentations of drafts in order to receive payment in immediately available funds by 1:00 p.m. on such date, equal to the interest on Bonds then payable from such Credit Facility due on such date (other than such interest representing a portion of the Tender Price of any Bonds required to be purchased on such date and other than any interest due on Bank Bonds) and shall use such drawing to pay such interest due on the Bonds on such date. In determining the amount of any such interest then due, the Trustee shall not take into consideration any interest due on any Bond for any period when such Bond is a Bank Bond or for any Bonds owned by a member of the Credit Group or any affiliate of a member of the Credit Group, and no drawings under such Credit Facility shall be made, or be used, to pay interest on any Bond for any period when such Bond is a Bank Bond or for any Bonds owned by a member of the Credit Group or any affiliate of a member of the Credit Group.

If a Credit Facility for the Bonds is in effect, on or before each date on which a payment of principal or redemption premium (if covered by such Credit Facility) is due either at maturity or as a result of any mandatory or optional redemption of such Bonds or any acceleration of the maturity of such Bonds or otherwise (in each case, other than an amount representing the principal portion of the Tender Price of any such Bonds required to be purchased on such date and other than any principal due on Bank Bonds), the Trustee shall make a drawing under such Credit Facility, in accordance with the terms of the Credit Facility, no later than the time provided in such Credit Facility for presentations of drafts in order to receive payment in immediately available funds by 1:00 p.m. on the date such principal or redemption premium (if covered by such Credit Facility) is payable, equal to the amount of such principal or redemption premium payment and shall use such drawing to make such payment. In determining the amount of such principal and redemption premium then due, the Trustee shall not take into consideration any principal or redemption premium required on Bank Bonds or for any Bonds owned by a member of the Credit Group or any affiliate of a member of the Credit Group, and no drawings under such Credit Facility shall be made or be used to pay any principal of or redemption premium on Bank Bonds or for any Bonds owned by a member of the Credit Group or any affiliate of a member of the Credit Group.

If a Credit Facility for the Bonds is in effect, and if by 12:30 p.m. on a Tender Date on which Bonds are required to be purchased pursuant to the related Indenture, there is not a sufficient amount of money available to pay

the Tender Price pursuant to the related Indenture, then by 12:45 p.m., New York, New York time on such Tender Date (i) the Tender Agent shall notify the Corporation and the Trustee by telephone, promptly confirmed in writing, as to the aggregate Tender Price of Bonds to be purchased and as to the Funding Amount, and (ii) the Trustee is directed to make a drawing under such Credit Facility, in accordance with the terms of the Credit Facility, no later than the time provided in such Credit Facility for presentations of drafts in order to receive payment in immediately available funds by 2:45 p.m. on the Tender Date sufficient to pay the balance of the Tender Price. The proceeds of such drawing may be paid directly to the Tender Agent or, if such proceeds are received by the Trustee, shall be transferred immediately by the Trustee to the Tender Agent, for deposit in the related Credit Facility Purchase Account, and held uninvested pending application to the payment of the Tender Price of such Bonds. In determining the amount of the Tender Price then due, the Tender Agent shall not take into consideration any Bank Bonds or any Bonds owned by a member of the Credit Group or any affiliate of a member of the Credit Group, and no drawings under the Credit Facility shall be made or be used to pay the Tender Price of any Bank Bonds or of any Bonds owned by a member of the Credit Group or any affiliate of a member of the Credit Group.

The Trustee shall give notice to the Holders of the Bonds on or before the 10th day preceding the expiration or termination of a Credit Facility in accordance with its terms or the proposed replacement of such Credit Facility. Such notice shall comply with the requirements of the Indentures.

Alternate Credit Facility; Delivery of Credit Facility to Replace Liquidity Facility; Surrender of Credit Facility

If there is delivered to the Trustee an Alternate Credit Facility covering the Bonds, together with items specified in the related Indenture, then the Trustee shall accept such Alternate Credit Facility.

If a Liquidity Facility or a Self Liquidity Arrangement is in effect with respect to the Bonds, the Credit Facility covering the Bonds may be delivered to the Trustee if all of the conditions set forth in the related Indenture regarding the delivery of an Alternate Credit Facility for the Bonds are satisfied.

If an Alternate Credit Facility is delivered to the Trustee and accepted pursuant to the related Indenture, an Alternate Liquidity Facility is delivered to the Tender Agent and accepted pursuant to the related Indenture or a Self Liquidity Arrangement becomes effective pursuant to the related Indenture, then the Trustee shall surrender the existing Credit Facility for cancellation, provided that no Credit Facility shall be surrendered until after the date on which Bonds required to be purchased pursuant to the related Indenture have been purchased or deemed purchased in accordance with such Indenture. If a Credit Facility terminates or is no longer required to be maintained under the related Indenture, the Trustee shall surrender such Credit Facility to the Credit Facility Provider for cancellation in accordance with the terms of the Credit Facility. Upon the defeasance of the Bonds pursuant to the related Indenture and if, at such time, the Bonds are no longer subject to tender for purchase, the Trustee shall surrender the Credit Facility, if any, to the Credit Facility Provider for cancellation in accordance with the terms of the Credit Facility.

Rights and Duties Under the Credit Facility

If a Credit Facility is in effect, the Trustee shall, without further direction, draw amounts under the Credit Facility in accordance with the terms and conditions set forth in the related Indenture at the times, in the manner and for the purposes set forth in each Indenture. If the Trustee makes a drawing under the Credit Facility relating to the Bonds after the principal of the Bonds has been declared immediately due and payable following the occurrence of an Event of Default with respect to the Bonds, the proceeds of such drawing shall be applied by the Trustee immediately to the payment of the Bonds entitled to be paid therefrom. So long as the Credit Facility remains in effect with respect to any Bonds, the Trustee may not waive an Event of Default with respect to the Bonds if a drawing has been made under the Credit Facility, all or any portion of which is subject to reinstatement as provided in the Credit Facility relating thereto, and such reinstatement has not yet occurred. The Trustee in its name or in the name of the Authority may enforce all rights of the Trustee and of the Authority and all obligations of the Credit Facility Provider (including the obligation of the Credit Facility Provider to honor drafts duly presented in accordance with the terms and conditions of the Credit Facility) under and pursuant to the Credit Facility, for the benefit of the Holders of the Bonds.

Remarketing Agent; Tender Agent

The Remarketing Agent will keep such books and records as shall be consistent with prudent industry practice and make such books and records available for inspection by the Corporation, the Authority, the Trustee, the Tender Agent, the Credit Facility Provider and the Liquidity Facility Provider.

The Tender Agent agrees: to hold all Bonds delivered to it pursuant to the related Indenture as agent and bailee of, and in escrow for the benefit of, the respective Holders which have delivered such Bonds until money representing the Tender Price of such Bonds shall have been delivered to or for the account of or to the order of such Holders; to hold all Bonds registered in the name of the new Holders thereof which have been delivered to it by the Trustee for delivery to the Remarketing Agent in accordance with the related Indenture; to hold Bonds for the account of the Corporation as stated in the Indentures and Bank Bonds for the account of the Liquidity Facility Provider or Credit Facility Provider as stated in the Indentures; and to keep such books and records as shall be consistent with prudent industry practice and to make such books and records available for inspection by the Authority, the Trustee, the Corporation, the related Liquidity Facility Provider, related Credit Facility Provider and the related Remarketing Agent at all reasonable times. The Trustee will be the Tender Agent so long as a Credit Facility is in effect with respect to the Bonds.

Qualifications of Remarketing Agent and Tender Agent; Resignation and Removal

Each Remarketing Agent shall be a commercial bank, national banking association or trust company or a member of the Financial Industry Regulatory Authority, Inc. and authorized by law to perform all the duties imposed upon it by the related Indenture and the related Remarketing Agreement. A Remarketing Agent may at any time resign and be discharged of the duties and obligations created by the related Indenture by giving at least 30 days' notice to the Authority, the Corporation, the Trustee, the Tender Agent and the Liquidity Facility Provider or the Credit Facility Provider. A Remarketing Agent may be removed by the Corporation, with the consent of the Liquidity Facility Provider or the Credit Facility Provider, which consent shall not be unreasonably withheld, at any time on 15 days notice, evidenced by an instrument signed by the Corporation and delivered to such Remarketing Agent, the Authority, the Trustee and the Tender Agent. Notwithstanding the provisions of this paragraph, such removal or resignation shall not take effect prior to the date that a successor Remarketing Agent has been appointed by the Corporation and such successor has accepted such appointment. Notwithstanding the provisions of this paragraph, if a Liquidity Facility is required to be maintained pursuant to the related Indenture and no Liquidity Facility, Self Liquidity Arrangement or Credit Facility is in effect, the Remarketing Agent may not be removed unless the Remarketing Agent consents to such removal or the successor Remarketing Agent agrees to purchase any Bonds owned by the Remarketing Agent as of the effective date of such removal at a purchase price equal to the principal amount thereof plus accrued interest from the immediately preceding Interest Accrual Date to the effective date of such removal.

Each Tender Agent shall be a commercial bank with trust powers or a trust company duly organized under the laws of the United States of America or any state or territory thereof having a combined capital stock, surplus and undivided profits of at least $15,000,000 and authorized by law to perform all the duties imposed upon it by the related Indenture. A Tender Agent may at any time resign and be discharged of the duties and obligations created by the related Indenture by giving at least 60 days' notice to the Authority, the Corporation, the Trustee, the Remarketing Agent and the Liquidity Facility Provider or the Credit Facility Provider. A Tender Agent may be removed at any time by an instrument signed by the Corporation, and delivered to such Tender Agent, the Authority, the Trustee, the Remarketing Agent and the Liquidity Facility Provider or the Credit Facility Provider. Notwithstanding the provisions of this paragraph, such resignation or removal shall not take effect prior to the date that a successor Tender Agent has been appointed by the Corporation and has accepted such appointment, and the Liquidity Facility, if any, has been transferred, in accordance with its terms, to that successor. Upon the effective date of resignation or removal of a Tender Agent, such Tender Agent shall deliver any Bonds and money held by it in such capacity to its successor and shall assign all of its rights under the Liquidity Facility, if any, then in effect to its successor.

Notice of Bonds Delivered for Purchase; Purchase of Bonds; Deposit of Tender Price; Undelivered Bonds

The Tender Agent shall determine timely and proper delivery of Bonds pursuant to the Indentures and the proper endorsement of Bonds delivered. That determination shall be binding on the Holders of those Bonds, the Authority, the Corporation, the Liquidity Facility Provider, the Credit Facility Provider and the Remarketing Agent, absent manifest error.

Bonds required to be purchased in accordance with the Indentures shall be purchased from the Holders thereof, on the Tender Date and at the Tender Price. Funds for the payment of the Tender Price shall be received by the Tender Agent from the following sources and used in the order of priority indicated: (i) proceeds of the sale of Bonds remarketed pursuant to the Indentures and the related Remarketing Agreement and furnished to the Tender Agent by the Remarketing Agent for deposit into the related Remarketing Account of the applicable Bond Purchase Fund; (ii) money furnished by the related Liquidity Facility Provider or Credit Facility Provider to the Tender Agent for deposit into the Liquidity Facility Purchase Account of the applicable Bond Purchase Fund from Requests on such Liquidity Facility, if any, or the Credit Facility Purchase Account of the applicable Bond Purchase Fund from a draw on the related Credit Facility (provided that moneys from Requests on such Liquidity Facility or draws on the related Credit Facility shall not be used to purchase Bank Bonds or Borrower Bonds); and (iii) money, if any, furnished by the Corporation to the Tender Agent for deposit into the Borrower Purchase Account for the purchase of Bonds by the Corporation. Money held in each Bond Purchase Fund shall be held uninvested by the Tender Agent.

If any Holder of a Bond who has given notice of tender for purchase pursuant to the related Indenture or any Holder of a Bond subject to mandatory tender for purchase pursuant to the related Indenture, shall fail to deliver such Bond to the Tender Agent at the place and on the Tender Date and at the time specified, or shall fail to deliver such Bond properly endorsed, such Bond shall constitute an Undelivered Bond. If funds in the amount of the Tender Price of the Undelivered Bond are available for payment to the Holder thereof on the Tender Date and at the time specified, then from and after the Tender Date and time of such required delivery (a) the Undelivered Bond shall be deemed to be purchased and shall no longer be deemed to be Outstanding under the related Indenture; (b) interest shall no longer accrue on the Undelivered Bond and (c) funds in the amount of the Tender Price of the Undelivered Bond shall be held uninvested by the Tender Agent for the benefit of the Holder thereof (provided that the Holder shall have no right to any investment proceeds derived from such funds), to be paid on delivery (and proper endorsement) of the Undelivered Bond to the Tender Agent at its Principal Office for the delivery of such Bonds. Any money which the Tender Agent segregates and holds in trust for the payment of the Tender Price of such Bond which remains unclaimed for five years after the date of purchase shall be paid to the Corporation. After the payment of such unclaimed money to the Corporation, the former Holder of such Bonds shall look only to the Corporation for the payment thereof. The Corporation shall not be liable for any interest on unclaimed money and shall not be regarded as a trustee of such money.

Remarketing of Bonds; Notice of Interest Rates

Upon receipt of a notice of optional or mandatory tender from the Tender Agent pursuant to an Indenture (other than a Mandatory Standby Tender), the Remarketing Agent shall offer for sale and use its best efforts to sell such Bonds (including Bank Bonds) on the same date designated for purchase thereof in accordance with such Indenture and, if not remarketed on such date, thereafter until sold, at a price equal to par plus accrued interest, with such interest component of the sales price being determined by the Remarketing Agent, with consent of the Tender Agent, in order to facilitate remarketing. Bonds subject to a Mandatory Standby Tender shall not be remarketed unless such Bonds are converted to a Long-Term Interest Rate Period to their Maturity Date or to an Index Interest Rate Period, unless (i) an Alternate Liquidity Facility is in full force and effect for such Bonds, (ii) such Liquidity Facility Provider has reinstated such Liquidity Facility with respect to which such Mandatory Standby Tender was declared and such Liquidity Facility is in full force and effect, or (iii) the Remarketing Agent agrees, in its sole discretion, but with the consent of the Corporation, to remarket the Bonds. Bonds shall not be remarketed to the Authority, or the Corporation or any affiliate thereof. Bonds shall not be remarketed unless a Liquidity Facility, a Self Liquidity Arrangement or a Credit Facility is in place when required under the related Indenture unless the Remarketing Agent agrees, in its sole discretion, but with the consent of the Corporation, to remarket the Bonds. The Bonds shall not be remarketed following a Mandatory Purchase Date occurring at the Credit Facility Provider's

direction pursuant to the related Indenture unless and until the related Remarketing Agent has received the consent of such Credit Facility Provider to such remarketing.

The applicable Remarketing Agent shall determine the rate of interest for Bonds during each Interest Rate Period and each Bond Interest Term relating thereto and the Bond Interest Terms for such series of Bonds during each Short-Term Interest Rate Period relating thereto as provided in the related Indenture and shall furnish to the Trustee, the Authority and the Corporation no later than the Business Day next succeeding the date of determination each rate of interest and Bond Interest Term so determined.

Delivery of Bonds

Bonds purchased with money from the proceeds of the sale of Bonds remarketed pursuant to the Indentures shall be made available by the Tender Agent to the Remarketing Agent for delivery to the purchasers thereof against payment therefor. Bonds purchased with money furnished by the Liquidity Facility Provider or the Credit Facility Provider to the Tender Agent for deposit into the Liquidity Facility Purchase Account of the applicable Bond Purchase Fund from Requests on the Liquidity Facility, if any, or the Credit Facility Purchase Account of the applicable Bond Purchase Fund from a draw on the Credit Facility, if any, shall be registered in the name of the Liquidity Facility Provider or the Credit Facility Provider and delivered in certificated form to the Liquidity Facility Provider or the Credit Facility Provider as soon as practical following their purchase or held by the Tender Agent as agent for the Liquidity Facility Provider or the Credit Facility Provider, as directed by the Liquidity Facility Provider or the Credit Facility Provider. Bonds purchased with money furnished by the Corporation to the Tender Agent shall be held in escrow by the Tender Agent for the account of the Corporation until the Tender Agent receives further instructions from the Corporation regarding disposition of those Borrower Bonds. Bonds delivered as described in this paragraph shall be registered in the manner directed by the recipient thereof.

When any Bank Bonds are remarketed, the Tender Agent shall not release Bonds so remarketed to the Remarketing Agent until the Tender Agent has received and forwarded to the Liquidity Facility Provider or the Credit Facility Provider the proceeds of such remarketing and (unless the Liquidity Facility or the Credit Facility is no longer to remain in effect) the Liquidity Facility or the Credit Facility has been reinstated in an amount equal to the principal and corresponding interest coverage of the Bank Bonds so remarketed and the Tender Agent has received written notice of such reinstatement.

Delivery of Proceeds of Sale

The proceeds of the sale by the Remarketing Agent of any Bonds (including Bank Bonds) shall be delivered to the Tender Agent for deposit into the Remarketing Account of each Bond Purchase Fund.

Inadequate Funds for Tenders

If sufficient funds are not available for the purchase of all Bonds tendered or deemed tendered and required to be purchased on any Tender Date, the failure to pay Tender Price of all tendered Bonds when due and payable shall constitute an Event of Default pursuant to an Indenture with respect to such series, and all tendered Bonds shall be returned to their respective Holders, and all such Bonds shall bear interest at the Maximum Bond Interest Rate from the date of such failed purchase until all such Bonds are purchased as required in accordance with such Indenture. Thereafter, the Trustee shall continue to take all such action available to it to obtain remarketing proceeds from the Remarketing Agent and sufficient other funds from the Liquidity Facility Provider, the Credit Facility Provider or the Corporation.

Source and Application of Funds

Each Indenture creates a Project Fund, a Cost of Issuance Fund, a Bond Fund and a Bond Purchase Fund.

Project Fund and Cost of Issuance Fund. A Project Fund and a Cost of Issuance Fund are established by the Authority with the Trustee under each Indenture. Upon the issuance and delivery of the Bonds, the proceeds of the sale thereof shall be deposited in the applicable Project Fund and the Cost of Issuance Fund as set forth in the related Indenture. The Trustee will make each disbursement from a Project Fund and a Cost of Issuance Fund

required by the provisions of the related Indenture. Moneys in a Project Fund may also be invested as provided in the related Indenture. On the Issue Date, the Trustee shall establish separate accounts in the Project Fund to be referred to as a "Refunding Account" and a "Project Account."

Moneys on deposit in the Project Account of the Project Fund shall be paid out from time to time by the Trustee upon the request of the Corporation in order to pay or as reimbursement to the Corporation for payment made for the costs of constructing, acquiring, renovating and equipping the 2011 Project, in each case upon receipt by the Trustee of a disbursement request signed by a Borrower. Moneys on deposit in the Refunding Account of the Project Fund will be used to pay the Refunded Bonds.

Bond Fund. There is created and established with the Trustee a trust fund under each Indenture to be designated "Indiana University Health Bond Fund" (the "Bond Fund"), which shall be used to pay when due the principal of, premium, if any, and interest on the Bonds. Moneys deposited in each Bond Fund from time to time shall be applied solely as follows:

1. Loan Payments relating to the Bonds (excluding any amounts relating to the Tender Price of Bonds) shall be deposited into the Bond Fund in the amounts required to pay the principal of and premium, if any, and interest next coming due on the Bonds.

2. Sums received by the Trustee after drawing on the Credit Facility shall be deposited in the Bond Fund and applied to the payment of principal of and interest on the Bonds when due.

3. Sums for the redemption of Bonds as described in the related Indenture shall be deposited into the Bond Fund and shall be applied to make such redemptions.

4. Sums received upon exercise of remedies by the Trustee or the Authority after an Event of Default (except sums received by the Authority pursuant to the Reserved Rights) shall be deposited in the Bond Fund. Such monies shall be applied in accordance with the provisions of each Indenture.

While the applicable Credit Facility is in effect, each deposit into the Bond Fund not constituting Available Moneys shall be placed in a separate account or subaccount within the respective Bond Fund, and may not be commingled with other money in any such account or subaccount until such money becomes Available Moneys.

Pursuant to the related Indenture, the Authority authorizes and directs the Trustee, and the Trustee agrees, to withdraw from the Bond Fund, and make available at the Principal Office of the Trustee sufficient funds (to the extent available) to pay the principal of, redemption premium, if any, and interest on the Bonds of such Series as the same become due and payable, whether due by maturity, acceleration, redemption or otherwise, only in the following order of priority:

FIRST: Amounts drawn by the Trustee under the Credit Facility for such Bonds.

SECOND: Available Moneys on deposit in the Bond Fund, other than amounts received by the Trustee in respect of drawings under a Credit Facility.

THIRD: Any other amounts in such funds or accounts, including but not limited to moneys obtained from the Corporation.

Bond Purchase Fund. There is established with and maintained by the Tender Agent an "Indiana University Health Bond Purchase Fund" for each Series of Bonds. The Tender Agent will further establish within each Bond Purchase Fund separate trust accounts to be referred to as a "Remarketing Account," a "Liquidity Facility Purchase Account", "Credit Facility Purchase Account" and a "Borrower Purchase Account."

Remarketing Account. Upon receipt of the proceeds of a remarketing of Bonds on a Tender Date pursuant to an Indenture, the Tender Agent will deposit such proceeds in the Remarketing Account of each Bond Purchase Fund for application to the Tender Price of such Bonds in accordance with such Indenture and, if the Tender Agent

is not a paying agent with respect to such Bonds, will transmit such proceeds to the Trustee for such application. Only proceeds derived from the remarketing of such Bonds shall be deposited into the related Remarketing Account and such moneys shall not be commingled with moneys derived from any other sources. Notwithstanding the foregoing, upon receipt of the proceeds of a remarketing of Bank Bonds, the Tender Agent shall immediately pay such proceeds to the Liquidity Facility Provider.

Liquidity Facility Purchase Account. Upon receipt from the Liquidity Facility Provider for a particular series of Bonds of the immediately available funds transferred to the Tender Agent pursuant to an Indenture, the Tender Agent shall deposit such money in the related Liquidity Facility Purchase Account of each Bond Purchase Fund for application to the Tender Price of such Bonds required to be purchased on a Tender Date in accordance with the related Indenture to the extent that the money on deposit in the related Remarketing Account of each Bond Purchase Fund shall not be sufficient. Only moneys received from such Liquidity Facility Provider pursuant to the related Liquidity Facility shall be deposited into the related Liquidity Facility Purchase Account and such moneys shall not be commingled with moneys derived from any other sources. Any amounts deposited in the related Liquidity Facility Purchase Account and not needed with respect to any Tender Date for the payment of the Tender Price for such Bonds shall be immediately returned to such Liquidity Facility Provider.

Credit Facility Purchase Account. Upon receipt from a Credit Facility Provider for a particular series of Bonds of the immediately available funds transferred to the Tender Agent pursuant to an Indenture, the Tender Agent shall deposit such money in the Credit Facility Purchase Account of the applicable Bond Purchase Fund for application to the Tender Price of such Bonds required to be purchased on a Tender Date in accordance with such Indenture to the extent that the money on deposit in the related Remarketing Account of the applicable Bond Purchase Fund shall not be sufficient. Any amounts deposited in such Credit Facility Purchase Account and not needed with respect to any Tender Date for the payment of the Tender Price for any such Bonds shall be immediately returned to such Credit Facility Provider.

Borrower Purchase Account. Upon receipt from the Corporation of any funds for the purchase of tendered Bonds, the Tender Agent will deposit such money, if any, in the Borrower Purchase Account of the related Bond Purchase Fund for application to the Tender Price of the Bonds required to be purchased on a Tender Date in accordance with the related Indenture to the extent that the money on deposit in the Remarketing Account and the Liquidity Facility Purchase Account or the Credit Facility Purchase Account of the applicable Bond Purchase Fund is not sufficient. Only moneys received from the Corporation shall be deposited into the related Borrower Purchase Account and such moneys shall not be commingled with moneys derived from any other sources. Any amounts deposited in such Borrower Purchase Account and not needed with respect to any Tender Date for the payment of the Tender Price for such Bonds will be immediately returned to the Corporation.

Investment of Moneys in Funds. Any moneys held as a part of the Project Funds or any fund other than the Bond Funds shall be invested or reinvested by the Trustee, to the extent permitted by law, at the written request of and as directed by a Borrower Representative, in any Qualified Investments. Any moneys held as a part of any account of the Bond Fund shall be invested or reinvested by the Trustee, at the written direction of the Corporation, to the extent permitted by law, in United States Obligations with such maturities as shall be required in order to assure full and timely payment of amounts required to be paid from the Bond Fund, which maturities shall, in any event, extend no more than 30 days from the date of acquisition thereof; provided, that any moneys held by the Trustee for payment of Bonds not presented for payment when due either shall be held uninvested or shall be invested in United States Obligations maturing on the next Business Day. All amounts held in the Bond Purchase Funds by the Tender Agent shall be held uninvested and separate and apart from all other funds and accounts.

Avoidance of Arbitrage

Each of the Authority and (in the Loan Agreements) the Corporation agrees to restrict the use of proceeds of the Bonds in such manner and to such extent as necessary to assure that the Bonds will not constitute arbitrage bonds under section 148 of the Code.

Nonpresentment of Bonds

In the event any Bond shall not be presented for payment when the principal thereof becomes due, either at maturity, or at the date fixed for redemption thereof, or otherwise, if moneys sufficient to pay any such Bond shall have been deposited with the Trustee for the benefit of the Holder thereof, all liability of the Authority to the Holder thereof for the payment of such Bond shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such funds, uninvested or invested in United States Obligations maturing overnight at the direction of the Borrower Representative, but in any event without liability for interest thereon, for the benefit of the Holder of such Bond which shall thereafter be restricted exclusively to such funds for any claim of whatever nature on its part under the related Indenture with respect to such Bond.

Any moneys so deposited with and held by the Trustee not so applied to the payment of Bonds within two years after the date on which the same shall have become due shall be repaid by the Trustee to the Corporation upon written direction of a Borrower Representative, and thereafter Bondholders shall be entitled to look only to the Corporation for payment, and then to the extent of the amount so repaid, and all liability of the Trustee with respect to such money shall thereupon cease, and the Corporation shall not be liable for any interest thereon and shall not be regarded as a trustee of such money.

Events of Default and Remedies

Each Indenture defines Events of Default to include: (a) failure to pay interest on any Bond when due and payable; (b) failure to pay any principal of or premium on any Bond when due and payable, whether at stated maturity or pursuant to any redemption requirement; (c) failure to pay the Tender Price on any Bond when due and payable; (d) failure by the Authority to observe or perform any other covenant, condition or agreement on its part to be observed or performed as required within the related Indenture or the Bonds, for a period of 30 days after written notice of such failure shall have been given to the Corporation and the Authority by the Trustee; provided, however, that if such observance or performance requires work to be done, actions to be taken or conditions to be remedied which by its or their nature cannot reasonably be done, taken or remedied, as the case may be, within such 30-day period, no Event of Default under subsection (d) will be deemed to have occurred or to exist if and so long as the Authority or the Corporation, as the case may be, shall have commenced such work, action or remediation within such 30-day period and provided written notice thereof to the Trustee and shall diligently and continuously prosecute the same to completion; (e) the occurrence of a Loan Default under the related Loan Agreement; (f) an "Event of Default" shall occur pursuant to the Master Indenture; (g) the Trustee shall have received written notice from a Credit Facility Provider that an "Event of Default" has occurred and is continuing under a Credit Facility Agreement and that the related Bonds be accelerated, or; (h) the Trustee shall have received written notice from the Credit Facility Provider of the amount of an interest drawing under the applicable Credit Facility will not be reinstated as provided in the applicable Credit Facility.

Acceleration. Upon the occurrence of any Event of Default, the Trustee may, and upon (i) the occurrence of any Event of Default described in subsection (a), (b), (c), (g) or (h) above known to a Responsible Officer of the Trustee, (ii) the written request of the Credit Facility Provider, if any, (iii) the written request of a Majority of the Bondholders, of such series, subject to the provisions of the Indentures summarized under the hearing "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES – Credit Facility Provider Deemed Holder Of The Bonds", the Trustee shall, declare all Bonds of a Series then outstanding to be due and payable immediately, and, upon such declaration, all principal and interest accrued thereon shall become immediately due and payable, and there shall be an automatic corresponding acceleration of the Corporation's obligation to make all payments required to be made under the related Loan Agreement and the related 2011 Obligation in an amount sufficient to pay immediately all principal of and accrued and unpaid interest on the accelerated Bonds. Subject to the Indentures, interest shall accrue on the Bonds to the date of payment (even if after the date of acceleration). Notwithstanding the provisions of this paragraph, the prior written consent of a Credit Facility Provider to any declaration of acceleration must be obtained by the Trustee in the case of any Event of Default described in (d), (e) or (f) of the preceding paragraph known to a Responsible Officer of the Trustee

Other Remedies; Rights of Bondholders. Upon the continuance of an Event of Default, if so requested by a Majority of the Bondholders, of such series, subject to the provisions of the Indentures summarized under the hearing "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES – Credit Facility Provider Deemed

Holder Of The Bonds," and if satisfactory indemnity has been furnished to it, the Trustee shall exercise such of the rights and powers conferred by such Indenture, related Borrower Security Instruments or any other Basic Agreements as the Trustee, with respect to the Bonds of such series being advised by counsel, deems most effective to enforce and protect the interests of such Bondholders; provided that the Trustee may take action with respect to the related Loan Agreement only to enforce the rights expressly and specifically assigned to the Trustee under such Indenture.

No remedy under the Indentures is intended to be exclusive, and to the extent permitted by law each remedy shall be cumulative and in addition to any other remedy under the Indentures or now or hereafter existing. No delay or omission to exercise any right or power shall impair such right or power or constitute a waiver of any Default or Event of Default or acquiescence therein; and each such right and power may be exercised as often as deemed expedient. No waiver by the Trustee or the Bondholders of any Default or Event of Default shall extend to any subsequent Default or Event of Default. Notwithstanding the provisions of summarized under this caption, the prior written consent of the Credit Facility Provider, if any, to any enforcement of remedies must be obtained by the Trustee in the case of any Event of Default unless (i) the Credit Facility Provider has failed to honor a properly presented and conforming drawing or (ii) no Credit Facility is in effect and no amounts remain outstanding under a Credit Facility Agreement or any Credit Facility terminates in accordance with its terms and all amounts due under the Credit Facility Agreement have been paid in full.

Right of Bondholders to Direct Proceedings. A Majority of the Bondholders of such series, subject to the provisions of the Indentures summarized under the hearing "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES – Credit Facility Provider Deemed Holder Of The Bonds," shall have the right at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the related Indenture as to such Bonds, the related Borrower Security Instruments or any other Basic Agreements or for the appointment of a receiver or any other proceedings under the related Indenture; provided that such direction shall be in accordance with applicable law and the related Indenture and, if applicable, the related Borrower Security Instruments or such other Basic Agreements, and provided that the Trustee shall be indemnified to its satisfaction.

Notwithstanding the foregoing, the Credit Facility Provider, not a Majority of the Bondholders, shall have the right at any time by an instrument or instruments in writing executed and delivered to the Trustee to direct the method in place of conducting all proceedings pertaining to such Bonds to be taken in connection with the enforcement of the terms and conditions of the related Indenture, the Borrower Security Instruments or any other Basic Agreements or for the appointment of a receiver or any other proceedings thereunder, unless (i) the related Credit Facility Provider has failed to honor a properly presented and conforming drawing or (ii) no Credit Facility is in effect and no amounts remain outstanding under a Credit Facility Agreement or any Credit Facility terminates in accordance with its terms and all amounts due under the related Credit Facility Agreement have been paid in full. In such case, such direction shall be in accordance with applicable law and the related Indenture and, if applicable, the related Borrower Security Instruments or such other Basic Agreements, and the Trustee shall be indemnified to its satisfaction.

Application of Moneys. All moneys received by the Trustee pursuant to any right given or action taken following an Event of Default shall, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances owing to or incurred or made by the Trustee, be deposited in the applicable Bond Fund, and the moneys in the applicable Bond Fund shall be applied as follows:

Unless the principal of all the Bonds of such series shall have become or shall have been declared due and payable, all such moneys shall be applied:

> FIRST - To the payment to the persons entitled thereto of all installments of interest then due on the Bonds, in the order of the maturity of the installments of such interest (with interest on overdue installments of such interest, to the extent permitted by law, at the rate of interest borne by the Bonds) and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege; and

SECOND - To the payment to the persons entitled thereto of the unpaid principal of and premium, if any, on any of the Bonds which shall have become due (other than Bonds matured or called for redemption for the payment of which moneys are held pursuant to the provisions of the related Indenture) (with interest on overdue installments of principal and premium, if any, to the extent permitted by law, at the rate of interest borne by such Bonds) and, if the amount available shall not be sufficient to pay in full all Bonds of such series due on any particular date, then to the payment ratably according to the amount of principal due on such date, to the persons entitled thereto without any discrimination or privilege; and

THIRD - To the payment to the persons entitled thereto as the same shall become due of the principal of and premium, if any, and interest on such Bonds which may thereafter become due and, if the amount available shall not be sufficient to pay in full such Bonds due on any particular date, together with interest and premium, if any, then due and owing thereon, payment shall be made ratably according to the amount of interest, principal and premium, if any, due on such date to the persons entitled thereto without any discrimination or privilege; and

FOURTH – To the payment to the Credit Facility Provider of all amounts due under the applicable Credit Facility Agreement.

(a) If the principal of all the Bonds of such series shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon such Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any such Bond over any other Bond, ratably, according to the amounts due, respectively, for principal and interest, to the persons entitled thereto without any discrimination or privilege, with interest on overdue installments of interest or principal, to the extent permitted by law, at the rate of interest borne by such Bonds.

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

Notwithstanding the provisions described in this section, "Application of Moneys", if a Credit Facility is in effect (i) no amounts shall be paid pursuant to either paragraph described in (a) or (b) above for costs and expenses as described in the first sentence hereof or from money derived from a drawing under the applicable Credit Facility, proceeds from remarketing of the Bonds or money held for the payment of Undelivered Bonds and (ii) unless the applicable Credit Facility permits drawings to pay redemption premium with respect to the Bonds, no money derived from a drawing under the applicable Credit Facility shall be used to pay redemption premium with respect to such Bonds.

Rights and Remedies of Bondholders. No Bondholder shall have any right to institute any proceeding for the enforcement of the related Indenture or any right or remedy granted by such Indenture unless (i) an Event of Default is continuing, (ii) a Responsible Officer of the Trustee is deemed to have notice or knowledge thereof or has been notified as provided within such Indenture, (iii) a Majority of the Bondholders of such series, subject to the provisions of the Indentures summarized under the hearing "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES – Credit Facility Provider Deemed Holder Of The Bonds", shall have made written request to the Trustee and shall have afforded the Trustee reasonable opportunity to exercise its powers or to institute such proceeding in its own name, and shall have offered to the Trustee indemnity satisfactory to it, and (iv) the Trustee shall have failed or refused to exercise its power or to institute such proceeding. Such notice, request, offer of indemnity and failure or refusal shall at the option of the Trustee be conditions precedent to the execution of the powers and trusts of such Indenture, and to any action for the enforcement of such Indenture or of any right or remedy granted by such Indenture; the Holders of the Bonds shall have no right to affect or prejudice the lien of the related Indenture by their action or to enforce any right under such Indenture except in the manner therein provided, and that proceedings shall be instituted and maintained in the manner therein provided, and for the benefit of the Holders of all Bonds of such Series then outstanding. Notwithstanding the foregoing, each such Bondholder shall

have a right of action to enforce the payment of the principal of and premium, if any, and interest on any such Bond held by it at and after the maturity thereof, from the sources and in the manner expressed in such Bond.

Waivers of Events of Default. The Trustee shall waive Default and its consequences and rescind any declaration of acceleration of principal upon the written request of the Holders of such series, subject to the provisions of the Indentures summarized under the hearing "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES – Credit Facility Provider Deemed Holder Of The Bonds", of (1) at least a majority in aggregate principal amount of all Outstanding Bonds in respect of which default in the payment of principal or interest, or both, exists or (2) at least a majority in aggregate principal amount of Outstanding Bonds of a Series in the case of any other Default, but no such waiver or rescission shall extend to any subsequent or other Default or impair any right consequent thereto. If a Credit Facility is in effect, the Trustee shall, upon the written request of the Credit Facility Provider, waive any Event of Default under the related Indenture; provided, however, the Trustee shall not waive any Event of Default unless all principal and Tender Price of, redemption premium, and interest on the Bonds then in arrears are paid in full or provided for and the Trustee has received notice in writing from the Credit Facility Provider that the amount available to be drawn under the applicable Credit Facility in respect of the principal and Tender Price of, redemption premium, if applicable, and interest on the Bonds has been reinstated in full and any notice of an event of default under a Credit Facility Agreement has been rescinded by the Credit Facility Provider.

Intervention by Trustee. In any judicial proceeding which the Trustee believes has a substantial bearing on the interests of the Bondholders, the Trustee may intervene on behalf of the Bondholders.

Remedies of Authority. Upon the occurrence and continuance of an Event of Default, the Authority shall not be required to take any action which in its opinion might cause it to expend time or money or otherwise incur any liability unless satisfactory indemnity has been furnished to it.

Rights of Credit Facility Provider. All rights of a Credit Facility Provider under the Indentures to consent to declarations of acceleration, to consent to enforcement of remedies, to direct proceedings, to compel waivers, to consent to amendments and to give any other consents or to vote under the Indentures shall be suspended (i) for so long as such Credit Facility Provider fails to honor a properly presented and conforming draw or (ii) if no Credit Facility is in effect or the applicable Credit Facility terminates in accordance with its terms and all amounts due under such Credit Facility Agreement have been paid in full.

Resignation and Removal of Trustee

The Trustee may at any time resign from the trusts created by an Indenture by giving 45 days' written notice to the Authority, the Corporation, the Credit Facility Provider and each Bondholder of the related Series, but such resignation shall not take effect until the appointment of a successor Trustee, acceptance by the successor Trustee of such trusts and assignment to such successor Trustee of the rights of the predecessor Trustee under the related Borrower Security Instruments. The Trustee may be removed at any time by an instrument or concurrent instruments in writing delivered to the Trustee, the Authority, a Credit Facility Provider and the Corporation and signed by the Corporation or a Majority of the Bondholders of such series, subject to the provisions of the Indentures summarized under the hearing "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES – Credit Facility Provider Deemed Holder Of The Bonds," but such removal shall not take effect until the appointment of a successor Trustee and acceptance by the successor Trustee of such trusts and transfer to the successor Trustee of any Credit Facility or Liquidity Facility then outstanding, provided, in the case of removal by the Corporation, notice of such removal must be provided by the Corporation to the related Bondholders at least 45 days prior to the effective date of such removal. The Trustee may also be removed at any time for any breach of trust, or for acting or proceeding in violation of, or for failing to act or proceeding in accordance with, any provision of the related Indenture or any other Basic Agreements with respect to the duties and obligations of the Trustee, by any court of competent jurisdiction upon the application of the Authority, the Credit Facility Provider, the Corporation or a Majority of the Bondholders of such Series.

Appointment of Successor Trustee

If the Trustee shall resign or be removed, or be dissolved, or otherwise become incapable of acting under an Indenture, or in case it shall be taken under the control of any public officer or officers, or of a receiver appointed

by a court, a successor shall be appointed by the Corporation, with the prior written consent of the Credit Facility Provider, if any, which consent shall not be unreasonably withheld.. If the Corporation does not appoint a successor Trustee within 45 days of the Trustee providing notice of its resignation, the Trustee may petition a court of competent jurisdiction to appoint a successor Trustee. At any time within one year after any such vacancy shall have occurred and provided a court has not appointed a successor Trustee as provided above, a Majority of the Bondholders may appoint a successor Trustee by an instrument or concurrent instruments in writing signed by or on behalf of such Holders, which appointment shall supersede any Trustee theretofore appointed by the Corporation. Each successor Trustee shall be a trust company or bank having the powers of a trust company which is in good standing and has a reported capital, surplus and undivided profits of not less than $100,000,000. Any such successor Trustee, with the prior written consent of the Credit Facility Provider, shall become Trustee upon giving notice to the Corporation, the Authority and the Bondholders, if any, of its acceptance of the appointment, vested with all the property, rights and powers of the Trustee under the related Indenture, without any further act or conveyance. Any predecessor Trustee shall execute, deliver and record and file such instruments as the Trustee may reasonably require to confirm or perfect any such succession.

Amendment of Indentures

The Authority and the Trustee may without consent of, or notice to, any of the Bondholders enter into an indenture or indenture supplemental to an Indenture for any one or more of the following purposes:

(a) to cure any ambiguity or formal defect or omission in the related Indenture;

(b) to grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authorities that may lawfully be granted to or conferred upon the Bondholders or the Trustee;

(c) to subject to such Indenture additional revenues, properties or collateral;

(d) to modify, amend or supplement such Indenture or any indenture supplemental thereof in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of any of the states of the United States of America;

(e) to evidence the appointment of a separate or Co-Trustee or the succession of a new Trustee under such Indenture;

(f) to correct any description of, or to reflect changes in, any of the properties comprising the Trust Estate;

(g) to make any revisions of such Indenture that shall be required by a Rating Agency in order to obtain or maintain an investment grade rating on the related Bonds;

(h) to make any revisions of the related Indenture that shall be necessary in connection with the Corporation or the Authority furnishing a Liquidity Facility, a Self Liquidity Arrangement, a Credit Facility or bond insurance policy, including but not limited to revising the Interest Payment Dates for Bank Bonds;

(i) to provide for an uncertificated system of registering the Bonds or to provide for changes to or from the Book Entry System;

(j) to effect any other change in the related Indenture which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the related Bondholders; or

(k) to make revisions to such Indenture that shall become effective only upon, and in connection with, the remarketing of all of the Bonds of such series then Outstanding.

Exclusive of supplemental indentures permitted under the related Indenture and subject to the terms and provisions contained therein and not otherwise, the Holders of not less than a majority in aggregate principal amount

of the Outstanding Bonds, shall have the right, from time to time, to consent to and approve the execution by the Authority and the Trustee of such other indentures supplemental thereto as shall be deemed necessary and desirable for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the related Indenture or in any supplemental indenture; provided, however, that nothing in the related Indenture shall permit, or be construed as permitting, (a) an extension of the maturity of the principal of, or the interest on, any Bonds issued under the related Indenture, or (b) a reduction in the principal amount of, or redemption premium on, any Bonds or the rate of interest thereon, or (c) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (d) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental indentures or any modifications or waivers of the provisions of such Indenture or the related Loan Agreement, or (e) the creation of any lien ranking prior to or on a parity with the lien of the related Indenture on the Trust Estate or any part thereof, except as hereinbefore expressly permitted, or (f) the deprivation of the Owner of any Outstanding Bond of the lien thereby created on the Trust Estate, or (g) an extension of the date for making any scheduled mandatory redemption.

Credit Facility Provider Deemed Holder of Bonds

For so long as a Credit Facility is in effect, the related Credit Facility Provider shall be deemed to be the Holder of the related Bonds for purposes of giving any consents, approvals, waivers or directions contemplated under the Indentures as described above under the caption "Amendment of Indentures" and relating to amendments or supplements to the Loan Agreements, the 2011 Obligations or the Master Indenture.

SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE

Master Trust Estate; Gross Revenue Pledge

All Obligations issued under the Master Indenture are secured by a pledge of all Accounts, Bank Accounts, General Intangibles, Contract Rights and Related Rights of each Member, and each future Member of the Obligated Group, all monies and securities held from time to time by the Master Trustee under the Master Indenture, any and all real and personal property from time to time conveyed, mortgaged, pledged, assigned or transferred by a Member of the Obligated Group as additional security under the Master Indenture, and all proceeds, cash proceeds, cash equivalents, products, replacements, additions and improvements to, substitutions for and accessions of any and all such property.

Authorization, Amount and Designation of Obligations

Each Obligation issued under the Master Indenture must be authorized by the Obligated Group Agent and the Member issuing such Obligation by the adoption of the respective governing body of a board resolution. No further authorization or approval by any other Member or any Obligated Group Affiliate is required for the issuance of such Obligation. The total principal amount of Obligations, the number of Obligations and the series of Obligations that may be created under the Master Indenture is not limited except as shall be set forth with respect to any series of Obligations in the Supplemental Master Indenture providing for the issuance thereof. Each series of Obligations shall be issued pursuant to a Supplemental Master Indenture. Obligations shall be designated so as to differentiate the Obligations of such series from the Obligations of any other series.

Security for Obligations

All Obligations issued and outstanding under the Master Indenture are equally and ratably secured by the Master Indenture except to the extent specifically provided otherwise in the Master Indenture. Any one or more series of Obligations issued thereunder may, so long as any Liens created in connection therewith constitute Permitted Encumbrances, be secured by security (including without limitation letters or lines of credit, insurance or Liens on Property of the Obligated Group or Obligated Group Affiliates, or security interests in a depreciation reserve, debt service or interest reserve or debt service or similar funds). Such security need not extend to any other Indebtedness (including any other Obligations or series of Obligations). Consequently, the Supplemental Master

Indenture pursuant to which any one or more series of Obligations is issued may provide for such supplements or amendments to the provisions thereof as are necessary to provide for such security and to permit realization upon such security solely for the benefit of the Obligations entitled thereto.

Payment of Amounts Due Under any Obligation; Obligated Group Affiliates

Each Member unconditionally and irrevocably (subject to the right of such Member to cease its status as a Member of the Obligated Group as described below), jointly and severally covenants that it will promptly pay the principal of and premium, if any, interest and any other amount payable on every Obligation issued under the Master Indenture at the place, on the dates and in the manner provided in the Master Indenture and in said Obligations according to the true intent and meaning thereof. Notwithstanding any schedule of payments upon the Obligations set forth in the Master Indenture or in the Obligations, each Member unconditionally and irrevocably (subject to the right of such Member to cease its status as a Member of the Obligated Group), jointly and severally agrees to make payments upon each Obligation and be liable therefor at the times and in the amounts (including principal, interest and premiums, if any) equal to the amounts to be paid as interest, principal, or premium, if any, upon any Related Bonds from time to time outstanding. If any Member does not tender payment of any installment of principal, premium, interest or any other amount payable on any Obligation when due and payable, the Master Trustee shall provide prompt written notice of such nonpayment to such Member and the Obligated Group Agent.

Control of Obligated Group Affiliates

Each Controlling Member shall cause each of its Obligated Group Affiliates to pay, loan or otherwise transfer to the Obligated Group Agent or other Member (i) such amounts as are necessary to duly and punctually pay the principal of and premium, if any, interest and any other amount payable on all outstanding Obligations or portions thereof the proceeds of which were loaned or otherwise made available to such Obligated Group Affiliate or that were otherwise issued for the benefit of such Obligated Group Affiliate and any other payments, required by the terms of such Obligations, the applicable Supplemental Master Indenture and the Master Indenture, when and as the same become payable, whether at maturity, upon call for redemption, by acceleration of maturity or otherwise, and (ii) such amounts that are otherwise necessary to enable each Member to comply with the provisions of the Master Indenture with respect to the other Obligations issued by a Member of the Obligated Group.

The Obligated Group Agent shall at all times maintain an accurate and complete list of all Persons designated as Obligated Group Affiliates. The Obligated Group Agent by a board resolution may designate any Person as an Obligated Group Affiliate under the Master Indenture. The Obligated Group Agent by board resolution shall also designate for each Obligated Group Affiliate a Member to serve as the Controlling Member for such Obligated Group Affiliate. Each Controlling Member shall cause the Obligated Group Affiliate to provide the Obligated Group Agent a board resolution accepting its status as Obligated Group Affiliate and acknowledging the provisions of the Master Indenture which affect the Obligated Group Affiliates. So long as a Person is designated as an Obligated Group Affiliate, the Obligated Group Agent or such Controlling Member shall either (i) maintain, directly or indirectly, control of such Obligated Group Affiliate, including the power to direct the management, policies, disposition of assets and actions of such Obligated Group Affiliate to the extent required to cause such Obligated Group Affiliate to comply with the terms and conditions of the Master Indenture, whether through the ownership of voting securities, by contract, partnership interests, membership, reserved powers, or the power to appoint members, trustees or directors or otherwise, or (ii) execute and have in effect such contracts or other Agreement that the Obligated Group Agent and the Controlling Member, in the sole judgment of the respective governing body, deems sufficient for the Controlling Member to cause such Obligated Group Affiliate to comply with the terms and conditions of the Master Indenture. Any Person will cease to be an Obligated Group Affiliate and will not be subject to any of the provisions of the Master Indenture upon the declaration of the governing body of the Obligated Group Agent in a board resolution, and upon such declaration, such Person shall no longer be subject to any of the covenants applicable to an Obligated Group Affiliate under the Master Indenture. The Obligated Group Agent shall deliver to the Master Trustee each board resolution designating an Obligated Group Affiliate or declaring that a Person is no longer an Obligated Group Affiliate.

Each Controlling Member covenants that it will cause each of its Obligated Group Affiliates to comply with the terms and conditions of the Master Indenture which are applicable to such Obligated Group Affiliate, and of the Related Loan Documents, if any, to which such Obligated Group Affiliate is a party.

Each Member, respectively, by becoming a Member acknowledges that the Obligated Group Agent has certain powers and duties under the Master Indenture and authorizes the Obligated Group Agent to exercise such powers and carry out such duties.

Entrance into the Obligated Group

Any Person may become a Member of the Obligated Group if: (a) such Person shall execute and deliver to the Master Trustee a Supplemental Master Indenture acceptable to the Master Trustee which shall be executed by the Master Trustee and the Obligated Group Agent, containing (i) the agreement of such Person (A) to become a Member of the Obligated Group and thereby to become subject to compliance with all provisions of the Master Indenture and (B) unconditionally and irrevocably (subject to the right of such Person to cease its status as a Member of the Obligated Group described below) to jointly and severally make payments upon each Obligation at the times and in the amounts provided in each such Obligation and (ii) representations and warranties by such Person substantially similar to those set forth in the Master Indenture except that any representation regarding organization and good standing shall refer to the actual state of organization of such Person (but with such deviations as are acceptable to the Master Trustee); (b) the Obligated Group Agent shall, by board resolution, have approved the admission of such Person to the Obligated Group; and (c) the Master Trustee shall have received (i) a certificate of the Obligated Group Agent which demonstrates that (A) immediately upon such Person becoming a Member of the Obligated Group, the Members would not, as a result of such transaction, be in default of the performance or observance of any covenant or condition to be performed or observed by them, and (B) the Coverage Test would be met for the most recent Fiscal Year, calculating such Coverage Test as if such Person had become a Member on the first day of such Fiscal Year, (ii) an opinion of Independent Counsel to the effect that the instrument described in clause (a) above has been duly authorized, executed and delivered and constitutes a legal, valid and binding agreement of such Person, enforceable in accordance with its terms, subject to customary exceptions for bankruptcy, insolvency and other laws generally affecting enforcement of creditors' rights and application of general principles of equity, and (iii) if all amounts due or to become due on all Related Bonds have not been paid to the holders thereof and provision for such payment has not been made in such manner as to have resulted in the defeasance of all Related Indenture, an opinion of nationally recognized municipal bond counsel (which counsel and opinion, including without limitation the scope, form, substance and other aspects thereof, are acceptable to the Master Trustee) to the effect that under then existing law the consummation of such transaction, whether or not contemplated on the date of delivery of any such Related Bond, would not adversely affect the validity of any Related Bond or any exemption from federal or state income taxation of interest payable on such Related Bond otherwise entitled to such exemption.

Cessation of Status as a Member of the Obligated Group

Each Member covenants that it will not take any action, corporate or otherwise, which would cause it or any successor thereto into which it is merged or consolidated under the terms of the Master Indenture to cease to be a Member of the Obligated Group unless: (a) prior to cessation of such status, there is delivered to the Master Trustee an opinion of nationally recognized municipal bond counsel (which counsel and opinion, including without limitation the scope, form, substance and other aspects thereof, are acceptable to the Master Trustee) to the effect that, under then existing law, the cessation by the Member of its status as a Member will not adversely affect the validity of any Related Bond or any exemption from federal or state income taxation of interest payable thereon to which such Related Bond would otherwise be entitled; (b) prior to and immediately after such cessation, no event of default exists under the Master Indenture and no event shall have occurred which with the passage of time or the giving of notice, or both, would become an event of default; (c) prior to cessation of such status, the Obligated Group Agent delivers to the Master Trustee a written consent to the withdrawal by such Member; (d) prior to cessation of such status, there is delivered to the Master Trustee a certificate of the Obligated Group Agent which demonstrates that the Coverage Test would be met for the most recent Fiscal Year, calculating such Coverage Test as if such Member had withdrawn from the Obligated Group on the first day of such Fiscal Year.

General Covenants

Each Member covenants to, and each Controlling Member covenants to cause each of its Obligated Group Affiliates to: (a) except as otherwise expressly provided in the Master Indenture (i) preserve its corporate or other separate legal existence, (ii) preserve all its rights and licenses to the extent necessary or desirable in the operation of

its business and affairs as then conducted and (iii) be qualified to do business and conduct its affairs in each jurisdiction where its ownership of Property or the conduct of its business or affairs requires such qualification; provided, however, that nothing contained in the Master Indenture shall be construed to obligate such Member or Obligated Group Affiliate to retain, preserve or keep in effect the rights, licenses or qualifications no longer used or, in the judgment of its governing body, useful in the conduct of its business; (b) promptly pay or otherwise satisfy and discharge all of its obligations and Indebtedness and all demands and claims against it as and when the same become due and payable which if not so paid, satisfied or discharged would constitute a default or an event of default under the Master Indenture; (c) at all times comply with all terms, covenants and provisions of any Liens at such time existing upon its Property or any part thereof or securing any of its Indebtedness; and (d) in the case of the Corporation and any Person which is a Tax-Exempt Organization at the time it becomes a Member or Obligated Group Affiliate, so long as the Master Indenture shall remain in force and effect and so long as all amounts due or to become due on all Related Bonds have not been fully paid to the holders thereof or provision for such payment has not been made, to take no action or suffer any action to be taken by others, including any action which would result in the alteration or loss of its status as a Tax-Exempt Organization, which could result in any such Related Bond being declared invalid or result in the interest on any Related Bond, which is otherwise exempt from federal or state income taxation, becoming subject to such taxation.

The foregoing notwithstanding, any Member or Obligated Group Affiliate may, with the prior written approval of the Obligated Group Agent, (i) cease to be a nonprofit corporation or (ii) take actions which could result in the alteration or loss of its status as a Tax-Exempt Organization if prior thereto there is delivered to the Master Trustee an opinion of nationally recognized municipal bond counsel (which counsel and opinion, including without limitation the scope, form and other aspects thereof, are acceptable to the Master Trustee) to the effect that such actions would not adversely affect the validity of any Related Bond, the exemption from federal or state income taxation of interest payable on any Related Bond otherwise entitled to such exemption or adversely affect the enforceability in accordance with its terms of the Master Indenture against any Member.

Coverage Test

Each Member covenants and agrees to, and each Controlling Member covenants to cause each of its Obligated Group Affiliates to provide funds sufficient to pay promptly all payments due on its Indebtedness and other liabilities, all expenses of operation, maintenance and repair of its Property and all other payments required to be made by it under the Master Indenture to the extent permitted by law. Each Member further covenants and agrees that it will, and each Controlling Member covenants that it will cause each of its Obligated Group Affiliates to, from time to time as often as necessary and to the extent permitted by law, revise its methods of operation and its rates, fees and charges in such manner as may be necessary or proper to comply with the provisions of the Master Indenture.

The Obligated Group Agent shall cause the Historical Debt Service Coverage Ratio for the Obligated Group and the Obligated Group Affiliates to be calculated no later than six months following the end of each Fiscal Year, commencing with the Fiscal Year ending December 31, 1997. If, in any Fiscal Year, such Coverage Test is not met, the Obligated Group Agent shall retain a Consultant to make recommendations to increase the Historical Debt Service Coverage Ratio for subsequent Fiscal Years to at least meet the Coverage Test or, if in the opinion of the Consultant the attainment of such level is impracticable, to the highest practicable level. Each Member covenants and agrees, and each Controlling Member covenants to cause each of its Obligated Group Affiliates to follow the recommendations of the Consultant, to the extent feasible. So long as the Obligated Group Agent shall retain a Consultant and the Member shall follow, and each Controlling Member shall cause each of its Obligated Group Affiliates to follow, such Consultant's recommendations to the extent feasible, the failure to meet the Coverage Test will not constitute an Event of Default, unless and until such Historical Debt Service Coverage Ratio falls below 1.0:1.

Restrictions on Incurrence of Additional Indebtedness

Prior to the incurrence of any long term Indebtedness, there shall be delivered to the Master Trustee an Officer's Certificate certifying that (i) the Credit Group is in compliance with the provisions of the Master Indenture as of the date of incurrence of such long term Indebtedness and (ii) the Indebtedness Ratio, taking into account all long term Indebtedness which will be Outstanding upon the incurrence of the proposed Indebtedness and the

Indebtedness proposed to be incurred, for the most recent Fiscal Year for which audited financial statements are available, does not exceed 0.65:1.00.

Merger, Consolidation, Sale or Conveyance

Each Member agrees that it will not merge into, or consolidate with, one or more corporations which are not Members, or allow one or more of such corporations to merge into it, or sell or convey all or substantially all of its Property to any Person who is not a Member, unless:

1. Any successor entity to such Member (including without limitation any purchaser of all or substantially all the Property of such Member) ("Successor Entity") is a corporation organized and existing under the laws of the United States of America or a state thereof and shall execute and deliver to the Master Trustee an appropriate instrument, satisfactory to the Master Trustee, containing the agreement of such Successor Entity to assume, jointly and severally, the due and punctual payment of the principal of, premium, if any, and interest on all Obligations according to their tenor and the due and punctual performance and observance of all the covenants and conditions of the Master Indenture to be kept and performed by such Member; provided, a Member may sell or convey all or substantially all of its Property to a Successor Entity which is not a corporation;

2. Immediately after such merger or consolidation, or such sale or conveyance, no Member would be in default in the performance or observance of any covenant or condition of any Related Loan Document or the Master Indenture;

3. The Master Trustee shall have received a certificate of the Obligated Group Agent which demonstrates that the Coverage Test would be satisfied for the most recent Fiscal Year, calculating such Coverage Test as if such merger, consolidation, sale or conveyance had occurred on the first day of such Fiscal Year and the written approval of the Obligated Group Agent of such merger, consolidation, sale or conveyance;

4. The Master Trustee shall have received an opinion of Independent Counsel to the effect that the instrument described in paragraph (1) above has been duly authorized, executed and delivered and constitutes a legal, valid and binding agreement of such Person enforceable in accordance with its terms, subject to customary exceptions for bankruptcy, insolvency and other laws generally affecting enforcement of creditors' rights and applications of general principles of equity;

5. If all amounts due or to become due on all Related Bonds have not been fully paid to the holders thereof or fully provided for, there shall be delivered to the Master Trustee an opinion of nationally recognized municipal bond counsel (which counsel and opinion, including without limitation the scope, form, substance and other aspects thereof, are acceptable to the Master Trustee) to the effect that under then existing law the consummation of such merger, consolidation, sale or conveyance, whether or not contemplated on the original date of delivery of such Related Bonds, would not adversely affect the validity of such Related Bonds or the exemption otherwise available from federal or state income taxation of interest payable on such Related Bonds; and

6. Immediately after such merger or consolidation, or such sale or conveyance, each of Methodist Hospital, Indiana University Hospital and James Whitcomb Riley Hospital for Children shall be owned by a Member.

In case of any such consolidation, merger, sale or conveyance and upon any such assumption by the Successor Entity, such Successor Entity shall succeed to and be substituted for its predecessor, with the same effect as if it had been named in the Master Indenture as such Member. The Member party to such transaction, if it is not the survivor, shall thereupon be relieved of any further obligation or liabilities or upon the Obligations and such Member as the predecessor or non-surviving corporation may thereupon or at any time thereafter be dissolved, wound up or liquidated. Any Successor Entity to such Member thereupon may cause to be signed and may issue in its own name Obligations under the Master Indenture and the predecessor corporation shall be released from its obligations under the Master Indenture and under any Obligations. All Obligations so issued by such Successor Entity under the Master Indenture shall in all respects have the same legal rank and benefit under the Master Indenture as Obligations theretofore or thereafter issued in accordance with the terms of the Master Indenture as

though all of such Obligations had been issued thereunder by such prior Member without any such consolidation, merger, sale or conveyance having occurred.

In case of any such consolidation, merger, sale or conveyance, such changes in phraseology and form (but not in substance) may be made in obligations thereafter to be issued as may be appropriate.

The Master Trustee may rely upon an opinion of Independent Counsel as conclusive evidence that any such consolidation, merger, sale or conveyance, and any such assumption, complies with the provisions of the Master Indenture.

In addition to the changes contemplated above, a Member which is not a corporation may agree to make changes to its legal structure and create successor, assignee resulting or transferee entities of such Member subject to the following conditions in the Master Indenture. Each Member agrees that prior to the occurrence of such change, the Member will show compliance with the provisions of clause (a) (except as that may relate to maintenance of status as a corporation) in a manner consistent with the type of legal existence which the Member and the Successor Entity will enjoy. The Master Trustee may rely on an opinion of Independent Counsel as conclusive evidence that any such change and any assumption complies with the provisions described above and that it is proper for the Master Trustee under the provisions of the Master Indenture to join in the execution of any instrument required to be executed and delivered as described above.

Each Member further covenants and agrees that each of Methodist Hospital, Indiana University Hospital and James Whitcomb Riley Hospital for Children shall not be sold, transferred or otherwise conveyed to any person who is not a Member.

Financial Statements, etc.

The Members covenant and agree that they will keep or cause to be kept proper books of record and account in which full, true and correct entries will be made of all dealings or transactions of, or in relation to, the business and affairs of the Obligated Group in accordance with generally accepted accounting principles. Each Controlling Member shall cause its Obligated Group Affiliates to keep or cause to be kept proper books of records and account in which full, true and correct entries will be made of all dealings or transactions of, or in relation to, the business and affairs of such Obligated Group Affiliate in accordance with generally accepted principles.

The Obligated Group Agent covenants and agrees, and each Controlling Member covenants to cause its Obligated Group Affiliates, to furnish to the Master Trustee, any Related Issuer or Related Trustee:

(a) As soon as practicable, but in no event more than five months after the last day of each Fiscal Year beginning with the Fiscal Year ended December 31, 1997, a financial report for each Member for such Fiscal Year certified by a firm of nationally recognized independent certified public accountants approved by the Obligated Group Agent prepared on a combined or consolidated basis to include the results of operations of all Persons required to be consolidated or combined with such Member in accordance with generally accepted accounting principles and containing an audited combined balance sheet as of the end of such Fiscal Year and an audited combined statement of operations and changes in net assets for such Fiscal Year and an audited combined statement of cash flows for such Fiscal Year, together with an accompanying unaudited balance sheet, statement of operations and changes in net assets prepared on a combined basis to reflect only the operations of the Members and Obligated Group Affiliates which have been required to be included in such report, showing in each case in comparative form the financial figures for the preceding Fiscal Year, and the statement that such accountants have obtained no knowledge of any default by such Member in the fulfillment of any of the terms, covenants, provisions, or conditions of the Master Indenture, or if such accountant shall have obtained knowledge of any such default or defaults, they shall disclose in such statements the default or defaults and the date such thereof (but such accountant shall not be liable directly or indirectly to any one for failure to obtain knowledge of any default).

(b) If the reports referred to in paragraph (a) above do not include the results of operations of any Obligated Group Affiliate, as soon as practicable, but in no event more than five months after the last day of each Fiscal Year beginning the with the Fiscal Year ended December 31, 1997, a financial report for such Obligated Group Affiliate

for such Fiscal Year certified by a firm of nationally recognized independent certified public accountants approved by the Obligated Group Agent, prepared on an audited combined basis to include the results of operations of all Persons required to be or combined with such Obligated Group Affiliate in accordance with generally accepted accounting principles, and containing an audited combined balance sheet as of the end of such Fiscal Year and an audited combined statement of changes in operations and changes in net assets for such Fiscal Year and a combined or consolidated statement of cash flows for such Fiscal Year, together with an accompanying unaudited balance sheet, statement of operations and changes in net assets prepared on a combined basis to reflect only the operations of the Obligated Group Affiliates which have been required to be included in such report, showing in each case in comparative form the financial figures for the preceding Fiscal Year, and the statement that such accountants have obtained no knowledge of any default by such Obligated Group Affiliate in the fulfillment of any of the terms, covenants, provisions or conditions of the Master Indenture, or if such accountant shall have obtained knowledge of any such default or defaults, they shall disclose in such statements the default or defaults and the dates such thereof (but such accountants shall not be liable directly or indirectly to anyone for failure to obtain knowledge of any default).

(c) As soon as practicable, but in no event more than six months after the last day of each Fiscal Year beginning with the Fiscal Year ended December 31, 1997, a balance sheet, statement of operations and changes in net assets including all the Members and Obligated Group Affiliates prepared based on the accompanying unaudited combined schedules delivered with the audited financial statements described in paragraphs (a) and (b) above (such balance sheet, statement of operations and changes in net assets being referred to in the Master Indenture as the "Obligated Group Financial Statements"), together with a certificate of the chief financial officer of the Obligated Group Agent stating that the Obligated Group Financial Statements were prepared in accordance with generally accepted accounting principles (except for required consolidations) and that the Obligated Group Financial Statements reflect the results of the operations of only the Members and the Obligated Group Affiliates and all Members and Obligated Group Affiliates are included.

(d) At the time of the delivery of the Obligated Group Financial Statements, a certificate of the chief financial officer of the Obligated Group Agent, stating that the Obligated Group Agent has made a review of the activities of each Member and Obligated Group Affiliate during the preceding Fiscal Year for the purpose of determining whether or not the Members and Obligated Group Affiliates have complied with all of the terms, provisions and conditions of the Master Indenture and that each Member and Obligated Group Affiliate has kept, observed, performed and fulfilled each and every covenant, provision and condition of the Master Indenture on its part to be performed and is not in default in the performance or observance of any of the terms, covenants, provisions or conditions, or if any Member or Obligated Group Affiliate shall be in default such certificate shall specify all such defaults and the nature thereof.

If all financial statements required by the Master Indenture are filed with a Nationally Recognized Municipal Securities Information Repository (in accordance with the Securities and Exchange Commission Rule 15c2-12), the Obligated Group shall not be required to also provide such statements to the Master Trustee, the Related Issuers and the Related Trustees unless the parties request in writing copies of such statements from the Obligated Group Agent.

Upon the written request of the Master Trustee, each Member shall, and each Controlling Member shall cause each of its Obligated Group Affiliates to, at any and all times permit the Master Trustee by its representatives to inspect the properties, books of account, records, reports and other papers of the Member or Obligated Group Affiliate, except donor records, patient records, personnel records, and any other confidential records, and to take copies and extracts therefrom, and will afford and procure a reasonable opportunity to make any such inspection. Each Member shall, and each Controlling Member shall cause each of its Obligated Group Affiliates to, furnish to the Master Trustee any and all information as the Master Trustee may reasonably request, with respect to the performance by the Members or Obligated Group Affiliates of their respective covenants in the Master Indenture.

Liens on Property

The Members shall not, and a Controlling Member shall not permit any of its Obligated Group Affiliates to, create or incur or permit to be created or incurred or to exist any Lien on any Property of any Member or any Obligated Group Affiliate, except Permitted Encumbrances. Each Member shall, and each Controlling Member

shall cause its Obligated Group Affiliates to, report to the Obligated Group Agent, the creation of a Lien on its Property prior to the creation of the Lien to the extent within its power and control.

Extension of Payment

In case the time for the payment of principal of or the interest payable on any Obligation shall be extended, whether or not such extension be by or with the consent of the Master Trustee, such principal or such interest so extended shall not be entitled in case of default under the Master Indenture to the benefit or security of the Master Indenture except subject to the prior payment in full of the principal of all Obligations then outstanding and of all interest thereon, the time for the payment of which shall not have been extended.

Defaults and Remedies

Each of the following events is an "event of default" under the Master Indenture:

(a) failure of the Obligated Group to pay any installment of interest or principal, or any premium, on any Obligation when the same shall become due and payable, whether at maturity, upon any date fixed for prepayment or by acceleration or otherwise; or

(b) failure of any Member to comply with, observe or perform any of the other covenants, conditions, agreements or provisions of the Master Indenture and to remedy such default within 60 days after written notice thereof to such Member and the Obligated Group Agent from the Master Trustee or the holders of at least 25% in aggregate principal amount of the outstanding Obligations; provided, that if such default cannot with due diligence and dispatch be wholly cured within 60 days but can be wholly cured, the failure of the Member to remedy such default within such 60-day period shall not constitute a default if the Member shall immediately upon receipt of such notice commence with due diligence and dispatch the curing of such default and, having so commenced the curing of such default, shall thereafter prosecute and complete the same with due diligence and dispatch; or

(c) any representation or warranty made by any Member in the Master Indenture or in any statement or certificate furnished to the Master Trustee or the purchaser of any Obligation in connection with the sale of any Obligation or furnished by any Member pursuant to the Master Indenture proves untrue in any material respect as of the date of the issuance or making thereof and shall not be corrected or brought into compliance within 30 days after written notice thereof to the Obligated Group Agent by the Master Trustee or the holders of at least 25% in aggregate principal amount of the outstanding Obligations; or

(d) default in the payment of the principal of, premium, if any, or interest on any Indebtedness (other than non-recourse indebtedness) of any Member as and when the same shall become due, or an event of default as defined in any mortgage, indenture, loan agreement or other instrument under or pursuant to which there was issued or incurred, or by which there is secured, any such Indebtedness (including any Obligation) of any Member, and which default in payment or event of default entitles the holder thereof to declare or, in the case of any Obligation, to request that the Master Trustee declare, such Indebtedness due and payable prior to the date on which it would otherwise become due and payable; provided, however, that if such Indebtedness is not evidenced by an Obligation or issued, incurred or secured by or under a Related Loan Document, a default in payment thereunder shall not constitute an "event of default" unless the unpaid principal amount of such Indebtedness, together with the unpaid principal amount of all other Indebtedness so in default, exceeds 5% of the Unrestricted Fund Balance of the Obligated Group and Obligated Group Affiliates as shown on or derived from the most recent financial reports required to be delivered pursuant to the Master Indenture; or

(e) any judgment, writ or warrant of attachment or of any similar process shall be entered or filed against any Member or against any Property of any Member or Obligated Group Affiliate and remains unvacated, unpaid, unbonded, unstayed or uncontested in good faith for a period of 60 days; provided, however, that none of the foregoing shall constitute an event of default unless the amount of such judgment, writ, warrant of attachment or similar process, together with the amount of all other such judgments, writs, warrants or similar processes so unvacated, unpaid, unbonded, unstayed or uncontested, exceeds 5% of the Unrestricted Fund Balance of the

Obligated Group and Obligated Group Affiliates as shown on or derived from the most recent financial reports required to be delivered pursuant to the Master Indenture; or

(f) any Member admits insolvency or bankruptcy or its inability to pay its debts as they mature, or is generally not paying its debts as such debts become due, or makes an assignment for the benefit of creditors or applies for or consents to the appointment of a trustee, custodian or receiver for such Member, or for the major part of its Property; or

(g) a trustee, custodian or receiver is appointed for any Member or for the major part of its Property and is not discharged within 30 days after such appointment; or

(h) bankruptcy, dissolution, reorganization, arrangement, insolvency or liquidation proceedings, proceedings under Title 11 of the United States Code, as amended, or other proceedings for relief under any bankruptcy law or similar law for the relief of debtors are instituted by or against any Member (other than bankruptcy proceedings instituted by any Member against third parties), and if instituted against any Member are allowed against such Member or are consented to or are not dismissed, stayed or otherwise nullified within 60 days after such institution; or

(i) payment of any installment of interest or principal, or any premium, on any Related Bond shall not be made when the same shall become due and payable under the provisions of any Related Indenture.

Acceleration

If an Event of Default has occurred and is continuing, the Master Trustee may, and if requested by either the holders of not less than 25% in aggregate principal amount of outstanding Obligations or the holder of any Accelerable Instrument under which Accelerable Instrument an event of default exists (which event of default permits the holder thereof to request that the Master Trustee declare such Indebtedness evidenced by an Obligation due and payable prior to the date on which it would otherwise become due and payable), shall, by notice in writing delivered to the Obligated Group Agent, declare the entire principal amount of all Obligations then outstanding under the Master Indenture and the interest accrued thereon immediately due and payable, and the entire principal and such interest shall thereupon become immediately due and payable, subject, however, to the provisions described below under the heading "Waivers of Events of Default."

Remedies; Rights of Obligation Holders

Upon the occurrence of any event of default, the Master Trustee may pursue any available remedy including a suit, action or proceeding at law or in equity to enforce the payment of the principal of, premium, if any, and interest on the Obligations outstanding under the Master Indenture and any other sums due under the Master Indenture and may collect such sums in the manner provided by law out of the Property of any Member wherever situated.

If an Event of Default shall have occurred, and if it shall have been requested so to do by either the holders of 25% or more in aggregate principal amount of Obligations outstanding or the holder of an Accelerable Instrument upon whose request pursuant to the Master Indenture the Master Trustee has accelerated the Obligations and if it shall have been indemnified as provided in the Master Indenture, the Master Trustee shall be obligated to exercise such one or more of the rights and powers conferred by the Master Indenture as the Master Trustee shall deem most expedient in the interests of the holders of Obligations; provided, however, that the Master Trustee shall have the right to decline to comply with any such request if the Master Trustee shall be advised by counsel (who may be its own counsel) that the action so requested may not lawfully be taken or the Master Trustee in good faith shall determine that such action would be unjustly prejudicial to the holders of Obligations not parties to such request.

No delay or omission to exercise any right or power accruing upon any default or event of default shall impair any such right or power or shall be construed to be a waiver of any such default or event of default, or acquiescence therein; and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default or event of default under the Master Indenture, whether by the Master Trustee or by the holders of Obligations, shall extend to or shall affect any subsequent default or event of default or shall impair any rights or remedies consequent thereon.

Direction of Proceedings by Holders

The holders of a majority in aggregate principal amount of the Obligations then outstanding which have become due and payable in accordance with their terms or have been declared due and payable as described above and have not been paid in full in the case of remedies exercised to enforce such payment, or the holders of a majority in aggregate principal amount of the Obligations then outstanding in the case of any other remedy, shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Master Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Master Indenture or for the appointment of a receiver or any other proceedings under the Master Indenture; provided, that such direction shall not be otherwise than in accordance with the provisions of law and of the Master Indenture and that the Master Trustee shall have the right to decline to comply with any such request if the Master Trustee shall be advised by counsel (who may be its own counsel) that the action so directed may not lawfully be taken or the Master Trustee in good faith shall determine that such action would be unjustly prejudicial to the holders of the Obligations not parties to such direction. Pending such direction from the holders of a majority in aggregate principal amount of the Obligations outstanding, such direction may be given in the same manner and with the same effect by the holder of an Accelerable Instrument upon whose request the Master Trustee has accelerated the Obligations.

The foregoing notwithstanding, the holders of a majority in aggregate principal amount of the Obligations then outstanding which are entitled to the exclusive benefit of certain security in addition to that intended to secure all or other Obligations shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Master Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Master Indenture, the Supplemental Master Indenture or Indenture pursuant to which such Obligations were issued or so secured or any separate security document in order to realize on such security; provided, however, that such direction shall not be otherwise than in accordance with the provisions of law and of the Master Indenture.

Rights and Remedies of Obligation Holders

No holder of any Obligation shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Master Indenture or for the execution of any trust thereof or for the appointment of a receiver or any other remedy thereunder, unless a default shall have become an event of default and (a) the holders of 25% or more in aggregate principal amount (i) of the Obligations which have become due and payable in accordance with their terms or have been declared due and payable as described above and have not been paid in full in the case of powers exercised to enforce such payment or (ii) the Obligations then outstanding in the case of any other exercise of power or (b) the holder of an Accelerable Instrument upon whose request the Master Trustee has accelerated the Obligations, shall have made written request to the Master Trustee and shall have offered it reasonable opportunity either to proceed to exercise the powers granted in the Master Indenture or to institute such action, suit or proceeding in its own name, and unless also, in each case, such holders have offered to the Master Trustee indemnity as provided in the Master Indenture, and unless the Master Trustee shall thereafter fail or refuse to exercise the powers granted in the Master Indenture, or to institute such action, suit or proceeding in its own name; and such notification, request and offer of indemnity are declared in every case at the option of the Master Trustee to be conditions precedent to the execution of the powers and trusts of the Master Indenture and to any action or cause of action for the enforcement of the Master Indenture, or for the appointment of a receiver or for any other remedy under the Master Indenture; it being understood and intended that no one or more holders of the Obligations shall have any right in any manner whatsoever to affect, disturb or prejudice the lien of the Master Indenture by its, his or their action or to enforce any right under the Master Indenture except in the manner provided in the Master Indenture, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Master Indenture and for the equal benefit of the holders of all Obligations outstanding. Nothing in the Master Indenture contained shall, however, affect or impair the right of any holder to enforce the payment of the principal of, premium, if any, and interest on any Obligation at and after the maturity thereof, or the obligation of the Members to pay the principal, premium, if any, and interest on each of the Obligations issued under

the Master Indenture to the respective holders thereof at the time and place, from the source and in the manner in said Obligations expressed.

Waivers of Events of Default

If, at any time after the principal of all Obligations shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as provided in the Master Indenture and before the acceleration of any Related Bond, any Member shall pay or shall deposit with the Master Trustee a sum sufficient to pay all matured installments of interest upon all such Obligations and the principal and premium, if any, of all such Obligations that shall have become due otherwise than by acceleration (with interest on overdue installments of interest and on such principal and premium, if any, at the rate borne by such Obligations to the date of such payment or deposit, to the extent permitted by law) and the expenses of the Master Trustee, and any and all events of default under the Master Indenture, other than the nonpayment of principal of and accrued interest on such Obligations that shall have become due by acceleration, shall have been remedied, then and in every such case the holders of a majority in aggregate principal amount of all Obligations then outstanding and the holder of each Accelerable Instrument who requested the giving of notice of acceleration, by written notice to the Obligated Group Agent and to the Master Trustee, may waive all events of default and rescind and annul such declaration and its consequences; but no such waiver or rescission and annulment shall extend to or affect any subsequent event of default, or shall impair any right consequent thereon.

Acceptance of Trusts

The Master Trustee, prior to the occurrence of an event of default and after the curing of all events of default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in the Master Indenture and to perform such duties as an ordinarily prudent trustee under a corporate mortgage, and no implied covenants or obligations should be read into the Master Indenture against the Master Trustee. If an event of default under the Master Indenture shall have occurred and be continuing, the Master Trustee shall exercise such of the rights and powers vested in it by the Master Indenture and shall use the same degree of care as a prudent man would exercise or use in the circumstances in the conduct of his own affairs.

Corporate Master Trustee Required; Eligibility

There shall at all times be a Master Trustee under the Master Indenture which shall be a bank or trust company organized under the laws of the United States of America or any state thereof, authorized to exercise corporate trust powers, subject to supervision or examination by federal or state authorities, and (except for the Master Trustee initially appointed under the Master Indenture and its successors) having a reported combined capital and surplus of at least $25,000,000. If at any time the Master Trustee shall cease to be eligible, it shall resign immediately in the manner provided in described below. No resignation or removal of the Master Trustee and no appointment of a successor Master Trustee shall become effective until the successor Master Trustee has accepted its appointment under the Master Indenture.

Resignation and Removal of Master Trustee

The Master Trustee and any successor Master Trustee may at any time resign from the trusts created under the Master Indenture by giving thirty days' written notice to the Obligated Group Agent and by registered or certified mail to each registered owner of Obligations then outstanding and to each holder of Obligations as shown by the list of Obligation holders required by the Master Indenture to be kept at the office of the Master Trustee. Such resignation shall take effect at the end of such thirty days or when a successor Master Trustee has been appointed and has assumed the trusts created by the Master Indenture, whichever is later, or upon the earlier appointment of a successor Master Trustee by the Obligation holders or by the Obligated Group. Such notice to the Obligated Group Agent may be served personally or sent by registered or certified mail.

The Master Trustee may be removed at any time, by an instrument or concurrent instruments in writing delivered to the Master Trustee and to the Obligated Group Agent, and signed by the owners of a majority in aggregate principal amount of Obligations then outstanding; provided that, if any Related Issuer so elects, it may

sign such an instrument as the Owner of the Obligation or Obligations pledged to secure the Related Bonds issued by such Related Issuer.

Appointment of Successor Master Trustee

In case the Master Trustee shall resign or be removed, or be dissolved, or shall be in the process of dissolution or liquidation, or otherwise becomes incapable of acting, or in case it shall be taken under the control of any public officer or officers, or of a receiver appointed by a court, a successor may be appointed by the owners of 51% in aggregate principal amount of Obligations then outstanding, by an instrument or concurrent instruments in writing signed by such owners, or by their attorneys in fact, duly authorized. The foregoing notwithstanding, so long as the Obligated Group is not in default under the Master Indenture, the Obligated Group shall have the right to approve any such successor trustee. If a successor trustee shall not have been appointed within 30 days after notice of resignation by or removal of the Master Trustee, the Obligated Group or any holder of an Obligation may apply to any court of competent jurisdiction to appoint a successor to act until such time, if any, as a successor shall have been appointed as above provided. The successor so appointed by such court shall immediately and without further act be superseded by any successor appointed as above provided. Every such successor Master Trustee appointed pursuant to the provisions of the Master Indenture shall be a trust company or bank in good standing under the law of the jurisdiction in which it was created and by which it exists, having corporate trust powers and subject to examination by federal or state authorities, and having a reported capital and surplus of not less than $50,000,000.

Supplemental Master Indenture Not Requiring Consent of Obligation Holders

Subject to the limitations described below, the Members and the Master Trustee may, without the consent of, or notice to, any of the Obligation holders, amend or supplement the Master Indenture, for any one or more of the following purposes:

(a) To cure any ambiguity or defective provision in or omission from the Master Indenture in such manner as is not inconsistent with and does not impair the security of the Master Indenture or adversely affect the holder of any Obligation;

(b) To grant to or confer upon the Master Trustee for the benefit of the Obligation holders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Obligation holders and the Master Trustee, or either of them, to add to the covenants of the Members for the benefit of the Obligation holders or to surrender any right or power conferred under the Master Indenture upon any Member;

(c) To assign and pledge under the Master Indenture any additional revenues, properties or collateral;

(d) To evidence the succession of another corporation to the agreements of a Member or the Master Trustee, or the successor of any thereof;

(e) To permit the qualification of the Master Indenture under the Trust Indenture Act of 1939, as then amended, or under any similar federal statute hereafter in effect or to permit the qualification of any Obligations for sale under the securities laws of any state of the United States;

(f) To provide for the refunding or advance refunding of any Obligation;

(g) To provide for the issuance of Obligations;

(h) To reflect the addition to or withdrawal of a Member from the Obligated Group;

(i) To provide for the issuance of Obligations with original issue discount, provided such issuance would not materially adversely affect the holders of outstanding Obligations;

(j) To permit an Obligation to be secured by security which is not extended to all Obligation holders;

(k) To permit the issuance of Obligations which are not in the form of a promissory note;

(l) To modify or eliminate any of the terms of the Master Indenture; provided, however, that: such Supplemental Master Indenture shall expressly provide that any such modifications or eliminations shall become effective only when there is no Obligation outstanding of any series created prior to the execution of such Supplemental Master Indenture; and the Master Trustee may, in its discretion, decline to enter into any such Supplemental Master Indenture which, in its opinion, may not afford adequate protection to the Master Trustee when the same becomes operative; and

(m) To make any other change which, in the opinion of the Master Trustee, does not materially adversely affect the holders of any of the Obligations and, in the opinion of each Related Trustee, does not materially adversely affect the holders of the Related Bonds with respect to which it acts as trustee, including without limitation any modification, amendment or supplement to the Master Indenture or any indenture supplemental hereto in such a manner as to establish or maintain exemption of interest on any Related Bonds under a Related Indenture from federal income taxation under applicable provisions of the Code.

Supplemental Master Indenture Requiring Consent of Obligation Holders

In addition to Supplemental Master Indenture discussed above and subject to the terms and provisions described below, and not otherwise, the holders of not less than 51% in aggregate principal amount of the Obligations which are outstanding at the time of the execution of such Supplemental Master Indenture or, in case less than all of the several series of Obligations are affected thereby, the holders of not less than 51% in aggregate principal amount of the Obligations of each series affected thereby which are outstanding at the time of the execution of such Supplemental Master Indenture, shall have the right, from time to time, anything contained in the Master Indenture to the contrary notwithstanding, to consent to and approve the execution by the Members and the Master Trustee of such Supplemental Master Indenture as shall be deemed necessary and desirable by the Members for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Master Indenture or in any Supplemental Master Indenture; provided, however, that nothing described above or below shall permit, or be construed as permitting, (a) an extension of the stated maturity or reduction in the principal amount of or reduction in the rate or extension of the time of paying of interest on or reduction of any premium payable on the redemption of, any Obligation, without the consent of the holder of such Obligation, (b) a reduction in the aforesaid aggregate principal amount of Obligations the holders of which are required to consent to any such Supplemental Master Indenture, without the consent of the holders of all the Obligations at the time outstanding which would be affected by the action to be taken, except as otherwise permitted in the Master Indenture, or (c) modification of the rights, duties or immunities of the Master Trustee, without the written consent of the Master Trustee.

For the purpose of obtaining the foregoing consents, the determination of who is deemed the holder of an Obligation held by a Related Trustee shall be made as provided in the Master Indenture. In addition, the Related Indenture or Supplemental Master Indenture may provide that the holders of the series of Related Bonds being issued in connection therewith shall be deemed to have consented to certain modifications or amendments to the Master Indenture described in an amendatory Supplemental Master Indenture (the "Proposed Amendments") by the purchase of such series of Related Bonds by the holders thereof. Such deemed consent shall be effective on the date of initial delivery of such series of Related Bonds and such consent will be binding on all subsequent holders of such series of Related Bonds.

Satisfaction of the Master Indenture

If the Members shall pay or provide for the payment of the entire indebtedness on all Obligations (including any Obligations owned by a Member) outstanding in any one or more of the following ways:

(a) by paying or causing to be paid the principal of (including redemption premium, if any) and interest on all Obligations outstanding, as and when the same become due and payable;

(b) by depositing with the Master Trustee, in trust, at or before maturity, moneys in an amount sufficient to pay or redeem (when redeemable) all Obligations outstanding (including the payment of premium, if any, and interest payable on such Obligations to the maturity or redemption date thereof), provided that such moneys, if invested, shall be invested at the direction of the Obligated Group Agent in Escrow Obligations, in an amount, without consideration of any income or increment to accrue thereon, sufficient to pay or redeem (when redeemable) and discharge the indebtedness on all Obligations outstanding at or before their respective maturity dates; it being understood that the investment income on such Escrow Obligations may be used at the direction of the Obligated Group Agent for any other purpose permitted by law;

(c) by delivering to the Master Trustee, for cancellation by it, all Obligations outstanding; or

(d) by depositing with the Master Trustee, in trust, before maturity, Escrow Obligations in such amount as the Master Trustee shall determine will, together with the income or increment to accrue thereon, without consideration of any reinvestment thereof, be fully sufficient to pay or redeem (when redeemable) and discharge the indebtedness on all Obligations outstanding at or before their respective maturity dates;

(e) and if the Obligated Group shall also pay or cause to be paid all other sums payable under the Master Indenture by the Obligated Group and, if any such Obligations are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given in accordance with the requirements of the Master Indenture or provisions satisfactory to the Master Trustee shall have been made for the giving of such notice, then and in that case (but subject to the provisions of the Master Indenture) the Master Indenture and the estate and rights granted under the Master Indenture shall cease, determine, and become null and void, and thereupon the Master Trustee shall, upon Written Request of the Obligated Group Agent, and upon receipt by the Master Trustee of an Officer's Certificate from the Obligated Group Agent and an opinion of Independent Counsel acceptable to the Master Trustee, each stating that in the opinion of the signers all conditions precedent to the satisfaction and discharge of the Master Indenture have been complied with, forthwith execute proper instruments acknowledging satisfaction of and discharging the Master Indenture and the lien thereof. The satisfaction and discharge of the Master Indenture shall be without prejudice to the rights of the Master Trustee to charge and be reimbursed by the Obligated Group for any expenditures which it may thereafter incur in connection herewith. The foregoing notwithstanding, the liability of the Obligated Group in respect of the Obligations shall continue, but the holders thereof shall thereafter be entitled to payment only out of the moneys or Escrow Obligations deposited with the Master Trustee as aforesaid.

Provision for Payment of a Particular Series of Obligations or Portion Thereof

If the Obligated Group shall pay or provide for the payment of the entire indebtedness on all Obligations of a particular series or a portion of such a series (including any such Obligations owned by a Member or an Obligated Group Affiliate) in one of the following ways:

(a) by paying or causing to be paid the principal of (including redemption premium, if any) and interest on all Obligations of such series or portion thereof outstanding, as and when the same shall become due and payable;

(b) by depositing with the Master Trustee, in trust, at or before maturity, moneys in an amount sufficient to pay or redeem (when redeemable) all Obligations of such series or portion thereof outstanding (including the payment of premium, if any, and interest payable on such Obligations to the maturity or redemption date), provided that such moneys, if invested, shall be invested at the direction of the Obligated Group Agent in Escrow Obligations in an amount, without consideration of any income or increment to accrue thereon, sufficient to pay or redeem (when redeemable) and discharge the indebtedness on all Obligations of such series or portion thereof outstanding at or before their respective maturity dates; it being understood that the investment income on such Escrow Obligations may be used at the direction of the Obligated Group Agent for any other purpose permitted by law;

(c) by delivering to the Master Trustee, for cancellation by it, all Obligations of such series or portion thereof outstanding; or

(d) by depositing with the Master Trustee, in trust, Escrow Obligations in such amount as the Master Trustee shall determine will, together with the income or increment to accrue thereon without consideration of any

reinvestment thereof, be fully sufficient to pay or redeem (when redeemable) and discharge the indebtedness on all Obligations of such series or portion thereof at or before their respective maturity dates;

(e) and if the Obligated Group shall also pay or cause to be paid all other sums payable under the Master Indenture by the Obligated Group with respect to such series of Obligations or portion thereof, and, if any such Obligations of such series or portion thereof are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given in accordance with the requirements of the Master Indenture or provisions satisfactory to the Master Trustee shall have been made for the giving of such notice, then in that case (but subject to the provisions of the Master Indenture) such Obligations shall cease to be entitled to any lien, benefit or security under the Master Indenture. The liability of the Obligated Group in respect of such Obligations shall continue but the holders thereof shall thereafter be entitled to payment (to the exclusion of all other Obligation holders) only out of the moneys or Escrow Obligations deposited with the Master Trustee as aforesaid.

Satisfaction of Related Bonds

Notwithstanding the satisfaction provisions of the Master Indenture, any Obligation which secures a Related Bond (i) shall be deemed paid and shall cease to be entitled to the lien, benefit and security under the Master Indenture in the circumstances described in subsection (b)(ii) of the definition of "Outstanding Obligations" in the Master Indenture; and (ii) shall not be deemed paid and shall continue to be entitled to the lien, benefit and security under the Master Indenture unless and until such Related Bond shall cease to be entitled to any lien, benefit or security under the Related Indenture pursuant to the provisions thereof.

SUMMARY OF CERTAIN PROVISIONS OF THE SERIES 2011 SUPPLEMENTAL MASTER INDENTURES

Each of the 2011 Obligations are issued pursuant to a related Series 2011 Supplemental Master Indenture. The Series 2011 Supplemental Master Indentures each provide that the 2011 Obligations will be subject to payment prior to maturity to the extent that the respective series of Bonds are subject to redemption prior to maturity.

SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENTS

The following is a summary of certain provisions of the Series 2011A Loan Agreement, the Series 2011B Loan Agreement, the Series 2011C Loan Agreement, the Series 2011D Loan Agreement and the Series 2011E Loan Agreement. Each Loan Agreement contains similar provisions in all respects. This summary does not purport to be complete and is qualified by express reference to the full text thereof.

Loan of Bond Proceeds

Under the Loan Agreements, the Authority loaned to the Corporation the proceeds of the Bonds.

In order to provide for the repayment of such loan, the Corporation executed and delivered to the Trustee, as assignee of the Authority, its 2011 Obligations, which 2011 Obligations are issued and secured under the Master Indenture. The Bonds are secured by a pledge by the Authority to the Trustee of the Trust Estate, including the payments to be paid by the Corporation pursuant to the 2011 Obligations.

Loan Term

The Corporation's obligations under each Loan Agreement commenced on the date of the execution and delivery of the related Loan Agreement and shall terminate after payment in full of the loan and all other amounts due under the related Loan Agreement, the related Indenture or the 2011 Obligations; provided, however, that the covenants and obligations provided in the related Loan Agreement with respect to the tax status of the Bonds,

compensation and indemnification of the Authority and the Trustee and the payment of reasonable fees and expenses incurred by either of them in the collection of amounts due under the Obligations shall survive the termination of the related Loan Agreement and the payment in full of the amounts due under the related Loan Agreement and the 2011 Obligations.

Covenants

The related Loan Agreement contains covenants of the Corporation related to its tax-exempt status, to indemnification of the Authority and the Trustee, and to the application of the proceeds of the sale of the Bonds.

Obligations Unconditional

The Corporation's obligations under the related Loan Agreement and the 2011 Obligations are continuing, unconditional and absolute, and are independent of and separate from any obligations of the Authority, and shall not be diminished or deferred for any reason whatsoever, irrespective of the doing of any act or the omission thereof by the Authority or the Trustee, irrespective of the existence of any other circumstances which might otherwise constitute a legal or equitable defense or discharge of the obligations of the Corporation under the related Loan Agreement, including without limitation (i) any matters of abatement, setoff, counterclaim, recoupment, defense or other right the Corporation may have against the Authority or the Trustee, suppliers of any portion of the Corporation's facilities or anyone for any reason whatsoever; (ii) compliance with specifications, conditions, design, operation, disrepair or fitness for use of, or any damage to or loss or destruction of any portion of the hospital facilities, any condemnation or sale in anticipation of condemnation of all or any portion of the Project, or any interruption or cessation in the use or possession thereof by the Corporation, for any reason whatsoever; (iii) any insolvency, bankruptcy, reorganization or similar proceedings by or against the Corporation; (iv) any failure of any supplier to deliver any portion of the Project for any reason whatsoever except as otherwise provided in the related Loan Agreement; (v) any acts or circumstances that may constitute failure of consideration, sale, loss, destruction or condemnation of or damage to the Project; or (vi) any change in the tax or other laws of the United States of America or of the State of Indiana or any political subdivision of either or any failure of the Authority to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or in connection with the related Loan Agreement.

Prepayment of Loan and 2011 Obligations

At the option of the Corporation and after giving at least 45 days written notice by certified or registered mail to the Authority and the Trustee (or such lesser period of notice as may be acceptable to the Trustee), the Corporation may prepay all or a portion of the Loan (and the 2011 Obligations) by paying to the Trustee the then applicable optional redemption price as applicable under the related Indenture to which such prepayment applies or by paying to the Trustee an amount (or securities meeting the requirements of the Indenture) sufficient to defease all or any portion of the Bonds under the provisions of the related Indenture or to redeem any certificates otherwise subject to redemption under each Indenture. The Corporation shall give the Trustee not less than 45 days written notice of any such prepayment (or such lesser period of notice as may be acceptable to the Trustee), and if any Bonds are to be called for redemption in connection therewith, irrevocable written instructions to the Trustee to call such Bonds for redemption. Upon prepayment of the full amount of the Loan and the 2011 Obligations as provided for in the related Loan Agreement, the Loan Agreement shall terminate, except for the obligations and covenants provided in the Loan Agreement with respect to the tax status of the Bonds, compensation and indemnification of the Authority and the Trustee and the payment of reasonable fees and expenses incurred by either of them in the collection of amounts due under the Obligations.

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APPENDIX D

FORM OF OPINION OF BOND COUNSEL

April __, 2011

Indiana Finance Authority
Indianapolis, Indiana

Indiana University Health, Inc.
Indianapolis Indiana

The Bank of New York Mellon Trust Company, N.A.,
as Master Trustee and as Bond Trustee
Indianapolis, Indiana

Citigroup Global Markets Inc.
New York, New York

Merrill Lynch, Pierce, Fenner & Smith Incorporated
New York, New York

U.S. Bank Municipal Securities Group
New York, New York

Re: Indiana Finance Authority Hospital Revenue Bonds (Indiana University Health Obligated Group) Series 2011A issued in the aggregate principal amount of $_____ (the "2011A Bonds") pursuant to the Trust Indenture dated as of April 1, 2011 (the "2011A Bond Indenture"), between the Indiana Finance Authority (the "Authority") and The Bank of New York Mellon Trust Company, N.A., as Trustee (the "Bond Trustee"), which 2011A Bond Indenture contains an assignment of the Authority's rights under the Loan Agreement, dated as of April 1, 2011 (the "2011A Loan Agreement"), between the Authority and Indiana University Health, Inc. (the "Corporation"), and the Master Note Obligation, Series 2011A of the Corporation (the "2011A Note") issued pursuant to the Master Trust Indenture, dated as of December 1, 1996 (the "Master Indenture"), between the Members of the Obligated Group from time to time, and The Bank of New York Mellon Trust Company, N.A., as successor Master Trustee (the "Master Trustee"), as supplemented by a Series 2011A Supplemental Master Indenture, dated as of April 1, 2011 (the "2011A Supplemental Indenture"); and Indiana Finance Authority Hospital Revenue Bonds (Indiana University Health Obligated Group) Series 2011B issued in the aggregate principal amount of $_____ (the "2011B Bonds") pursuant to the Trust Indenture dated as of April 1, 2011 (the "2011B Bond Indenture), between the Authority and the Bond Trustee, which 2011B Bond Indenture contains an assignment of certain of the Authority's rights under the Loan Agreement, dated as of April 1, 2011 (the "2011B Loan Agreement"), between the Authority and the Corporation, and the Master Note Obligation, Series 2011B of the Corporation (the "2011B Note") issued pursuant to the Master Indenture, as supplemented by a Series 2011B Supplemental Master Indenture, dated as of April 1, 2011 (the "2011B Supplemental Indenture"); and Indiana Finance Authority Hospital Revenue Bonds (Indiana University Health Obligated Group) Series 2011C issued in the aggregate principal amount of $_____ (the "2011C Bonds") pursuant to the Trust Indenture dated as of April 1, 2011 (the "2011C Bond Indenture"), between the Authority and the Bond Trustee, which 2011C Bond Indenture contains an assignment of certain of the Authority's rights under the Loan Agreement, dated as of April 1, 2011 (the "2011C Loan Agreement"), between the Authority and the Corporation, and the Master Note Obligation, Series 2011C of the Corporation (the "2011C Note") issued pursuant to the Master Indenture, as supplemented by a Series 2011C Supplemental Master Indenture, dated as of April 1, 2011 (the "2011C Supplemental Indenture"); and Indiana Finance Authority Hospital Revenue Bonds (Indiana University Health Obligated Group) Series 2011D issued in the aggregate principal amount of $_____ (the "2011D Bonds") pursuant to the Trust Indenture dated as of April 1, 2011 (the "2011D Bond Indenture"), between the Authority and the Bond Trustee, which 2011D Bond Indenture contains an assignment of certain of the Authority's rights under the Loan Agreement, dated as of April 1, 2011

(the "2011D Loan Agreement"), between the Authority and the Corporation, and the Master Note Obligation, Series 2011D of the Corporation (the "2011D Note") issued pursuant to the Master Indenture, as supplemented by a Series 2011D Supplemental Master Indenture, dated as of April 1, 2011 (the "2011D Supplemental Indenture"); and Indiana Finance Authority Hospital Revenue Bonds (Indiana University Health Obligated Group) Series 2011E issued in the aggregate principal amount of $_____ (the "2011E Bonds" and together with the 2011A Bonds, the 2011B Bonds, the 2011C Bonds and 2011D Bonds, the "Bonds") pursuant to the Trust Indenture dated as of April 1, 2011 (the "2011E Bond Indenture" and together with the 2011A Bond Indenture, the 2011B Bond Indenture, the 2011C Bond Indenture and 2011D Bond Indenture, the "Bond Indentures"), between the Authority and the Bond Trustee, which 2011E Bond Indenture contains an assignment of certain of the Authority's rights under the Loan Agreement, dated as of April 1, 2011 (the "2011E Loan Agreement" and together with the 2011A Loan Agreement, the 2011B Loan Agreement, the 2011C Loan Agreement and the 2011D Loan Agreement, the "Loan Agreements"), between the Authority and the Corporation, and the Master Note Obligation, Series 2011E of the Corporation (the "2011E Note" and together with the 2011A Note, the 2011B Note, the 2011C Note and the 2011D Note, the "Notes") issued pursuant to the Master Indenture, as supplemented by a Series 2011E Supplemental Master Indenture, dated as of April 1, 2011 (the "2011E Supplemental Indenture" and together with the 2011A Supplemental Indenture, the 2011B Supplemental Indenture, the 2011C Supplemental Indenture and the 2011D Supplemental Indenture, the "Supplemental Indentures")

Ladies and Gentlemen:

We have examined a certified transcript of proceedings relating to (a) the creation and organization of the Authority; (b) the authorization, issuance and sale of the Bonds; (c) the authorization and execution of the Bond Indentures, the Loan Agreements, the Master Indenture, the Supplemental Indentures and the Notes; (d) an opinion of Norman G. Tabler, Jr., Esquire, Indianapolis, Indiana, Senior Vice President and General Counsel for the Corporation; (e) executed counterparts of the Loan Agreements, the Bond Indentures and the Supplemental Indentures; (f) a certificate of officers of the Authority, of even date herewith, regarding the execution of the Bonds and showing no litigation pending or threatened; (g) certificates of officers of the Bond Trustee regarding the execution of the Bond Indentures, authentication of the Bonds, the guarantee of the signatures on the Bonds and showing payment for and delivery of the Bonds; (h) letters from the Internal Revenue Service evidencing that the Members of the Obligated Group and the Obligated Group Affiliates as defined in the Master Indenture (collectively, the "Credit Group") are exempt from taxation as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as in effect on the date hereof (the "Code"); (i) the executed Notes; (j) certificates and other agreements of the Credit Group, of even date herewith; and (k) an executed Internal Revenue Service Form 8038.

We have also examined Indiana Code 4-4-10.9 and -11 and Indiana Code 5-1-16, as amended, and such other provisions of the constitution and laws of the State of Indiana (the "State") as we have deemed relevant and necessary as a basis for the opinions set forth herein. As to questions of fact material to our opinion, we have relied upon representations and covenants of the Credit Group and the Authority contained in the Loan Agreements and the Bond Indentures and in the certified transcript of proceedings and other certificates of officers furnished to us, including the tax covenants and representations of the Authority and the Credit Group (the "Tax Covenants"), without undertaking to verify the same by independent investigation.

Based on the foregoing and our review of such other information, papers and documents as we believe necessary or advisable, we are of the opinion that:

(1) The Loan Agreements have been duly authorized, executed and delivered by the Authority, and, assuming due authorization, execution and delivery thereof by the Corporation, are valid and binding agreements of the Authority enforceable against the Authority in accordance with their terms.

(2) The Bond Indentures have been duly authorized, executed and delivered by the Authority, and, assuming due authorization, execution and delivery thereof by the Bond Trustee, are valid and binding agreements of the Authority enforceable against the Authority in accordance with their terms.

(3) The Bonds have been duly authorized, executed and issued and are valid and binding limited obligations of the Authority enforceable in accordance with their terms.

(4) Under statutes, decisions, regulations, and rulings existing on this date, the interest on the Bonds is exempt from income taxation in the State. This opinion relates only to the tax exemption of interest on the Bonds from State income taxes.

(5) Under federal statutes, decisions, regulations and rulings existing on this date, the interest on the Bonds is excludable from gross income for purposes of federal income taxation pursuant to Section 103 of the Internal Revenue Code of 1986, as in effect on the date hereof (the "Code"), is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, but is taken into account in determining adjusted current earnings for the purpose of computing the federal alternative minimum tax imposed on certain corporations. This opinion is conditioned on continuing compliance by the Credit Group and the Authority with the Tax Covenants. Failure to comply with the Tax Covenants could cause interest on the Bonds to lose the exclusion from gross income for purposes of federal income taxation retroactive to the date of issuance of the Bonds.

The opinion expressed in paragraph 5 is expressly limited as set forth in this paragraph. If subsequent to the date hereof the interest mode (as set forth in the Bond Indentures) applicable to a series of the Bonds is changed, we are not expressing an opinion herein on the effect such change shall have on the exclusion from gross income for federal income tax purposes of interest on the Bonds. As described in the Bond Indentures, a favorable opinion of bond counsel would be required in the event of any such change.

It is to be understood that the rights of the owners of the Bonds, the Authority, the Bond Trustee and the Credit Group and the enforceability of the Bonds, the Bond Indentures and the Loan Agreements may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore and hereafter enacted to the extent constitutionally applicable and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity. It is to be understood that the rights of the owners of the Bonds, the Authority, the Bond Trustee and the Credit Group and the enforceability of the Bonds, the Bond Indentures and the Loan Agreements may be subject to the valid exercise of the constitutional powers of the State and the United States of America.

Very truly yours,

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APPENDIX E

CERTAIN INFORMATION CONCERNING THE CREDIT FACILITY PROVIDERS

The information contained in this Appendix has been obtained from the Credit Facility Providers and is not to be construed as a representation by the Authority, the Obligated Group or the Underwriters.

THE NORTHERN TRUST COMPANY

The Northern Trust Company (the "Initial Bank"), a wholly owned subsidiary of Northern Trust Corporation (the "Corporation"), was founded in 1889. Headquartered in Chicago, the Initial Bank conducts business through its U.S. operations, its London and Singapore branches, and various U.S. and non-U.S. subsidiaries. The Initial Bank provides a wide array of investment management, asset and fund administration, fiduciary, and banking solutions to corporations, institutions, and affluent individuals. The Initial Bank is an Illinois State-chartered bank and a member of the Federal Deposit Insurance Corporation. It is subject to the regulations of the Illinois Office of Banks and Real Estate, the Federal Deposit Insurance Corporation and the Federal Reserve Board.

As of December 31, 2010, total assets of the Initial Bank were $70.4 billion. Stockholders' equity of the Initial Bank at December 31, 2010 was $5.4 billion. The Corporation is a financial holding company under the Gramm-Leach-Bliley Act and was originally organized as a bank holding company in 1971 to hold all the outstanding capital stock of the Initial Bank. The Corporation conducts business through various U.S. and non-U.S. subsidiaries, including the Initial Bank, its principal subsidiary. The Corporation has a network of 78 offices in 18 U.S. states and has 16 international locations in North America, Europe, the Middle East and the Asia-Pacific region.

Financial Information

Total assets of the Corporation averaged $76.0 billion in 2010, 2% higher than full year 2009. As of December 31, 2010, assets totaled $83.8 billion. Total stockholders' equity at December 31, 2010 was $6.83 billion as compared to $6.31 billion at December 31, 2009. The Corporation maintained a liquid balance sheet with securities and money market assets averaging 53% of total assets during 2010. Long-term debt payable of the Corporation, including Trust Preferred Securities, but excluding senior notes, was $3.0 billion at December 31, 2010. The Corporation's reserve for credit losses assigned to loans at December 31, 2010 was $319.6 million representing 1.14% of the balance of loans.

The Corporation files reports, forms and other information with the Securities and Exchange Commission (the "Commission") in accordance with the requirements of the Securities Exchange Act of 1934, as amended. Additional information, including financial information relating to the Initial Bank, is set forth in the Annual Report on Form 10-K for the year ended December 31, 2009. The Initial Bank will provide without charge to each person to whom this Official Statement is delivered, upon the written request of such person, a copy of the most recent Annual Report to Shareholders of the Corporation, a copy of the Annual Report on Form 10-K, a copy of the most recent Quarterly Report on Form 10-Q and a copy of any Current Report on Form 8-K filed since the date of such Annual Report on Form 10-K. Written requests should be directed to:

Northern Trust Corporation,
50 South LaSalle Street
Chicago, Illinois 60603
Attention: Secretary.

BANK OF AMERICA, N.A.

Bank of America, N.A. (the "Bank") is a national banking association organized under the laws of the United States, with its principal executive offices located in Charlotte, North Carolina. The Bank is a wholly-owned indirect subsidiary of Bank of America Corporation (the "Corporation") and is engaged in a general consumer banking, commercial banking and trust business, offering a wide range of commercial, corporate, international, financial market, retail and fiduciary banking services. As of December 31, 2010, the Bank had consolidated assets of $1.482 trillion, consolidated deposits of $1.038 trillion and stockholder's equity of $180 billion based on regulatory accounting principles

The Corporation is a bank holding company and a financial holding company, with its principal executive offices located in Charlotte, North Carolina. Additional information regarding the Corporation is set forth in its Annual Report on Form 10-K for the fiscal year ended December 31, 2010, together with its subsequent periodic and current reports filed with the Securities and Exchange Commission (the "SEC").

Filings can be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549, United States, at prescribed rates. In addition, the SEC maintains a website at http://www.sec.gov, which contains reports, proxy statements and other information regarding registrants that file such information electronically with the SEC.

The information concerning the Corporation and the Bank is furnished solely to provide limited introductory information and does not purport to be comprehensive. Such information is qualified in its entirety by the detailed information appearing in the referenced documents and financial statements referenced therein.

The Bank will provide copies of the most recent Bank of America Corporation Annual Report on Form 10-K, any subsequent reports on Form 10-Q, and any required reports on Form 8-K (in each case as filed with the SEC pursuant to the Exchange Act), and the publicly available portions of the most recent quarterly Call Report of the Bank delivered to the Comptroller of the Currency, without charge, to each person to whom this document is delivered, on the written request of such person. Written requests should be directed to:

Bank of America Corporate Communications
100 North Tryon Street, 18th Floor
Charlotte, North Carolina 28255
Attention: Corporate Communication

PAYMENTS OF PRINCIPAL AND INTEREST ON THE SERIES 2011B BONDS AND THE SERIES 2011E BONDS WILL BE MADE FROM DRAWINGS UNDER THE RELATED LETTERS OF CREDIT. PAYMENTS OF THE PURCHASE PRICE OF SUCH BONDS WILL BE MADE FROM DRAWINGS UNDER THE RELATED LETTERS OF CREDIT IF REMARKETING PROCEEDS ARE NOT AVAILABLE. ALTHOUGH EACH LETTER OF CREDIT IS A BINDING OBLIGATION OF THE BANK, THE SERIES 2011B BONDS AND THE SERIES 2011E BONDS ARE NOT DEPOSITS OR OBLIGATIONS OF THE CORPORATION OR ANY OF ITS AFFILIATED BANKS AND ARE NOT GUARANTEED BY ANY OF THESE ENTITIES. THE SERIES 2011B BONDS AND THE SERIES 2011E BONDS ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY AND ARE SUBJECT TO CERTAIN INVESTMENT RISKS, INCLUDING POSSIBLE LOSS OF THE PRINCIPAL AMOUNT INVESTED.

The delivery of this information shall not create any implication that there has been no change in the affairs of the Corporation or the Bank since the date of the most recent filings referenced herein, or that the information contained or referred to under this heading "BANK OF AMERICA, N.A." is correct as of any time subsequent to the referenced date.

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Indiana University Health

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