NEW ISSUE – Book-Entry Only **Ratings: See "RATINGS" herein**

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Authority, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2018A Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Series 2018A Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed for taxable years beginning prior to January 1, 2018. In addition, in the opinion of Bond Counsel to the Authority, under existing statutes, the interest on the Series 2018A Bonds, including any profit made on the sale thereof, is exempt from all taxation imposed by the Commonwealth of Virginia or any political subdivision thereof. See ***"TAX MATTERS."***

$206,860,000
INDUSTRIAL DEVELOPMENT AUTHORITY OF FAIRFAX COUNTY, VIRGINIA
HEALTH CARE REVENUE BONDS
(INOVA HEALTH SYSTEM PROJECT)
SERIES 2018A

Dated: Date of Issuance **Due: May 15, as shown on the inside cover**

The above-captioned Industrial Development Authority of Fairfax County, Virginia Health Care Revenue Bonds (Inova Health System Project), Series 2018A (the "Series 2018A Bonds") will be limited obligations of the Industrial Development Authority of Fairfax County, Virginia (the "Authority"), secured under the provisions of a Trust Agreement, dated as of July 1, 2018 (the "Trust Agreement"), by and between the Authority and U.S. Bank National Association, as bond trustee (the "Bond Trustee"). The Series 2018A Bonds are payable from and secured by a pledge of payments to be made under the Loan Agreement, dated as of July 1, 2018 (the "Loan Agreement"), by and between the Authority and Inova Health System Foundation ("Inova").

Inova Health System Foundation

The obligations of Inova under the Loan Agreement will be evidenced and secured by a promissory note, Obligation No. 67 (the "Series 2018A Obligation"), which will be the joint and several general obligation of Inova and certain of its controlled affiliates (collectively, the "Obligated Group"), issued under the Amended and Restated Master Trust Indenture, dated as of May 1, 2012, as supplemented (the "Master Indenture"), by and among the Obligated Group and U.S. Bank National Association, as master trustee (the "Master Trustee").

Interest on the Series 2018A Bonds is payable semiannually on May 15 and November 15 of each year (each an "Interest Payment Date"), commencing November 15, 2018. The Series 2018A Bonds are issuable only as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as registered owner and as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2018A Bonds. The Series 2018A Bonds may be purchased in denominations of $5,000 or any integral multiple thereof. Purchases of Series 2018A Bonds may be made only in book-entry form through DTC Participants (as defined herein), and no physical delivery of the Series 2018A Bonds will be made to the Beneficial Owners (as defined herein), except as herein described. So long as Cede & Co. is the registered owner, as nominee for DTC, of the Series 2018A Bonds, references herein to the registered owners of the Series 2018A Bonds ("Holders") shall mean Cede & Co., and shall not mean the Beneficial Owners of the Series 2018A Bonds. Principal of and interest on the Series 2018A Bonds will be paid by the Bond Trustee to Cede & Co. so long as Cede & Co. is the Holder. The disbursement of such payments to the DTC Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners of the Series 2018A Bonds is the responsibility of DTC Participants and Indirect Participants (as defined herein).

The Series 2018A Bonds are subject to optional and extraordinary redemption and mandatory sinking fund redemption prior to maturity and purchase in lieu of redemption as described herein.

This cover page contains certain information for quick reference only. It is not intended as a summary of this transaction. Investors are advised to read the entire Official Statement, including all appendices and the other documents incorporated herein by reference, to obtain information essential to making an informed investment decision.

MATURITY SCHEDULE
(See inside cover page)

THE SERIES 2018A BONDS WILL NOT CONSTITUTE GENERAL OBLIGATIONS OF THE AUTHORITY, THE COMMONWEALTH OF VIRGINIA, OR FAIRFAX COUNTY, VIRGINIA, OR ANY OTHER POLITICAL SUBDIVISION OF THE COMMONWEALTH OF VIRGINIA, AND WILL NOT DIRECTLY OR INDIRECTLY OBLIGATE THE COMMONWEALTH OF VIRGINIA, OR FAIRFAX COUNTY, VIRGINIA, OR ANY OTHER POLITICAL SUBDIVISION OF THE COMMONWEALTH OF VIRGINIA TO LEVY ANY FORM OF TAXATION THEREFOR OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. THE AUTHORITY HAS NO TAXING POWER.

The Series 2018A 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 Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel. Certain legal matters will be passed upon for the Authority by Elizabeth Teare, Esq., County Attorney for Fairfax County, Virginia. Certain legal matters will be passed upon for the Obligated Group by its counsel, Polsinelli PC, Chicago, Illinois. Certain legal matters will be passed upon for the Underwriters by their counsel, Norton Rose Fulbright US LLP, Dallas, Texas. It is expected that the Series 2018A Bonds will be available for delivery through the facilities of DTC in New York, New York on or about July 31, 2018.

Morgan Stanley **J.P. Morgan**

The date of this Official Statement is July 18, 2018.

$206,860,000
INDUSTRIAL DEVELOPMENT AUTHORITY
OF FAIRFAX COUNTY, VIRGINIA
HEALTH CARE REVENUE BONDS
(INOVA HEALTH SYSTEM PROJECT)
SERIES 2018A

MATURITY SCHEDULE

$59,500,000 Serial Bonds

Maturity (May 15,)	Principal	Interest Rate	Yield	Price	CUSIP®†
2019	$ 6,820,000	3.000%	1.400%	101.249	303823MJ4
2020	1,585,000	4.000	1.560	104.286	303823MK1
2021	1,645,000	5.000	1.710	108.920	303823ML9
2022	1,730,000	5.000	1.860	111.433	303823MM7
2023	2,415,000	5.000	2.000	113.632	303823MN5
2024	9,065,000	5.000	2.100	115.726	303823MP0
2025	9,435,000	5.000	2.250	117.220	303823MQ8
2026	10,025,000	5.000	2.400	118.367	303823MR6
2027	3,850,000	5.000	2.500	119.612	303823MS4
2028	3,995,000	5.000	2.580	120.812	303823MT2
2029	4,415,000	4.000	2.850*	109.759 C	303823MU9
2030	4,520,000	4.000	2.960*	108.778 C	303823MV7

$147,360,000 4.000% Term Bonds due May 15, 2048, Yield 3.670%*, Price 102.688 C, CUSIP®† 303823MW5

† A registered trademark of The American Bankers Association. CUSIP data is provided by CUSIP Global Services ("CGS"), managed by S&P Global Market Intelligence on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP numbers are provided for convenience of reference only. None of the Authority, Inova or the Underwriters assumes any responsibility for the accuracy of such numbers.

* Yield to first call date of May 15, 2028.

C Priced to first call date of May 15, 2028 at a redemption price of par.

INDUSTRIAL DEVELOPMENT AUTHORITY
OF FAIRFAX COUNTY, VIRGINIA
(Commonwealth of Virginia)
Fairfax, Virginia

Leigh Anne Arnold ..... Chairperson

Charles Watson ..... Vice Chairperson

Robert J. Surovell ..... Secretary

Joseph A. Heastie ..... Board Member

Christopher A. Glaser ..... Board Member

Inge Gedo ..... Board Member

Jonathan D. Higgins ..... Board Member

CHIEF EXECUTIVE OFFICER OF INOVA HEALTH SYSTEM FOUNDATION
J. Stephen Jones

AUTHORITY COUNSEL
Elizabeth Teare, Esq., County Attorney
Fairfax, Virginia

BOND COUNSEL
Hawkins Delafield & Wood LLP
New York, New York

COUNSEL TO THE OBLIGATED GROUP
Polsinelli PC
Chicago, Illinois

UNDERWRITERS' COUNSEL
Norton Rose Fulbright US LLP
Dallas, Texas

REGARDING USE OF THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offer to sell the Series 2018A Bonds or the solicitation of an offer to buy, nor shall there be any sale of the Series 2018A Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer, solicitation or sale in such jurisdiction. No dealer, broker, salesman or any other person has been authorized by the Authority, any Member of the Obligated Group or the Underwriters to give any information other than that contained in this Official Statement, or to make any representations and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority, Inova, any other Member of the Obligated Group, the Underwriters or any other person.

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 its 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.

This Official Statement has been approved by Inova, and the use and distribution of this Official Statement for the purposes described in this Official Statement have been authorized by the Authority and Inova. The information set forth under the captions "**INTRODUCTORY STATEMENT – The Authority**", "**THE AUTHORITY**" and "**LITIGATION – The Authority**" has been furnished by the Authority, and the information set forth under the caption "**UNDERWRITING**" has been furnished by the Underwriters. The information set forth in this Official Statement regarding DTC has been furnished by DTC. All other information set forth in this Official Statement has been furnished by Inova. The information and expressions of opinion in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create an implication that there has been no change in the affairs of the Authority, Inova, the other Members of the Obligated Group or DTC or in other matters described in this Official Statement since the date hereof. This Official Statement is provided in connection with the issuance of securities referred to herein and may not be used, in whole or in part, for any other purpose.

The Series 2018A Bonds and the Series 2018A Obligation have not been registered under the Securities Act of 1933, as amended, and the Master Indenture and the Trust Agreement have not been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions contained in those Acts. The Series 2018A Bonds have not been registered or qualified under the securities laws of any state in reliance upon the state securities law preemption provisions under the Securities Act of 1933, as amended. In certain states, however, the filing of a notice with the state securities commission is required for the public sale of the Series 2018A Bonds in such states. The fact that a notice may have been filed in certain states or registration or qualification may have been obtained should not be regarded as a recommendation thereof. None of such states or any of their agencies have passed upon the merits of the Series 2018A Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

The CUSIP (Committee on Uniform Securities Identification Procedures) numbers listed on the inside cover page have been assigned by an organization not affiliated with Inova, any other Member of the Obligated Group, the Authority, the Underwriters or the Bond Trustee, and such parties are not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of Holders and no representation is made as to the correctness of the CUSIP numbers included on the inside cover page. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including but not limited to the refunding or defeasance of such issue or the use of secondary market financial products. None of Inova, any other Member of the Obligated Group, the Authority, the Underwriters or the Bond Trustee has agreed to, nor does any such party have any duty or obligation to, update this Official Statement to reflect any change or correction in the CUSIP numbers listed on the inside cover page.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2018A BONDS, THE UNDERWRITERS MAY EFFECT CERTAIN TRANSACTIONS THAT STABILIZE THE PRICE OF THE SERIES 2018A BONDS. SUCH TRANSACTIONS MAY CONSIST OF BIDS OR PURCHASES FOR THE PURPOSE OF MAINTAINING THE PRICE OF THE SERIES 2018A BONDS. IN ADDITION, IF THE UNDERWRITERS OVER-ALLOT (THAT IS, SELLS MORE THAN THE AGGREGATE PRINCIPAL AMOUNT OF THE SERIES 2018A BONDS) AND THEREBY CREATES A SHORT POSITION IN THE SERIES 2018A BONDS IN CONNECTION WITH THE OFFERING, THE UNDERWRITERS MAY REDUCE THAT SHORT POSITION

BY PURCHASING SERIES 2018A BONDS IN THE OPEN MARKET. IN GENERAL, PURCHASES OF A SECURITY FOR THE PURPOSE OF STABILIZATION OR TO REDUCE A SHORT POSITION COULD CAUSE THE PRICE OF A SECURITY TO BE HIGHER THAN IT MIGHT OTHERWISE BE IN THE ABSENCE OF SUCH PURCHASES. THE UNDERWRITERS MAKE NO REPRESENTATION OR PREDICTION AS TO THE DIRECTION OR THE MAGNITUDE OF ANY EFFECT THAT THE TRANSACTIONS DESCRIBED ABOVE MAY HAVE ON THE PRICE OF THE SERIES 2018A BONDS. IN ADDITION, THE UNDERWRITERS MAKE NO REPRESENTATION THAT THEY WILL ENGAGE IN SUCH TRANSACTIONS OR THAT SUCH TRANSACTIONS, IF COMMENCED, WILL NOT BE DISCONTINUED WITHOUT NOTICE.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

Certain statements included or incorporated by reference in this Official Statement constitute projections or estimates of future events, generally known as forward-looking statements. These statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information in the forepart of this Official Statement under the captions "**PLAN OF FINANCE**" and "**BONDHOLDERS' RISKS**" and in **Appendix A – Inova Health System**."

The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Other than as may be required by law, neither Inova nor any other Member of the Obligated Group plans to issue any updates or revisions to those forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based, occur or fail to occur.

References to web site addresses herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not a part of, this Official Statement.

The Authority has not reviewed or approved, and does not represent or warrant in any way, the accuracy or completeness of any of the information set forth in this Official Statement, including the Appendices hereto, other than the statements set forth under the captions "**INTRODUCTORY STATEMENT – The Authority**", "**THE AUTHORITY**" and "**LITIGATION – The Authority**" (insofar as such statements relate to the Authority).

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$206,860,000
INDUSTRIAL DEVELOPMENT AUTHORITY OF
FAIRFAX COUNTY, VIRGINIA
HEALTH CARE REVENUE BONDS
(INOVA HEALTH SYSTEM PROJECT)
SERIES 2018A

INTRODUCTORY STATEMENT

Purpose of the Series 2018A Bonds

The purpose of this Official Statement, including the cover pages and the appendices hereto, is to set forth information in connection with the offering by the Industrial Development Authority of Fairfax County, Virginia, a political subdivision of the Commonwealth of Virginia (the "Authority"), of its Health Care Revenue Bonds (Inova Health System Project) Series 2018A (the "Series 2018A Bonds") in the aggregate principal amount of $206,860,000. Contemporaneously with the issuance of the Series 2018A Bonds, the Authority also intends to issue its Health Care Revenue Bonds (Inova Health System Project) Series 2018B-1 (the "Series 2018B-1 Bonds") in the aggregate principal amount of $75,000,000, its Health Care Revenue Bonds (Inova Health System Project) Series 2018B-2 (the "Series 2018B-2 Bonds" and, collectively with the Series 2018B-1 Bonds, the "Series 2018B Bonds") in the aggregate principal amount of $75,000,000, and its Health Care Revenue Bonds (Inova Health System Project) Series 2018C Bonds (the "Series 2018C Bonds" and, together with the Series 2018B Bonds, the "Variable Rate 2018 Bonds") in the aggregate principal amount of $100,000,000.

The Series 2018A Bonds and the Variable Rate 2018 Bonds are referred to herein collectively as the "Series 2018 Bonds." See "**PLAN OF FINANCE – Issuance of the Variable Rate 2018 Bonds**." The Variable Rate 2018 Bonds are not being offered pursuant to this Official Statement.

The Series 2018A Bonds will be issued pursuant to (i) a Trust Agreement, dated as of July 1, 2018 (the "Trust Agreement"), by and between the Authority and U.S. Bank National Association, as trustee (the "Bond Trustee"), (ii) the Series Resolution adopted by the Authority on June 22, 2018 and (iii) the Industrial Development and Revenue Bond Act, Chapter 49, Title 15.2, Code of Virginia of 1950, as amended (the "Act").

The proceeds of the Series 2018A Bonds will be loaned by the Authority to Inova Health System Foundation ("Inova"), pursuant to the terms of a Loan Agreement, dated as of July 1, 2018 (the "Loan Agreement"), by and between the Authority and Inova. Such funds, together with the proceeds of the Variable Rate 2018 Bonds and other available funds, will be used to (i) finance certain costs of the Project (as hereinafter defined), (ii) refund on a current basis (a) all of the outstanding Virginia Small Business Financing Authority's Health Care Revenue Bonds (Inova Health System Project), Series 2017 (the "Series 2017 Bonds"), (b) all of the Authority's outstanding Health Care Revenue Bonds (Inova Health System Project), Series 2005C-1 (the "Series 2005C-1 Bonds") and Series 2005C-2 (the "Series 2005C-2 Bonds" and, together with the Series 2005C-1 Bonds, the "Series 2005C Bonds"), and (c) all of the Authority's outstanding Variable Rate Demand Health Care Revenue Bonds (Inova Health System Project), Series 2000 (the "Series 2000A Bonds" and, together with the Series 2017 Bonds and the Series 2005C Bonds, the "Refunded Bonds"), and (iii) finance certain costs of issuing the Series 2018 Bonds. See "**ESTIMATED SOURCES AND USES OF FUNDS**" and "**PLAN OF FINANCE**" herein.

The Authority

The Series 2018A Bonds will be issued by the Authority, which was created pursuant to the Act as a body corporate and politic. The Authority is empowered to enter into loan agreements, contracts, deeds and other instruments for the purpose of financing or refinancing certain facilities, including medical facilities and other facilities owned and operated or used by organizations described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), to the end that the Authority may protect and promote the health and welfare of the inhabitants of the Commonwealth of Virginia, and to issue its revenue bonds for the purpose of carrying out any of its powers.

The Obligated Group

Inova, Inova Health Care Services ("IHCS"), and Loudoun Hospital Center ("Loudoun Hospital Corporation") are currently the members of the combined financing group (collectively, the "Obligated Group") established under the Amended and Restated Master Trust Indenture, dated as of May 1, 2012 (as it may be supplemented and amended, the "Master Indenture"), by and among the members of the Obligated Group (subject to addition to, withdrawal from or merger or consolidation of members of the Obligated Group in accordance with the Master Indenture, the "Members of the Obligated Group") and U.S. Bank National Association, as trustee (in such capacity, the "Master Trustee").

The composition of the Obligated Group may change from time to time as a consequence of mergers and consolidations affecting a Member, or the addition of an entity as a Member to, or the withdrawal of an entity as a Member from, the Obligated Group, subject to the conditions and limitations provided by the Master Indenture. See **Appendix C – "DEFINITIONS OF CERTAIN TERMS AND CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS – Certain Provisions of the Master Indenture – Permitted Reorganizations and – Admission and Withdrawal from Obligated Group; Designated Affiliates; General Covenants of Credit Group.**" At present, Inova's management does not intend to make any changes to the composition of the Obligated Group.

To secure the payment of principal of and interest on the Series 2018A Bonds, Inova will issue a promissory note (the "Series 2018A Obligation") pursuant to the Master Indenture and a Supplemental Indenture for Obligation No. 67, dated as of July 1, 2018, by and among Inova, for itself and as Obligated Group Agent, and the Master Trustee, and deliver the Series 2018C Obligation to the Bond Trustee. Each Member of the Obligated Group will be jointly and severally liable for payment of the Series 2018A Obligation.

The Members of the Obligated Group, together with certain other Inova affiliates that are not Members of the Obligated Group (the "System Affiliates"), comprise "Inova Health System" or the "System," an integrated health care delivery system, with its principal office located in Fairfax County, Virginia ("Fairfax County"). Inova Health System participants own, operate and manage clinical, educational, research and hospital facilities located in Northern Virginia and serving Northern Virginia, the Washington, D.C. metropolitan area and contiguous counties in Virginia and Maryland.

IHCS owns and operates four acute care hospitals: (1) Inova Fairfax Hospital located in Falls Church, Virginia, in central Fairfax County, with 894 licensed beds; (2) Inova Mount Vernon Hospital located in southeastern Fairfax County, with 237 licensed beds; (3) Inova Fair Oaks Hospital located in western Fairfax County, a community hospital with 182 licensed beds; and (4) Alexandria Hospital, located in the City of Alexandria, Virginia, with 318 licensed beds, each as of December 31, 2017.

Loudoun Hospital Corporation owns and operates an acute care hospital with 167 licensed beds as of December 31, 2017 and a nursing home, both located in Loudoun County, Virginia.

See **Appendix A** for additional information concerning the System and the current Members of the Obligated Group and their facilities and operations. See also "**FINANCIAL STATEMENTS**" below for a link to the consolidated audited financial statements of the System, which include, as other financial information, the consolidated unaudited financial statements of the Obligated Group for the fiscal years ended December 31, 2017 and 2016.

The Members of the Obligated Group are the only entities within the System that will be obligated with respect to payment of the Series 2018A Obligation issued to secure payment of the Series 2018A Bonds. The composition of the Obligated Group may change from time to time. See "**The Master Indenture**" below.

Existing Obligations

Immediately prior to the issuance of the Series 2018 Bonds, there will be approximately $1,488,475,000 of outstanding Obligations issued pursuant to the Master Indenture (excluding Obligations issued to secure bank liquidity and credit facilities or covenant agreements related to bonds purchased by certain banks). See "**SELECTED FINANCIAL INFORMATION – Liquidity and Capitalization – *Long-Term Debt***" in **Appendix A** for detailed information about such outstanding Obligations and the related bank liquidity and credit

support arrangements. Assuming: (a) the issuance of the Series 2018A Bonds as described herein, (b) the issuance of the Series 2018B Bonds in the principal amount of $150,000,000, (c) the issuance of the Series 2018C Bonds in the principal amount of $100,000,000, and (d) the refunding of the Refunded Bonds as described herein under "**PLAN OF FINANCE**," there will be $1,725,285,000 of Obligations outstanding, of which the Series 2018A Obligation will represent 11.99% (excluding Obligations issued to secure bank liquidity and credit facilities or covenant agreements related to bonds purchased by certain Banks). See "**BONDHOLDER'S RISKS – Amendments to Master Indenture, Trust Agreement and Loan Agreement"** herein.

The Master Indenture

To secure the payment of principal of and interest on the Series 2018A Bonds, Inova will issue the Series 2018A Obligation under the Master Indenture.

The Master Indenture contains certain covenants to be observed and performed by the Obligated Group, including a covenant to take certain actions if the Long-Term Debt Service Coverage Ratio is ever less than 1.00 to 1.00 for any fiscal year, and limitations on the incurrence of additional indebtedness, transfers of assets, encumbrance of the Property of the Obligated Group, and additions to or withdrawals from the Obligated Group.

Members of the Obligated Group may withdraw from the Obligated Group and be released from their obligations under the Master Indenture, including any liability under Obligations issued and outstanding thereunder. The Master Indenture also permits other entities, upon compliance with certain conditions, to become Members of the Obligated Group and to issue Obligations thereunder. Each Member of the Obligated Group, subject to the right of such Member to withdraw from the Obligated Group under certain conditions, will covenant to promptly make any and all payments on all Obligations heretofore and hereafter issued under the Master Indenture, including the Series 2018A Obligation, according to the terms thereof. Such payment requirements constitute joint and several obligations of the Members of the Obligated Group. At present, Inova's management does not intend to make any changes to the composition of the Obligated Group. See **Appendix C – "DEFINITIONS OF CERTAIN TERMS AND CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS – Certain Provisions of the Master Indenture – Admission and Withdrawal from Obligated Group; Designated Affiliates; General Covenants of Credit Group**" for a description of the provisions permitting an entity to join, or withdraw from, the Obligated Group.

The Members of the Obligated Group intend, over time, to implement certain amendments to the Master Indenture. Such proposed amendments are described herein (the "Springing Amendments"). The Master Indenture provides that the Master Indenture may be amended with the consent of the Holders of not less than 51% in aggregate principal amount of the Obligations then Outstanding under the Master Indenture. By their purchase of the Series 2018A Bonds, the original purchasers thereof (i) shall consent, and shall be deemed to have consented, to the Springing Amendments to the Master Indenture described herein, and (ii) shall waive, and shall be deemed to have waived, any and all other formal notice, implementation, execution or timing requirements that may otherwise be required under the Master Indenture in order to implement the Springing Amendments. Upon obtaining the consent of the Holders of not less than 51% in aggregate principal amount of all Obligations Outstanding under the Master Indenture, such Springing Amendments, at the election of the Obligated Group Agent, will then be effective. After giving effect to the issuance of the Series 2018A Bonds and the Variable Rate 2018 Bonds (and obtaining the consent of the purchasers of such Series 2018 Bonds as described above), and after giving effect to the redemption of the Refunded Bonds, there will be approximately $1,725,285,000 of Obligations Outstanding under the Master Indenture that have the right to consent to the Springing Amendments, and the consent of the Holders of approximately $456,860,000, or 26.48% in aggregate principal amount of such Obligations (representing the consents of the Holders of the Series 2018A, Series 2018B and Series 2018C Obligations that secure the Series 2018A Bonds, Series 2018B Bonds and Series 2018C Bonds, respectively), shall have been obtained with respect to the Springing Amendments. As such, at the time of the issuance of the Series 2018A Bonds, the Holders of not less than 51% in aggregate principal amount of all Obligations shall not have been obtained with respect to the Springing Amendments. No assurance can be given as to whether, or when, the Springing Amendments will become effective. See "**SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018A BONDS – Springing Amendments to the Master Indenture**" herein.

Security and Sources of Payment for the Series 2018A Bonds

The Series 2018A Bonds will be issued under and secured by the Trust Agreement. Inova will agree to make Loan Repayments under the Loan Agreement in amounts sufficient to pay the debt service requirements on the Series 2018A Bonds.

In addition, Inova will execute and deliver to the Bond Trustee, as assignee of the Authority, the Series 2018A Obligation as security for its obligation to make Loan Repayments pursuant to the Loan Agreement. The Series 2018A Obligation will be the joint and several, general obligation of the Members of the Obligated Group. The Members of the Obligated Group have not pledged or granted a security interest in any of their Property or revenues to secure payment on the Obligations issued under the Master Indenture. Payments on the Series 2018A Obligation are required to be in amounts sufficient to pay in full, when due, the principal of and interest on the Series 2018A Bonds, with a credit for the amounts paid by Inova under the Loan Agreement.

The Series 2018A Bonds are limited obligations of the Authority payable from payments made by Inova pursuant to the Loan Agreement and the Series 2018A Obligation, and from amounts held by the Bond Trustee in certain funds and accounts under the Trust Agreement.

The Credit Group

The Members of the Obligated Group are the only entities responsible for the payment of Obligations issued under the Master Indenture (including the Series 2018A Obligation) and for the performance of the covenants and agreements set forth in the Master Indenture. Subject to certain conditions, the Master Indenture permits the Members of the Obligated Group to designate certain of their respective Affiliates as "Designated Affiliates" for the purposes of the Master Indenture. Such Designated Affiliates, together with the Members of the Obligated Group, are referred to collectively as the "Credit Group." The income and expenses of any Designated Affiliates are taken into account in determining compliance with the financial covenants under the Master Indenture, including the Long-Term Debt Service Coverage Ratio, because these covenants are measured on the basis of the Credit Group.

The Designated Affiliates are not liable under the Master Indenture or for payment of Obligations and there is no recourse against the Designated Affiliates or their assets in the event of a default thereunder. The Members of the Obligated Group will, however, be obligated to the extent permitted by law to cause their respective Designated Affiliates to transfer funds or other assets to the Member of the Obligated Group that is its sole member, beneficiary or controlling person, if necessary to permit the Obligated Group to satisfy its debt service requirements applicable to any Obligation. See **Appendix C – "DEFINITIONS OF CERTAIN TERMS AND CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS – Certain Provisions of the Master Indenture – Admission and Withdrawal from Obligated Group; Designated Affiliates; General Covenants of Credit Group.**" At present, there are not any Designated Affiliates, and Inova's management does not presently intend to cause or permit any entity to become a Designated Affiliate.

Additional Indebtedness

The Members of the Obligated Group, upon compliance with the terms and conditions described in **Appendix C – "DEFINITIONS OF CERTAIN TERMS AND CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS – Certain Provisions of the Master Indenture – Permitted Indebtedness,**" may incur additional indebtedness. Such future indebtedness, if evidenced or secured by an Obligation issued under the Master Indenture, would constitute a joint and several obligation of each Member of the Obligated Group and, except as otherwise described hereunder, would be on parity with the Series 2018A Obligation and all other Obligations outstanding under the Master Indenture except to the extent an Obligation is secured or payable from sources or by property or instruments not applicable to one or more other series of Obligations as further described below. The obligations secured by Obligations issued under the Master Indenture, including, for example, a series of bonds, are not required to be secured or payable from the same sources, property or instruments as any other obligations secured by Obligations issued under the Master Indenture. See the information in **Appendix A** under the caption "**SELECTED FINANCIAL INFORMATION – Liquidity and Capitalization – *Long-Term Debt***" for a list of Long-Term Indebtedness secured by Obligations that are currently outstanding under the Master Indenture. See also **Appendix C – "DEFINITIONS OF CERTAIN TERMS AND CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS – Certain Provisions of the Master Indenture – Issuance of Obligations and Security**

Therefor." If not evidenced or secured by an Obligation issued under the Master Indenture, such future indebtedness would constitute a debt solely of the borrower(s) and any guarantor(s) thereof, and not a joint and several obligation of the Members of the Obligated Group, and it would not be secured by the Master Indenture.

The Master Indenture permits any one or more series of Obligations issued under the Master Indenture (a) to be secured and payable from sources or by property and instruments not applicable to any one or more other series of Obligations, or (b) not to be secured or payable from sources or by property or instruments applicable to one or more other series of Obligations, including in both instances, without limitation, letters or lines of credit, guarantees or insurance, and security interests in a debt service reserve or debt service or similar funds and other Liens on Property of the Credit Group; provided that (i) there are no Outstanding Obligations that were issued and Outstanding prior to May 1, 2012, other than Obligations the holders of which have consented to the foregoing and (ii) any such Lien must constitute a Permitted Encumbrance under the Master Indenture. See **Appendix C – "DEFINITIONS OF CERTAIN TERMS AND CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS – Certain Provisions of the Master Indenture – Issuance of Obligations and Security Therefor**" and "**–Permitted Encumbrances**."

Bondholders' Risks

There are risks associated with the purchase of the Series 2018A Bonds. See the information under the caption "**BONDHOLDERS' RISKS**" for a discussion of certain of these risks.

Defined Terms

All capitalized terms used in this Official Statement, unless otherwise defined or the context otherwise indicates, shall have the same meanings as in the Master Indenture, the Trust Agreement or the Loan Agreement, as the case may be. These definitions are summarized in **Appendix C**.

Continuing Disclosure

Pursuant to the provisions of an Agreement to Provide Continuing Disclosure (the "Disclosure Agreement"), Inova has undertaken to provide disclosure of financial and operating data with respect to the Obligated Group, including certain financial statements for the Obligated Group or the System as provided in the Disclosure Agreement, on both a quarterly and an annual basis, and notice of the occurrence of certain events on an ongoing basis, for the benefit of the Holders of the Series 2018A Bonds. Inova will not provide quarterly reports for any fiscal quarter coinciding with the end of its fiscal year. The undertaking to provide such information, which is made in connection with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), is set forth in **Appendix B – "FORM OF AGREEMENT TO PROVIDE CONTINUING DISCLOSURE."**

Ratings

Moody's Investors Service, Inc. and Standard & Poor's Ratings Services have assigned ratings of "Aa2" and "AA+" respectively, to the Series 2018A Bonds. Any explanation of the significance of such ratings should be obtained from the rating agency assigning the same. See "**RATINGS.**"

Underlying Documents

The descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each such document. Copies of the Master Indenture, the Trust Agreement and the Loan Agreement are available in reasonable quantities upon request to the Bond Trustee at the Designated Corporate Trust Office of the Bond Trustee in Richmond, Virginia.

The foregoing is furnished solely to provide limited introductory information regarding the Series 2018A Bonds and does not purport to be comprehensive. All such information is qualified in its entirety by reference to the more detailed descriptions appearing in this Official Statement, to which reference should be made.

THE AUTHORITY

The Series 2018A Bonds shall not be or constitute a general obligation or a pledge of the faith, credit or taxing power of the Authority, the Commonwealth of Virginia or any political subdivision thereof, or a lien upon any property thereof. The Holders of the Series 2018A Bonds shall never have the right to require or compel the Authority, the Commonwealth of Virginia or any political subdivision thereof to levy any ad valorem taxes on any property to pay the principal or redemption price of or interest on the Series 2018A Bonds, which will be payable solely from the payments to be made pursuant to the Loan Agreement or the Series 2018A Obligation or from amounts held by the Bond Trustee in certain funds and accounts and pledged under the Trust Agreement.

The present members of the Authority, the expiration date of their respective terms, their titles and their occupations are listed below:

Name	Expiration Date of Current Term	Title	Occupation
Leigh Anne Arnold	10/31/2019	Chairperson	Attorney
Charles Watson	10/31/2020	Vice Chairperson	Information Systems Engineer
Robert J. Surovell	10/31/2020	Secretary	Attorney
Joseph A. Heastie	10/31/2019	Member	Retired
Jonathan D. Higgins	10/31/2021	Member	Commercial Banker
Christopher A. Glaser	10/31/2021	Member	Attorney
Inge Gedo	10/31/2021	Member	Retired Military

THE SERIES 2018A BONDS

The following is a summary of certain provisions of the Series 2018A Bonds. Reference is made to the Series 2018A Bonds for the complete text thereof and to the Trust Agreement for all of the provisions relating to the Series 2018A Bonds. The discussion herein is qualified by such reference.

General

The Series 2018A Bonds will be dated their date of authentication and will bear interest at the rates per annum and will mature, subject to prior redemption under the circumstances described below, as set forth on the inside cover of this Official Statement. Interest on the Series 2018A Bonds will be payable on May 15 and November 15 of each year (each, an "Interest Payment Date"), commencing November 15, 2018.

Interest on the Series 2018A Bonds will accrue on the basis of a 360-day year consisting of twelve 30-day months. The Series 2018A Bonds shall bear interest from and including the Interest Payment Date immediately preceding the date of authentication thereof or, if such date of authentication is an Interest Payment Date to which interest on any such Series 2018A 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 2018A Bond, the date thereof. However, if, as shown by the records of the Bond Trustee, interest on the Series 2018A Bonds is in default, Series 2018A Bonds issued in exchange for Series 2018A Bonds surrendered for registration of transfer or exchange shall bear interest from the date to which interest has been paid in full on the Series 2018A Bonds so surrendered or, if no interest has been paid on such Series 2018A Bonds, from the date thereof.

The Series 2018A Bonds will be issued as fully registered Series 2018A Bonds in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of DTC. The Series 2018A Bonds may be purchased by the beneficial owners in denominations of $5,000 and integral multiples thereof (an "Authorized Denomination").

So long as the Series 2018A Bonds are maintained in the book-entry only system through the facilities of DTC and its securities depository is the Holder thereof, payments of principal of and interest on the Series 2018A Bonds will be made in accordance with existing agreements between the Bond Trustee and DTC.

If the Series 2018A Bonds are no longer in the book-entry only system, the principal of the Series 2018A Bonds will be payable at the Designated Corporate Trust Office of the Bond Trustee in Richmond, Virginia, upon presentation and surrender of such Series 2018A Bonds.

Redemption

Optional Redemption. The Series 2018A Bonds maturing on and after May 15, 2029 may be redeemed upon the direction of Inova, in any order of maturity designated by Inova, and by lot within a maturity, on or after May 15, 2028, in whole or in part at any time by payment of a Redemption Price equal to 100% of the principal amount of the Series 2018A Bonds to be redeemed, plus accrued interest to the redemption date.

Purchase in Lieu of Redemption. Any Series 2018A Bonds subject to optional redemption and cancellation are also subject to optional call for purchase and resale by Inova or another Member of the Obligated Group (*i.e.*, purchase in lieu of redemption) at the same times, subject to the same notice requirements and procedures, and at a purchase price equal to the Redemption Price applicable at that time to the optional redemption of the Series 2018A Bonds being purchased, with the exception that any Series 2018A Bonds so purchased in lieu of redemption shall be registered, transferred or cancelled as may be directed by Inova.

Extraordinary Redemption. If Inova exercises its option to prepay the loan of the proceeds of the Series 2018A Bonds (the "Loan") in full or in part under the circumstances described in the Loan Agreement and summarized below, the Series 2018A Bonds are required to be redeemed in whole if the Loan is prepaid in full, or in part if such Loan is prepaid in part, on any date, at the direction of Inova, and in either event at a Redemption Price equal to 100% of the principal amount of the Series 2018A Bonds to be redeemed, plus accrued interest to the redemption date.

Inova will have the option to prepay all or any portion of the unpaid aggregate amount of the Loan, together with accrued interest to the date of prepayment, from amounts received by any Member of the Obligated Group as insurance proceeds with respect to any casualty loss or failure of title or as condemnation awards, upon damage or destruction of all or any part (if damage or destruction of such part causes any of the Property of the Obligated Group to be impracticable to operate, as evidenced by an Officer's Certificate filed with the Authority and the Bond Trustee) of the Property by fire or casualty, or loss of title to or use of substantially all of the Property as a result of the failure of title or as a result of eminent domain proceedings or proceedings in lieu thereof.

Inova will also have the option to prepay all of the unpaid aggregate amount of the Loan, together with accrued interest to the date of prepayment, upon the occurrence of changes in the Constitution of the United States of America or of the State or of legislation or administrative action, or failure of administrative action by the United States or the State or any agency or political subdivision of either thereof, or by reason of any judicial decision, to such extent that in the opinion of the governing board of Inova (expressed in a resolution), filed with the Authority and the Bond Trustee, that the Loan Agreement is impossible to perform without unreasonable delay or unreasonable burdens or excessive liabilities not being imposed on the date of the Loan Agreement are imposed on Inova.

Sinking Fund Requirements. The Series 2018A Bonds maturing on May 15, 2048 are required to be redeemed on May 15 in the years set forth below, to the extent of the Sinking Fund Requirement set forth below, at a Redemption Price equal to 100% of the principal amount of the Series 2018A Bonds to be redeemed, plus accrued interest to the redemption date:

May 15,	Amount
2045	$34,660,000
2046	36,075,000
2047	37,545,000
2048†	39,080,000

† Maturity

The aggregate amount of such Sinking Fund Requirements for the Series 2018A Bonds, together with the amount due upon the final maturity of the Series 2018A Bonds, must in the aggregate be equal to the aggregate principal amount of the Series 2018A Bonds. The Sinking Fund Requirements will begin as provided above and will end with the May 15 immediately preceding the maturity of the Series 2018A Bonds (such final installment being payable at maturity and not redeemed). Any principal amount of Series 2018A Bonds retired by operation of the Sinking Fund Account by purchase in excess of the total amount of the Sinking Fund Requirement for such Series 2018A Bonds to and including such May 15 will be credited against and reduce the future Sinking Fund Requirements for the Series 2018A Bonds in such manner as specified by Inova.

On or before the 45th day next preceding any May 15 on which Series 2018A Bonds are to be retired pursuant to the Sinking Fund Requirement, the Authority or any member of the Obligated Group may deliver to the Bond Trustee for cancellation Series 2018A Bonds subject to redemption on such May 15 in any aggregate principal amount desired and receive a credit against amounts required to be transferred from the Sinking Fund Account on account of such Series 2018A Bonds in the amount of 100% of the principal amount of any such Series 2018A Bonds so purchased. Any principal amount of Series 2018A Bonds purchased by the Bond Trustee and cancelled in excess of the principal amount of such Series 2018A Bonds required to be redeemed on such May 15 will be credited against and reduce the principal amount of future Sinking Fund Requirements in such manner as shall be specified in an Officer's Certificate of the Authorized Group Representative filed with the Bond Trustee.

Selection of Series 2018A Bonds to Be Redeemed. If less than all of the Outstanding Series 2018A Bonds are called for redemption, the Bond Trustee is required to select, or arrange for the selection of, Series 2018A Bonds as directed by the Authorized Group Representative, in portions thereof equal to Authorized Denominations. If less than the principal amount of a Series 2018A Bond is called for redemption, the Authority is required to execute and the Bond Trustee is required to authenticate and deliver, upon surrender of such Series 2018A Bond, without charge to the Holder thereof, in exchange for the unredeemed principal amount of such Series 2018A Bond, at the option of such Holder, Series 2018A Bonds in any Authorized Denomination; provided, however, that if the Holder is a Securities Depository Nominee, the Securities Depository, in its discretion, (a) may surrender such Series 2018A Bond to the Bond Trustee and request that the Authority issue and the Bond Trustee authenticate a new Series 2018A Bond for the unredeemed portion of the principal amount of the Series 2018A Bond so surrendered or (b) is required to make an appropriate notation on the Series 2018A Bond indicating the dates and amounts of such reduction in principal.

Redemption Notice. At least twenty (20) days but not more than sixty (60) days before the redemption date of any Series 2018A Bonds, whether such redemption shall be in whole or in part, the Bond Trustee shall cause a notice of any such redemption in the name of the Bond Trustee to be given by first class mail, postage prepaid, to all Holders owning such Series 2018A Bonds to be redeemed in whole or in part. Failure to mail any such notice to any Holder or any defect in any notice so mailed shall not affect the validity of the proceedings for the redemption of the Series 2018A Bonds of any other Holders to whom notice was properly given. Each such notice shall set forth: the CUSIP numbers and bond certificate numbers of the Series 2018A Bonds to be redeemed, the interest rate of the Series 2018A Bonds to be redeemed, the date of issuance of the Series 2018A Bonds to be redeemed, the date fixed for redemption, the Redemption Price to be paid, the maturity of the Series 2018A Bonds to be redeemed and, in the case of Series 2018A Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed and, in the case that less than the entire principal amount of any one bond certificate is to be redeemed, the portion of the principal amount thereof to be redeemed, the address of the Bond Trustee, the date of the redemption notice, that on the redemption date the Series 2018A Bonds called for redemption will be payable at the Designated Corporate Trust Office of the Bond Trustee set forth in such notice, and that from that date interest on any Series 2018A Bonds redeemed and cancelled will cease to accrue and be payable. If any Series 2018A Bond is to be redeemed in part only, the notice of redemption shall state also that on or after the redemption date, upon surrender of such Series 2018A Bond, a new Series 2018A Bond in principal amount equal to the unredeemed portion of such Series 2018A Bond will be issued.

Any notice of redemption (other than a mandatory sinking fund redemption) may state that the redemption to be effected may be rescinded or revoked by Inova or is conditioned upon the receipt by the Bond Trustee on or prior to the redemption date of moneys sufficient to pay Redemption Price, and interest on the Series 2018A Bonds to be redeemed and that if such moneys are not so received, such notice will not be of any force or effect and such Series 2018A Bonds will not be required to be redeemed. In the event such notice provides that Inova shall have the

ability to rescind or revoke, or is so conditioned, and moneys sufficient to pay the Redemption Price and interest on such Series 2018A Bonds are not received by the Bond Trustee on or prior to the redemption date, the redemption will not be made, the failure to make such payment shall not constitute an Event of Default under the Trust Agreement, and the Bond Trustee is required to give notice, within a reasonable time thereafter, in the manner in which the notice of redemption was given, that such moneys were not so received. Any purchase in lieu of redemption is subject to the same provisions.

Effect of Calling for Redemption. On or before the date fixed for redemption, moneys or Defeasance Obligations, or a combination thereof, are required to be deposited with the Bond Trustee to pay the Redemption Price and the interest accruing thereon to the redemption date of the Series 2018A Bonds called for redemption.

On the date fixed for redemption, notice having been given in the manner and under the conditions provided in the Trust Agreement, the Series 2018A Bonds or portions thereof called for redemption will be due and payable at the Redemption Price, plus accrued interest to such date. If moneys or Defeasance Obligations, or a combination thereof, sufficient to pay the Redemption Price of the Series 2018A Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, are held by the Bond Trustee in trust for the Holders of Series 2018A Bonds to be redeemed, interest on the Series 2018A Bonds called for redemption will cease to accrue; such Series 2018A Bonds will cease to be entitled to any benefits or security under the Trust Agreement or to be deemed Outstanding; and the Holders of such Series 2018A Bonds will not have any rights in respect thereof except to receive payment of the Redemption Price thereof, plus accrued interest thereon to the date fixed for redemption.

Provisions Relating to Book-Entry Only Bonds. Notwithstanding anything to the contrary contained in the Trust Agreement, for so long as a Securities Depository Nominee is the sole registered owner of the Series 2018A Bonds, all tenders and deliveries of Series 2018A Bonds under the provisions of the Trust Agreement will be required to be made pursuant to the Securities Depository's procedures as in effect from time to time and neither the Authority, Inova nor the Bond Trustee shall have any responsibility for or liability with respect to the implementation of such procedures.

Book-Entry Only System

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2018A Bonds. The Series 2018A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Series 2018A Bonds, each in the aggregate principal amount of such maturity and bearing interest at the same rate, 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"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2018A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for such Series 2018A Bond on DTC's records. The ownership interest of each actual purchaser of each Series 2018A Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2018A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2018A Bonds, except in the event that use of the book-entry system for such Series 2018A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2018A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2018A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2018A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2018A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2018A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2018A Bonds, such as redemptions, defaults and proposed amendments to the Series 2018A Bond documents. For example, Beneficial Owners of Series 2018A Bonds may wish to ascertain that the nominee holding the Series 2018A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Bond Trustee and request that notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Series 2018A Bonds within a maturity bearing interest at the same rate are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2018A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI 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 Series 2018A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of the principal of, premium, if any, and interest on, the Series 2018A 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 Authority or the Bond Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to the 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, the Bond Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of the principal of, premium, if any, and interest on the Series 2018A Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Bond Trustee, or the Authority, 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.

DTC may discontinue providing its services as depository with respect to the Series 2018A Bonds at any time by giving reasonable notice to the Bond Trustee or the Authority. Under such circumstances, in the event that a successor depository is not obtained, Series 2018A Bond certificates are required to be printed and delivered. The Authority and/or Inova, upon the conditions set forth in the Trust Agreement, may decide to discontinue use of the

system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2018A Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority, the Obligated Group and the Underwriters believe to be reliable, but none of the Authority, the Obligated Group or the Underwriters takes any responsibility for the accuracy thereof.

The Authority, the Bond Trustee and the Obligated Group cannot and do not give any assurances that Direct Participants or Indirect Participants will distribute to the Beneficial Owners of the Series 2018A Bonds (i) payments of principal of, or interest on, the Series 2018A Bonds, (ii) confirmation of their ownership interests in the Series 2018A Bonds or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2018A Bonds, or that they will do so on a timely basis or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement.

NEITHER THE AUTHORITY, THE MEMBERS OF THE OBLIGATED GROUP NOR THE BOND TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT; (2) THE PAYMENT BY ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OR REDEMPTION PRICE OF OR INTEREST ON THE SERIES 2018A BONDS; (3) THE DELIVERY BY ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO HOLDERS UNDER THE TERMS OF THE TRUST AGREEMENT; (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2018A BONDS; OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS HOLDER.

Registration of Transfer and Exchange

The Authority, the Bond Trustee and any agent of either of them, may treat the person in whose name any Series 2018A Bond is registered, including, without limitation, any Securities Depository Nominee, as the owner of such Series 2018A Bonds for all purposes. The transfer of any Series 2018A Bonds may be registered only upon the books kept for the registration, and registration of transfer, of Series 2018A Bonds upon surrender thereof to the Bond Trustee, together with an assignment duly executed by the Holder or such Holder's attorney or legal representative, in such form as is satisfactory to the Bond Trustee. Upon any such registration of transfer, the Authority is required to execute, and the Bond Trustee is required to authenticate and deliver, in exchange for such Series 2018A Bond, a new registered Series 2018A Bond or Series 2018A Bonds, registered in the name of the transferee, of any Authorized Denomination or Denominations, in an aggregate principal amount equal to the principal amount of such Series 2018A Bond surrendered or exchanged, of the same maturity and bearing interest at the same rate.

Series 2018A Bonds, upon surrender thereof at the Designated Corporate Trust Office of the Bond Trustee, together with an assignment duly executed by the Holder or the Holder's attorney or legal representative in such form as is satisfactory to the Bond Trustee, may, at the option of the Holder thereof, be exchanged for an equal aggregate principal amount of the same maturity of Series 2018A Bonds, in any Authorized Denomination or Denominations, bearing interest at the same rate, and in the same form as such Series 2018A Bonds surrendered for exchange.

No service charge will be made for any registration of transfer or exchange of Series 2018A Bonds, but the Authority and the Bond Trustee may require payment of an amount sufficient to cover any tax or other governmental charge that may be imposed in connection with the registration of transfer or exchange of Series 2018A Bonds. Neither the Authority nor the Bond Trustee will be required (i) to execute, authenticate, register the transfer of or to exchange Series 2018A Bonds during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption of Series 2018A Bonds and ending at the close of business on the day of such mailing or (ii) to transfer or exchange any Series 2018A Bond so selected for redemption in whole or in part.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018A BONDS

General

The Series 2018A Bonds are limited obligations of the Authority payable from (i) payments to be made by Inova and the other Members of the Obligated Group pursuant to the Series 2018A Obligation issued under the Master Indenture, (ii) payments to be made by Inova pursuant to the Loan Agreement and (iii) amounts held by the Bond Trustee in certain funds and accounts under the Trust Agreement.

The Trust Agreement

The Series 2018A Bonds will be issued pursuant to the Trust Agreement and will be equally and ratably secured thereunder. As security for the Series 2018A Bonds, the Authority will assign to the Bond Trustee (a) all amounts on deposit in certain funds and accounts established under the Trust Agreement and all income derived from the investment of those amounts, (b) all of its rights, title and interest in and to the Loan Agreement, including all of its rights, title and interest to receive Loan Repayments thereunder (subject to reservation of the Authority's rights thereunder to receive payments of administrative fees and expenses and indemnification against liabilities), and (c) all of its rights, title and interest in and to the Series 2018A Obligation. The Trust Agreement will provide that the Series 2018A Bonds are limited obligations of the Authority, payable solely from and secured solely by the foregoing sources.

The Loan Agreement

Pursuant to the Loan Agreement, in consideration of the Authority's loan of the proceeds of the Series 2018A Bonds, Inova will agree to make Loan Repayments in amounts sufficient, subject to certain credits as provided for in the Trust Agreement to provide for the timely payment of all principal of and interest on the Series 2018A Bonds. Inova also has undertaken certain affirmative and negative covenants under the Loan Agreement. The Loan Agreement constitutes the general unsecured obligation of Inova. Credit will be given against payments due under the applicable Series 2018A Obligation for the Loan Repayments made by Inova under the Loan Agreement.

The Master Indenture and the Series 2018A Obligation

Upon the issuance of the Series 2018A Bonds, Inova will deliver the Series 2018A Obligation, on behalf of itself and the other Members of the Obligated Group, in a principal amount equal to the aggregate principal amount of the Series 2018A Bonds. The Series 2018A Obligation will be issued under the Master Indenture and will be the joint and several, general obligation of Inova and the other Members of the Obligated Group. The Members of the Obligated Group have not pledged or granted a security interest in any of their Property or revenues to secure payment on the Obligations issued under the Master Indenture. The Master Indenture permits other entities, upon compliance with certain conditions, to become Members of the Obligated Group and to issue Obligations thereunder. Each Obligation will be a joint and several, general obligation of the entities that are Members of the Obligated Group. Each Member of the Obligated Group will, subject to the right of such Member to withdraw from the Obligated Group under certain conditions, covenant jointly and severally to make any and all payments promptly on all Obligations issued under the Master Indenture, including the Series 2018A Obligation, according to the terms thereof. The composition of the Obligated Group may change from time to time as a consequence of mergers and consolidations affecting a Member, or the addition of an entity as a Member to, or the withdrawal of an entity as a Member from, the Obligated Group, subject to the conditions and limitations provided by the Master Indenture. See also **Appendix C –** "**DEFINITIONS OF CERTAIN TERMS AND CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS – Certain Provisions of the Master Indenture – Admission and Withdrawal from Obligated Group; Designated Affiliates; General Covenants of Credit Group**."

In accordance with the terms of the Master Indenture, the Series 2018A Obligation will be payable on a parity basis with the Prior Obligations (defined below), the Variable Rate 2018 Obligations (defined hereinafter) and any Obligations issued after the Series 2018A Obligation unless those Obligations are secured by different sources, property or instruments in accordance with the Master Indenture. See "**INTRODUCTORY STATEMENT – Additional Indebtedness**" and **Appendix C –** "**DEFINITIONS OF CERTAIN TERMS AND CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS – Certain Provisions of the Master Indenture – Issuance of Obligations and Security Therefor – Security for Obligations**" and "**–Permitted Encumbrances**."

Prior Obligations

As of the date of issuance of the Series 2018 Bonds, the Obligated Group will have Outstanding (a) Obligations that evidence the indebtedness represented by the outstanding bonds issued for the benefit of Inova, (b) Obligations that evidence the indebtedness represented by certain taxable commercial paper and (c) Obligations that evidence the reimbursement obligations of the Obligated Group (i) under certain standby bond purchase agreements that provide liquidity for payment of the tender price for certain of the outstanding bonds and (ii) under certain letter of credit reimbursement agreements that provide liquidity for payment of the tender price for certain outstanding bonds and credit support for payment of the debt service charges for certain Existing Bonds (collectively, the "Prior Obligations").

The Series 2018 Obligations and the Prior Obligations are joint and several, general parity obligations of the Obligated Group. No interest in the Property or revenues of the Obligated Group is pledged to secure such Obligations. Other Obligations may be issued to the extent permitted by and under the conditions set forth in the Master Indenture.

The Master Indenture also includes covenants of the Obligated Group concerning, among other things, limits on the incurrence of Additional Indebtedness, the creation of liens on Property and transfers of Property to other entities, admission of entities as Members of the Obligated Group and withdrawal of Members from the Obligated Group. For further information concerning certain covenants included in the Master Indenture, see **Appendix C – "DEFINITIONS OF CERTAIN TERMS AND CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS – Certain Provisions of the Master Indenture."**

Springing Amendments to the Master Indenture

The Members of the Obligated Group intend, over time, to implement the Springing Amendments. The Master Indenture provides that the Master Indenture may be amended with the consent of the Holders of not less than 51% in aggregate principal amount of the Obligations then Outstanding under the Master Indenture. By their purchase of the Series 2018A Bonds, the original purchasers thereof (i) shall consent, and shall be deemed to have consented, to the Springing Amendments to the Master Indenture described below, and (ii) shall waive, and shall be deemed to have waived, any and all other formal notice, implementation, execution or timing requirements that may otherwise be required under the Master Indenture in order to implement the Springing Amendments. Upon obtaining the consent of the Holders of not less than 51% in aggregate principal amount of all Obligations Outstanding under the Master Indenture, some or all of such Springing Amendments, at the election of the Obligated Group Agent, will then be effective. After giving effect to the issuance of the Series 2018A Bonds and the Variable Rate 2018 Bonds (and obtaining the consent of the purchasers of such Series 2018 Bonds as described above), and after giving effect to the redemption of the Refunded Bonds, there will be approximately $1,725,285,000 of Obligations Outstanding under the Master Indenture that have the right to consent to the Springing Amendments, and the consent of the Holders of approximately $456,860,000, or 26.48% in aggregate principal amount of such Obligations (representing the consents of the Holders of the Series 2018A, Series 2018B and Series 2018C Obligations that secure the Series 2018A Bonds, Series 2018B Bonds and Series 2018C Bonds, respectively), shall have been obtained with respect to the Springing Amendments. As such, at the time of the issuance of the Series 2018A Bonds, the Holders of not less than 51% in aggregate principal amount of all Obligations shall not have been obtained with respect to the Springing Amendments. The Springing Amendments will not become effective unless and until the consent of the Holders of not less than 51% in aggregate principal amount of all Obligations Outstanding under the Master Indenture has been obtained. In addition, the terms and provisions of certain outstanding Indebtedness of the Obligated Group also currently require the consent of certain other entities before the Springing Amendments can fully take effect under the documents related to such other outstanding Indebtedness. No assurance can be given as to whether, or when, the Springing Amendments will become effective.

The Springing Amendments. The Springing Amendments consist of the following:

Document Substitution. A new section would be added to the Master Indenture, to provide as follows:

> The Obligated Group and the Master Trustee, may, without the consent of any of the Holders of any Obligations or any Related Bonds, but only upon the delivery of the items set forth below, enter into

one or more supplements, amendments, restatements, replacements or substitutions to the Master Indenture, to modify, amend, restate, supplement, replace, substitute, change or remove any covenant, agreement, term or provision of the Master Indenture, in whole or in part, including, but not limited to, an amendment, restatement or substitution of the Master Indenture, in whole to relate to all Related Bonds, or in part to relate to a portion of the Related Bonds, including but not limited to a series or subseries of the Related Bonds secured by payment obligations of the Obligated Group in order to effect (i) the affiliation of the Obligated Group Agent, the Obligated Group, or any Members of the Obligated Group with any of the foregoing or with another entity or entities in order to create a new or modified credit group or structure or in order to provide for the inclusion of the Obligated Group Agent, the Obligated Group, or any Members of the Obligated Group in another obligated group, combined group or other unified credit group or structure, (ii) the release or discharge of any collateral securing the Related Bonds, including, but not limited to, the release or discharge of (A) any or all Obligations, in whole or in part, issued pursuant to the Master Indenture to secure the Related Bonds and (B) the Obligated Group Agent, the Obligated Group, or any Members of the Obligated Group from any or all liability (whether direct or indirect) with respect to the Related Bonds or a portion thereof, any Related Loan Agreement, any Related Bond Indenture, the Obligations, or the Master Indenture or any portion of any thereof, in consideration for the issuance of a note or notes to secure the Related Bonds or portion of the Related Bonds that are to become an obligation of the new affiliated entities or the new obligated group, combined group or other unified credit group, which note or notes would constitute obligations of the new affiliated entities or the members of the new obligated group, combined group or other unified credit group, and (iii) the replacement of all or a portion of the financial and operating covenants and related definitions set forth in the Master Indenture with those of the new affiliated entities or the new obligated group, combined group or other unified credit group, set forth in the new agreement or master indenture (such transaction is referred to collectively herein as the "Substitution Transaction").

If all amounts due or to become due on the Related Bonds have not been fully paid to the Holders thereof, at or prior to the implementation of the Substitution Transaction there shall be delivered to the Master Trustee: (i) an Opinion of Bond Counsel to the effect that under then existing law the implementation of the Substitution Transaction and the execution of the amendments, supplements, restatements, replacements or substitutions contemplated in this Section, in and of themselves, would not adversely affect the validity of the Related Bonds or the exclusion from federal income taxation of interest payable on the Related Bonds, and (ii) an Opinion of Counsel to the new affiliated entities or the new obligated group, combined group or other unified credit group to the effect that (1) the note or notes of the new affiliated entities or the new obligated group, combined group or other unified credit group to be delivered in connection with the implementation of the Substitution Transaction constitute legal, valid and binding obligations of the new affiliated entities or the new obligated group, combined group or other unified credit group enforceable in accordance with their terms, except to the extent that the enforceability of such note or notes may be limited by any applicable bankruptcy, insolvency, liquidation, rehabilitation or other similar laws or enactment affecting the enforcement of creditors' rights, and such other customary exceptions for similar transactions, and (2) the issuance of the note or notes will not cause the Related Bonds or such note or notes to become subject to the registration requirements pursuant to the Securities Act of 1933, as amended.

Upon the implementation of the Substitution Transaction, and concurrently therewith, the Master Trustee shall, at the option and direction of the Obligated Group Agent, release, if any, file or record, or allow to be released, filed or recorded, any releases, discharges or termination statements that may be applicable thereto.

Notwithstanding any of the preceding paragraphs, in no event may the implementation of the Substitution Transaction result in a change described in clause (a)(i), (ii), (iii) or (iv) of the provisions of the Master Indenture summarized in **Appendix C – "DEFINITIONS OF CERTAIN TERMS AND CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS – Certain Provisions of the Master Indenture – Supplemental Master Indentures – Supplemental Master Indentures Requiring Consent of Obligation Holders"** without the receipt of the applicable level of consents required thereunder.

In addition, upon the implementation of the Substitution Transaction, the Obligated Group Representative shall direct the Master Trustee to give written notice thereof, by first-class mail, to the Holders of the Obligations then Outstanding.

For a more detailed description of the Springing Amendments to the Master Indenture, see **Appendix C – "DEFINITIONS OF CERTAIN TERMS AND CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS – Certain Provisions of the Master Indenture."**

The Credit Group

The Members of the Obligated Group will be the sole entities responsible for the payment of Obligations (including the Series 2018A Obligation) and for the performance of the other covenants and agreements set forth in the Master Indenture. Subject to certain conditions, the Master Indenture permits Members of the Obligated Group to designate certain of their respective Affiliates as Designated Affiliates for the purposes of the Master Indenture. Such Designated Affiliates, together with the Obligated Group, are referred to collectively as the "Credit Group." The revenue and expenses of any Designated Affiliates are taken into account in determining compliance with the financial covenants under the Master Indenture, including the Long-Term Debt Service Coverage Ratio, because these covenants are measured on the basis of the Credit Group. The Designated Affiliates are not liable on any Obligations issued under the Master Indenture or for compliance by Members of the Obligated Group with covenants made under the Master Indenture, and there is no recourse against the Designated Affiliates or their assets in the event of a default under the Master Indenture. The Members of the Obligated Group will, however, be obligated to cause their respective Designated Affiliates to transfer funds or other assets to the Member of the Obligated Group that is its sole member, beneficiary or controlling person, to the extent permitted by law, so that the Obligated Group can satisfy its obligation to pay debt service on Obligations. See **Appendix C – "DEFINITIONS OF CERTAIN TERMS AND CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS – Certain Provisions of the Master Indenture – Admission and Withdrawal from Obligated Group; Designated Affiliates; General Covenants of Credit Group.**" At present, there are no Designated Affiliates and Inova's management does not intend to cause or permit any entity to become a Designated Affiliate.

Additional Covenants of the Obligated Group

Pursuant to the Master Indenture, the Members of the Obligated Group have agreed with the Master Trustee to subject themselves to certain operational and financial restrictions contained therein. See **Appendix C – "DEFINITIONS OF CERTAIN TERMS AND CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS – Certain Provisions of the Master Indenture.**"

PLAN OF FINANCE

Use of Proceeds of the Series 2018A Bonds

As described in this Official Statement, Inova intends to use the proceeds of the Series 2018A Bonds, together with the proceeds of the Variable Rate 2018 Bonds and other available funds, to (i) finance costs of the Project described below under the caption "THE PROJECT," (ii) currently refund the Refunded Bonds, and (iii) pay certain costs of issuing the Series 2018 Bonds. See "**ESTIMATED SOURCES AND USES OF FUNDS**."

Issuance of the Variable Rate 2018 Bonds

The Variable Rate 2018 Bonds are expected to be issued concurrently with the Series 2018A Bonds. The Series 2018B Bonds are expected to bear interest initially at long-term interest rates and be subject to mandatory tender for purchase on May 15, 2021 with respect to the Series 2018B-1 Bonds and on May 15, 2023 with respect to the Series 2018B-2 Bonds. The Series 2018C Bonds are expected to bear interest initially at weekly interest rates and be subject to tender for purchase. Variable Rate 2018 Bonds tendered for purchase and not otherwise remarketed by the remarketing agent for such bonds (on the date of issuance, Morgan Stanley & Co. LLC), will be required to be purchased by Inova. On the date of issuance of the Variable Rate 2018 Bonds, there will be no credit or liquidity facility in place to support the payment of purchase price of such bonds upon their tender. The obligations of Inova under the loan agreements relating to the Variable Rate 2018 Bonds will be evidenced and secured by Obligations No. 68-1, 68-2 and 69 (the "Variable Rate 2018 Obligations" and, together with the Series

2018A Obligation, the "Series 2018 Obligations"), which will be the joint and several general obligations of the Obligated Group.

The Refunded Bonds

The Series 2017 Bonds. On December 27, 2017, the Virginia Small Business Financing Authority issued the Series 2017 Bonds in the aggregate principal amount of $179,285,000, of which $171,140,000 are currently outstanding.

A portion of the proceeds of the Series 2018 Bonds, together with other available funds, will be transferred to the bond trustee for the Series 2017 Bonds and irrevocably deposited in the bond fund for the Series 2017 Bonds and are expected to be applied to the redemption in full of the Series 2017 Bonds on the date of issuance of the Series 2018 Bonds. The funds deposited in the bond fund will be sufficient to redeem the Series 2017 Bonds at a redemption price of 100% of the principal amount, plus any accrued interest thereon to the date of redemption. It is expected that the Series 2017 Bonds will be redeemed on the date of issuance of the Series 2018 Bonds.

The Series 2005C Bonds. On May 12, 2005, the Authority issued (i) the Series 2005C-1 Bonds in the aggregate principal amount of $49,700,000, of which $9,305,000 are currently outstanding and (ii) the Series 2005C-2 Bonds in the aggregate principal amount of $49,700,000, of which $9,305,000 are currently outstanding.

A portion of the proceeds of the Series 2018 Bonds together with other available funds, will be transferred to the bond trustee for the Series 2005C Bonds and irrevocably deposited in the bond fund for the Series 2005C Bonds and are expected to be applied to the redemption in full of the Series 2005C Bonds on the date of issuance of the Series 2018 Bonds. The funds deposited in the bond fund will be sufficient to redeem the Series 2005C Bonds at a redemption price of 100% of the principal amount, plus any accrued interest thereon to the date of redemption. It is expected that the Series 2005C Bonds will be redeemed on the date of issuance of the Series 2018 Bonds.

The Series 2000 Bonds. On March 23, 2000, the Authority issued the Series 2000 Bonds in the aggregate principal amount of $80,000,000, of which $30,300,000 are currently outstanding.

A portion of the proceeds of the Series 2018 Bonds, together with other available funds, will be transferred to the bond trustee for the Series 2000 Bonds and irrevocably deposited in the bond fund for the Series 2000 Bonds and are expected to be applied to the redemption in full of the Series 2000 Bonds on the date of issuance of the Series 2018 Bonds. The funds deposited in the bond fund will be sufficient to redeem the Series 2000 Bonds at a redemption price of 100% of the principal amount, plus any accrued interest thereon to the date of redemption. It is expected that the Series 2000 Bonds will be redeemed on the date of issuance of the Series 2018 Bonds.

THE PROJECT

A portion of the proceeds of the Series 2018 Bonds will be used to finance a portion of the costs of some or all of the projects described in the Loan Agreement (collectively, the "Project"), which includes the expansion of Inova Loudoun Hospital and a variety of projects at Inova Fairfax Medical Campus, including the construction of a portion of the Inova Schar Cancer Center.

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds related to the Series 2018 Bonds (with all amounts rounded to the nearest whole dollar).

Sources of Funds:	**Series 2018A Bonds**	**Series 2018B Bonds**	**Series 2018C Bonds**	**Total**
Par Amount	$206,860,000	$150,000,000	$100,000,000	$456,860,000
Original Issue Premium	12,093,577	16,023,000	-	28,116,577
Equity Contribution	1,662,934	1,052,515	527,898	3,243,347
TOTAL	$220,616,511	$167,075,515	$100,527,898	$488,219,924
Uses of Funds:				
Project Costs	$151,321,037	$113,604,448	-	$264,925,485
Refunded Bonds	67,630,000	52,420,000	$100,000,000	220,050,000
Accrued Interest on Refunded Bonds	50,587	36,112	68,889	155,587
Costs of Issuance[(1)]	1,614,887	1,014,955	459,009	3,088,852
TOTAL	$220,616,511	$167,075,515	$100,527,898	$488,219,924

(1) The Underwriters' Fee and other fees and expenses of various legal counsel, accountants, Bond Trustee, Master Trustee and rating agencies and costs of printing are being paid with the equity contribution from Inova shown in this table.

ESTIMATED DEBT SERVICE REQUIREMENTS

The following table sets forth, for each fiscal year ending December 31, the principal and interest requirements on the Series 2018A Bonds and the estimated annual debt service for the Variable Rate 2018 Bonds and all other long-term indebtedness. The table is based on the assumptions set forth in the footnotes on the bottom of this page.

Fiscal Year Ending, December 31,	Series 2018A Bonds		Series 2018B Bonds[1]		Series 2018C Bonds[2]		Other Long Term Indebtedness[3]	Total Debt Service Requirements
	Principal	Interest	Principal	Interest	Principal	Interest		
2018	$ –	$ 2,516,442	$ –	$ 2,187,500	$ –	$ 508,849	$ 64,254,345	$ 69,467,136
2019	6,820,000	8,525,500	–	7,500,000	–	1,510,000	65,026,255	89,381,755
2020	1,585,000	8,391,500	–	7,500,000	–	1,510,701	70,583,315	89,570,516
2021	1,645,000	8,318,675	–	7,500,000	–	1,509,299	70,606,202	89,579,177
2022	1,730,000	8,234,300	–	7,500,000	–	1,510,000	129,274,888	148,249,188
2023	2,415,000	8,130,675	–	7,500,000	–	1,510,000	67,217,603	86,773,278
2024	9,065,000	7,843,675	–	7,500,000	13,050,000	1,403,020	48,431,168	87,292,863
2025	9,435,000	7,381,175	–	7,500,000	13,590,000	1,199,892	48,564,293	87,670,361
2026	10,025,000	6,894,675	–	7,500,000	–	1,107,736	91,499,694	117,027,105
2027	3,850,000	6,547,800	–	7,500,000	–	1,107,736	64,601,050	83,606,586
2028	3,995,000	6,351,675	–	7,500,000	–	1,108,250	64,574,178	83,529,103
2029	4,415,000	6,163,500	–	7,500,000	–	1,107,222	64,287,780	83,473,502
2030	4,520,000	5,984,800	–	7,500,000	–	1,107,736	66,391,402	85,503,938
2031	–	5,894,400	–	7,500,000	–	1,107,736	63,345,959	77,848,095
2032	–	5,894,400	–	7,500,000	36,410,000	807,818	36,059,363	86,671,581
2033	–	5,894,400	1,865,000	7,453,375	36,950,000	251,963	35,739,620	88,154,358
2034	–	5,894,400	42,145,000	6,353,125	–	–	35,444,219	89,836,744
2035	–	5,894,400	3,350,000	5,215,750	–	–	73,679,806	88,139,956
2036	–	5,894,400	–	5,132,000	–	–	77,869,109	88,895,509
2037	–	5,894,400	–	5,132,000	–	–	77,896,247	88,922,647
2038	–	5,894,400	–	5,132,000	–	–	77,929,562	88,955,962
2039	–	5,894,400	–	5,132,000	–	–	77,954,061	88,980,461
2040	–	5,894,400	–	5,132,000	–	–	78,758,953	89,785,353
2041	–	5,894,400	–	5,132,000	–	–	80,959,997	91,986,397
2042	–	5,894,400	–	5,132,000	–	–	73,543,073	84,569,473
2043	–	5,894,400	–	5,132,000	–	–	77,240,220	88,266,620
2044	–	5,894,400	–	5,132,000	–	–	77,241,906	88,268,306
2045	34,660,000	5,201,200	–	5,132,000	–	–	–	44,993,200
2046	36,075,000	3,786,500	–	5,132,000	–	–	–	44,993,500
2047	37,545,000	2,314,100	–	5,132,000	–	–	–	44,991,100
2048	39,080,000	781,600	–	5,132,000	–	–	–	44,993,600
2049	–	–	2,130,000	5,078,750	–	–	–	7,208,750
2050	–	–	2,305,000	4,967,875	–	–	–	7,272,875
2051	–	–	2,425,000	4,849,625	–	–	–	7,274,625
2052	–	–	2,555,000	4,725,125	–	–	–	7,280,125
2053	–	–	2,685,000	4,594,125	–	–	–	7,279,125
2054	–	–	2,830,000	4,456,250	–	–	–	7,286,250
2055	–	–	26,000,000	3,735,500	–	–	–	29,735,500
2056	–	–	29,710,000	2,342,750	–	–	–	32,052,750
2057	–	–	32,000,000	800,000	–	–	–	32,800,000
2058	–	–	–	–	–	–	–	–
TOTAL	$ 206,860,000	$ 185,889,392	$ 150,000,000	$ 228,475,750	$ 100,000,000	$ 18,367,959	$ 1,858,974,270	$ 2,748,567,370

(1) Interest on the Series 2018B-1 Bonds and the Series 2018B-2 Bonds, which are subject to mandatory tender on May 15, 2021 and May 15, 2023, respectively, is assumed at the current interest rate of 5.00% until maturity.

(2) Assumes an interest rate of 1.51% on the Series 2018C Bonds, which does not include remarketing agent fees and assumes that such debt will be continuously remarketed until maturity.

(3) Assumes that the Existing Bonds that bear interest at variable rates bear interest at 1.51% and does not take into account any interest rate swaps or other support costs (*e.g.*, bank or remarketing agents' fees). Excludes (a) debt service on other long-term indebtedness of the System described in Note 10 in the "Notes to Consolidated Financial Statements" contained in the 2017 Audit (as hereinafter defined) incorporated by reference in this Official Statement that is not secured by an Obligation issued under the Master Indenture, (b) capitalized leases described in Note 14 in the "Notes to Consolidated Financial Statements contained in the 2017 Audit incorporated by reference in this Official Statement and (c) the outstanding taxable commercial paper. The amounts presented in this table are not calculated in accordance with the requirements of the Master Indenture for the determination of "Debt Service Requirements."

BONDHOLDERS' RISKS

The following is a discussion of certain risks that could affect the amount and timeliness of payments to Holders of Series 2018A Bonds. The discussion is not intended to be comprehensive, definitive or exhaustive. Rather, the following is intended to bring to the attention of prospective purchasers of the Series 2018A Bonds the nature and types of matters that could affect timely payment of amounts payable on the Series 2018A Bonds. Reference should be made to other sections of this Official Statement and to referenced documents, instruments, laws and regulations for detailed information with respect to certain of the risks described in this and other sections of this Official Statement. The descriptions herein are qualified by reference to any such documents, instruments, laws and regulations. Copies of all such documents are available for inspection at the Designated Corporate Trust Office of the Bond Trustee.

The Series 2018A Bonds will not constitute general obligations of the Authority, the Commonwealth of Virginia, or Fairfax County, Virginia, or any other political subdivision of the Commonwealth of Virginia, and will not directly or indirectly obligate the Commonwealth of Virginia, or Fairfax County, Virginia or any other political subdivision of the Commonwealth of Virginia to levy any form of taxation therefor or to make any appropriation for their payment. The Authority has no taxing power.

Payment of Debt Service

The Series 2018A Bonds will be payable by the Authority solely from amounts payable by Inova under the Loan Agreement and amounts payable by Members of the Obligated Group under the Series 2018A Obligation. See "**SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018A BONDS**" above. Certain of the factors that could affect the Series 2018A Bonds and the future financial condition of the Members of the Obligated Group are described below. Any of the risk factors described herein may affect the revenues of the Members of the Obligated Group and impair their ability to make required payments under the Loan Agreement and on the Series 2018A Obligation when due. 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 Series 2018A Bonds and the other obligations of the Obligated Group. None of the provisions of the Trust Agreement, the Loan Agreement or the Master Indenture provide any assurance that the obligations of the Obligated Group will be paid as and when due.

The ability of each Member of the Obligated Group to generate revenues and its overall financial condition may be adversely affected by a wide variety of future events and conditions including, without limitation: the ability of that Member of the Obligated Group to provide services required or expected by patients; physicians' confidence in, and utilization of the facilities operated by, that Member of the Obligated Group; changes in the economic conditions of, or competition in the provision of, or demand for, medical treatment in, the service area of that Member of the Obligated Group; rising costs; governmental regulation; malpractice costs; reductions in charitable giving; availability of nurses and other professional personnel; and controls established in connection with, or changes in the method of payment by, third-party payers, both governmental and private. Currently both the federal government and the Commonwealth of Virginia have extensive powers to regulate the operation of the Members of the Obligated Group, to control the flow of revenues to the Members of the Obligated Group, to limit their expansion, and to control and restrict the services now being provided by the Members of the Obligated Group. As discussed below, these federal and state powers may be expanded in the future. The operations, the financial condition and the results of operations of the Members of the Obligated Group could be adversely affected by the foregoing factors, as well as those discussed below, or other unanticipated events.

Market Disruption and Volatility

Current Economic Climate. The current economic climate has, and will continue to have, a direct impact on the Obligated Group. Patient service revenues and inpatient volumes have not increased as historic trends would otherwise indicate and health care providers have also experienced increases in self-pay admissions; increased levels of bad debt and uncompensated care; reduced availability and affordability of health insurance.

Effects of a weaker economy on hospitals have and continue to result in, among other things, lower patient volumes; unfavorable changes in payor mix; financial pressures and decreasing membership at health care insurers; and increased difficulty attracting philanthropy, all of which are included in the discussion that follows. State

budgets, including that of the Commonwealth of Virginia, are also under increased stress, resulting in increased review and possible reductions in their Medicaid programs.

Legislative Responses to Market Disruption. The financial condition of health care providers, including the Members of the Obligated Group, has and will continue to be dependent to a large degree on federal and state laws, regulations and policies affecting the health care industry and related industries. Certain recently enacted or proposed federal legislation that could have a significant impact on the health care industry, including the Members of the Obligated Group, is described below.

Financial Reform Act. The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Financial Reform Act") enacted in 2010 includes broad changes to the then existing financial regulatory structure, including the creation of new federal agencies to identify and respond to risks to the financial stability of the United States. On May 24, 2018, President Trump signed the Economic Growth, Regulatory Relief, and Consumer Protection Act, which has increased the statutory threshold for systemic risk established by the Financial Reform Act. The increased threshold has thus narrowed the field of those bank holding companies subject to enhanced prudential standards such as risk management, liquidity and stress testing requirements. Inova's management cannot predict whether or how its access to capital markets or the management or performance of its investment portfolios may be affected in the future by the Financial Reform Act and subsequent revisions as described herein.

Federal Budget. The Budget Control Act of 2011 (the "BCA"), as modified by the American Taxpayer Relief Act of 2012 (the "Taxpayer Relief Act"), set in place a capped 2% reduction in Medicare spending, among other reductions, which took effect in March 2013.

The Centers for Medicare and Medicaid Services ("CMS") implemented the 2% reductions for all Medicare Part A and B claims with dates-of-service or dates-of-discharge on or after April 1, 2013, and for all payments made to Medicare Advantage Organizations ("MAOs"), Part D plans and other programs (including Managed Care Organizations) with enrollment periods beginning on or after April 1, 2013. The Taxpayer Relief Act significantly affects hospital Medicare reimbursement in that it requires the Medicare program to recoup funds from hospitals based on changes in documentation and coding that have increased Medicare inpatient prospective payment system ("IPPS") payments but that do not represent real increases in the intensity of services provided to patients. In the final IPPS regulations for federal fiscal year 2014, CMS stated that it intends to phase in this recoupment over time, which started with a 0.8% reduction in the Medicare standardized amount for 2014. Additional recoupment adjustments are planned through fiscal year 2019.

In December 13, 2013, the Bipartisan Budget Act of 2013 (the "2013 Budget Act") was enacted, which staved off further sequestration cuts. While the 2013 Budget Act offered limited relief from sequestration cuts for certain defense and non-defense spending for federal fiscal years 2014 and 2015, it does not extend relief to sequestration reductions impacting Medicare. The 2% reduction to Medicare providers and insurers will continue for Medicare Fee-For-Service program claims with dates of service or dates of discharge on or after April 1, 2013, subject to additional Congressional action. Also, certain commercial Medicare Advantage plans are passing this reduction on to health care providers. The 2013 Budget Act achieves new savings for the federal government by extending sequestration for mandatory programs, including Medicare, for another two years, through 2023.

The Bipartisan Budget Act of 2018 increased the budget caps imposed by the BCA for fiscal years 2018 and 2019 and authorizing $63 billion in increased discretionary spending over the next two years. The act also suspends the limit on the federal government's debt until March 1, 2019. Inova's management is unable to predict what impact any future failure to increase the federal debt limit may have on the operations, results of operations or financial condition of the Obligated Group; that impact, could, however, be material and adverse. Additionally, the market price or marketability of the Series 2018A Bonds in the secondary market may be materially adversely impacted by any failure of Congress to increase the federal debt limit.

It is possible that Congress will take action to eliminate some or all of the reductions in the future and any Congressional action could be made retroactive in order to eliminate some or all of the cuts even to the extent they were imposed. However, there is no certainty that Congress will take any action. Absent further Congressional action, these automatic spending cuts will become permanent. Because Congress may make changes to the budget in the future, it is impossible to predict the impact any spending cuts may have upon the Obligated Group. Similarly, it is impossible to predict whether any automatic reductions to Medicare may be triggered in lieu of other spending

cuts that may be proposed by Congress. If and to the extent Medicare and/or Medicaid spending is reduced under either scenario, this may have a material adverse effect upon the financial condition of the Obligated Group, taken as a whole. Ultimately, these reductions or alternatives could have a disproportionate impact on hospital providers and a material adverse effect on the operations, results of operations and financial condition of the Obligated Group.

Health Care Reform

In March 2010, the Patient Protection and Affordable Care Act, as amended by the Health Care and Educational Reconciliation Act (the "ACA") was enacted. The ACA is impacting the delivery of health care services, the financing of health care costs, the reimbursement of health care providers and the legal obligations of health insurers, providers, employers and consumers. Some of the provisions of the ACA took effect immediately or within a few months of final approval, while others were or will be phased in over time, ranging from one year to ten years. Because of the complexity of the ACA generally, additional legislation may be considered and enacted over time. The ACA has also required, and will continue to require, the promulgation of substantial regulations with significant effects on the health care industry. Thus, the health care industry is the subject of significant new statutory and regulatory requirements and consequently will be subject to structural and operational changes and challenges for a substantial period of time. The full ramifications of the ACA may also become apparent only over time and through later regulatory and judicial interpretations. Portions of the ACA have already been limited, delayed or nullified as a result of executive action, legislative amendments and judicial interpretations and future actions may further change its impact. The uncertainties regarding the implementation of the ACA create unpredictability for the strategic and business planning efforts of health care providers, which in itself constitutes a risk.

A significant component of the ACA 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 employers and employees' dependents. As a consequence, expansion of the base of consumers of health care services is a significant component as well. One of the primary purposes of the ACA is to provide or make available, or subsidize the premium costs of, health care insurance for some of the millions of previously uninsured (or underinsured) consumers. The ACA may result in an increase in utilization of health care services by those who are currently avoiding or rationing their health care 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.

Medicaid expansion is optional on a state-by-state basis. Where Medicaid is expanded, it could result in a shift of significant numbers of commercially-insured individuals to Medicaid, and health insurance options available on exchanges may be limited or unaffordable, diminishing the availability to, use by and coverage of patients under these programs. In addition, the cost containment measures and pilot programs required by the ACA may also offset these potential positive effects.

A negative impact to the hospital industry overall will likely result from scheduled, substantial cumulative reductions in Medicare payments. The legislation's cost-cutting provisions to the Medicare program include reduction in Medicare market basket updates to hospital reimbursement rates under the IPPS, additional reductions to or elimination of Medicare reimbursement for certain patient readmissions and hospital-acquired conditions, as well as anticipated reductions in rates paid to Medicare managed care plans that may ultimately be passed on to providers. Approximately 30.2% of gross inpatient and outpatient revenue for the five full-service hospital campuses owned by the Members of the Obligated Group for the fiscal year ended December 31, 2017 were attributable to Medicare spending (including original Medicare Fee-For-Service and both fee-for-service and capitated managed care arrangements, but excluding Medicare managed care); as such, these reductions could have a material adverse impact on the revenues of the Obligated Group, and could offset positive effects of the ACA. Industry experts also expect that government cost reduction actions may be followed by private insurers and payors.

The ACA created state "health insurance exchanges" in which health insurance can be purchased by certain groups and segments of the population, expanded the availability of subsidies and tax credits for premium payments by some consumers and employers, and required that certain terms and conditions be included by commercial insurers in contracts with providers. In addition, the ACA imposed many new obligations on states related to health insurance.

High deductible health insurance plans have become more common in recent years, and the ACA is expected to encourage the increase in high deductible health insurance plans as the health care exchanges offer a variety of plans, several of which include lower monthly premiums in return for higher deductibles. High deductible health plans may contribute to lower inpatient volumes as patients may forgo or choose less expensive medical treatment to avoid having to pay the costs of the high deductibles. However, there is also concern that the high deductible plans will lead to an increase in bad debt expenses as some patients may not be able to pay the high deductible.

The ACA will likely affect some health care organizations differently from others, depending, in part, on how each organization adapts to the legislation's emphasis on directing more federal health care dollars to integrated provider organizations and providers with demonstrable achievements in quality care. The ACA established a value-based purchasing program for hospitals under the Medicare Program, which was designed to provide incentive payments to hospitals that will be contingent on satisfaction of specified performance measures related to common and high-cost medical conditions, such as cardiac, surgical and pneumonia care. The ACA also funds various demonstration programs and pilot projects and other voluntary programs to evaluate and encourage new provider delivery models and payment structures, including Accountable Care Organizations ("ACOs") and bundled provider payments. These programs focus on population health and chronic care management, which if successful, may decrease the demand for inpatient care. The introduction of these projects and programs, including the potential that they may be made permanent or expanded, and their effect on health care organizations' revenues or financial performance cannot be predicted.

The ACA also made changes to Medicaid funding with an aim toward increasing the number of Medicaid beneficiaries. States currently have the option to expand Medicaid eligibility to individuals under age 65 with incomes up to 133% of the federal poverty level. Providers operating in markets with large Medicaid and uninsured populations are anticipated to benefit from increased revenues from increased utilization and reductions in bad debt or uncompensated care. To assist states with the cost of covering such newly eligible individuals, the federal government agreed to pay 100% of the additional cost for a limited number of years beginning in 2014. Thereafter, the federal government's cost share is expected to decrease to 90% by 2020, which decrease will occur in phases. In the event a state chooses not to participate in the expanded Medicaid program, the net effect of the ACA on health care providers could be significantly reduced. Additionally, Medicaid reimbursement rates differ by state and the effect of expanded Medicaid enrollment must be determined on a state-by-state basis. Budget legislation signed by Virginia's Governor on June 1, 2018 expands the Commonwealth's Medicaid program beginning in 2019.

The ACA also contains more than thirty-two sections related to health care fraud and abuse and program integrity as well as significant amendments to existing criminal, civil and administrative anti-fraud statutes. Under the ACA, a broad range of providers, suppliers and physicians are required to adopt a compliance and ethics program. While the federal government has already increased its enforcement efforts, failure to implement certain core compliance program features provides new opportunities for regulatory and enforcement scrutiny, as well as potential liability if an organization fails to prevent or identify improper federal health care program claims and payments. Increased compliance and regulatory requirements, disclosure and transparency obligations, quality of care expectations and extraordinary enforcement provisions that could greatly increase potential legal exposure are all aspects of the ACA that could increase operating expenses and adversely affect the financial condition of the Members of the Obligated Group.

The ACA also enacted sweeping changes applicable to hospitals exempt from federal income taxation under Section 501(c)(3) of the Code, as described in more detail below under "Charity Care and Tax Exempt Status."

The ACA also 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 use of 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 ACOs and combinations of provider organizations, that by voluntarily meeting quality thresholds, have the opportunity 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.

In May 2017, the U.S. House of Representatives adopted legislation to replace the ACA. The legislation features provisions that would, in material part (i) eliminate the individual and large employer mandates to obtain or provide health insurance coverage, respectively; (ii) permit insurers to impose a surcharge up to 30 percent on individuals who go uninsured for more than two months and then purchase coverage; (iii) provide tax credits towards the purchase of health insurance, with a phase-out of tax credits according to income level; (iv) expand health savings accounts; (v) impose a per capita cap on federal funding of state Medicaid programs, or, if elected by a state, transition federal funding to a block grant; and (vi) permit states to seek a waiver of certain federal requirements that would allow such states to define essential health benefits differently from federal standards and that would allow certain commercial health plans to take health status, including pre-existing conditions, into account in setting premiums.

A May 2017 CBO report estimates that repealing certain portions of the ACA (including the individual mandate), while leaving the insurance exchange market in place, would (1) increase the number of uninsured by 14 million in the first year and 51 million by 2026, and (2) increase insurance premiums by 20-25 percent in the first year. To the extent the ACA is not repealed, any increased utilization resulting from the law will also increase the variable and fixed costs of providing health care services, which may or may not be offset by increased revenues.

The legislation proceeded to the U.S. Senate, but the Senate has not passed legislation corresponding to the House of Representatives bill to date. If the provisions of the proposed legislation are ultimately implemented along with other proposed amendments to the ACA, there can be no assurance that any such legislation will not materially adversely affect the Obligated Group, which material effects may include a potential decrease in the market for health care services or a decrease in the ability to receive reimbursement for health care services provided.

In addition to legislative changes, ACA implementation and the ACA insurance exchange markets can be significantly impacted by executive branch actions. In January, 2017, President Trump issued an executive order requiring all federal agencies with authorities and responsibilities under the ACA to "exercise all authority and discretion available to them to waive, defer, grant exemptions from, or delay" parts of the ACA that place "unwarranted economic and regulatory burdens" on states, individuals or health care providers.

In October, 2017 the President signed an executive order directing the expanded availability of association health plans and short-term, limited duration insurance that do not need to comply with certain ACA requirements such as the essential health benefits mandate. The executive order also: (i) seeks to expand how workers use employer-funded accounts to purchase their own policies; and (ii) calls for an analysis of ways to limit consolidation within the insurance and health care industries. In January, 2018 the United States Department of Labor issued a proposed rule that would increase the availability of association health plans and in February, 2018, the United States Departments of Health and Human Services ("HHS"), Labor, and Treasury published a proposed rule to expand the availability of short-term, limited-duration insurance. If finalized, these rules are expected to reduce the population of individuals purchasing health insurance through an exchange.

In October, 2017, President Trump announced that cost-sharing reduction payments will no longer be made to insurers. Cost sharing reduction payments help offset deductibles and other out-of-pocket expenses for exchange health insurance coverage for approximately seven million individuals earning up to 250 percent of the federal poverty level. The CBO previously reported that if cost sharing reduction payments were to end, premiums for silver-level plans would increase by 20 percent in 2018. Congress is currently evaluating proposals intended to continue cost sharing reduction payments, but no such legislation has been passed to date.

The Tax Cuts and Jobs Act signed into law December 22, 2017 eliminated the ACA's individual mandate tax penalty associated with failing to maintain health coverage, effective January 1, 2019. The CBO has indicated that the repeal would represent a reduction of 13 million individuals with health insurance by the end of 2026. Such repeal may have significant impact on the reimbursement for healthcare services generally, and may create reimbursement for services competing with the services offered by the Obligated Group. Accordingly, there can be no assurance that the adoption of any future federal or state healthcare reform legislation will not have a negative financial impact on the Obligated Group, including its ability to compete with alternative healthcare services, or to receive payment for services.

State Health Care Reform

In the past decade, legislators in various states have introduced proposals to reform their respective state's health care delivery system, including proposals to create a statewide single-payer system. Such legislation or regulations, if enacted in the Commonwealth of Virginia, could have a material adverse effect on Inova and its operations, and consequently, the Members of the Obligated Group.

Nonprofit Health Care Environment

The Members of the Obligated Group are nonprofit corporations, exempt from federal income taxation as organizations described in Section 501(c)(3) of the Code. As such, the Members of the Obligated Group are subject to federal, state and local laws, regulations, rulings and court decisions relating to their organization and operation, including their operation for charitable purposes. At the same time, the Members of the Obligated Group conduct large-scale complex business transactions and are often major employers in their geographic areas. There is tension between the rules designed to regulate a wide range of charitable organizations and the day-to-day operations of complex, multi-facility health care organizations.

Increasingly, across the United States, the operations and practices of nonprofit health care providers are being examined to determine whether they comply with regulatory requirements applicable to nonprofit, tax-exempt organizations. More broadly, policy questions are being raised as to charitable and nonprofit status in light of pricing practices, billing and collection practices, the volume and the definition of charitable care and benefit to the community, executive compensation, real property tax exemption and state sales tax exemption, and others. These challenges and questions have come from a variety of sources, including state Attorneys General, the Internal Revenue Service (the "IRS"), labor unions and other private organizations, the United States Congress, state legislatures and patients, and in a variety of forums, including hearings, audits, investigations and litigation, such as the following:

- **Congressional Hearings and Investigations.** A number of House and Senate Committees, including the House Committee on Energy and Commerce, the House Committee on Ways and Means and the Senate Finance Committee, have conducted hearings and investigations into issues related to nonprofit tax exempt healthcare organizations including, among others, a nationwide investigation of hospital billing and collection practices, charity care and community benefit standards, prices charged to uninsured patients and possible reforms to the nonprofit sector. These hearings and investigations could result in new legislation. Neither the effect of any such legislation on the nonprofit health care sector nor its effect on Members of the Obligated Group of any such legislation, can be determined at this time.

- **IRS Examination of Compensation Practices.** In 2004, the IRS began a compliance program to measure compliance by tax-exempt organizations with requirements that they not pay excessive compensation and benefits to their officers and other "insiders". In February 2009, the IRS issued its Hospital Compliance Project Final Report (the "IRS Final Report"), which examined tax-exempt hospitals' practices and procedures with regard to compensation and benefits paid to these individuals. The IRS Final Report and other recent developments indicate that the IRS (i) will continue to scrutinize executive compensation arrangements, practices and procedures very closely and (ii) may, in certain circumstances, conduct further investigations or impose fines on tax-exempt organizations. The Tax Cuts and Jobs Act imposes on most tax-exempt organizations a 21 percent excise tax on compensation exceeding $1 million paid to its five highest-paid employees. This excise tax does not apply to compensation for the direct provision of medical services.

- **IRS Form 990 and Schedule K**. The IRS Form 990 is used by most organizations exempt from federal income taxation under Section 501(c)(3) of the Code to submit information required by the federal government. The IRS Form 990 requires detailed public disclosure of compensation practices, corporate governance, loans to executive management and others, joint ventures and other types of transactions, political campaign activities, and other areas the IRS deems to be compliance risk areas. The IRS Form 990 also requires disclosure concerning community benefit and compliance with financial assistance policy and billing and collection requirements (see "Charity Care and Community Benefit Reporting" below), as well as reporting of information relating to tax-exempt bonds, including

compliance with the arbitrage rules and rules limiting private use of bond-financed facilities. Schedule K to the IRS Form 990 is intended to enhance transparency as to the operations of exempt organizations. It is likely that the IRS will use the information provided by the IRS Form 990 and Schedule K to assist in, and expand, its enforcement efforts. See "– **Bond Examinations**" below.

- **Community Benefit Initiatives**. The IRS has also undertaken a community benefit initiative directed at hospitals. The IRS Final Report determined that the reporting of community benefit by nonprofit hospitals varied widely, both as to types of programs and expenditures classified as community benefit and the measurement of community benefits. For a more detailed description of IRS enforcement of community benefit initiatives directed at hospitals, see "– **Charity Care and Community Benefit Reporting**" below.

- **Litigation Relating to Billing and Collection Practices.** Lawsuits have been filed in both federal and state courts alleging, among other things, that hospitals have failed to fulfill their obligations to provide charity care to uninsured patients and have overcharged uninsured patients. Some of these cases have been dismissed, but a number of cases are still pending in various courts around the country. Some hospitals and health systems have entered into substantial settlements to resolve such lawsuits. No Member of the Obligated Group is currently a defendant in any such pending lawsuits.

- **Challenges to State and Local Real Property Tax Exemptions.** In recent years, the real property tax exemptions afforded to certain nonprofit health care providers by state and local taxing authorities have been challenged on the grounds that the health care providers were not engaged in sufficient amounts of charitable activities. These challenges have been based on a variety of grounds, including allegations of aggressive billing and collection practices and excessive financial margins. Several of these disputes have been determined in favor of the taxing authorities or have resulted in payment of amounts to resolve those challenges. Inova's management is not aware of any challenge to any real property tax exemption that is currently afforded to material real property of the Members of the Obligated Group that is currently exempt from real property taxation, but there can be no assurance that these types of challenges will not occur in the future.

- **Indigent Care.** Tax-exempt hospitals and other providers often treat large numbers of indigent patients who are unable to pay for their medical care. These hospitals and other providers may be susceptible to economic and political changes that could increase the number of indigents or their responsibility to care for this population. General economic conditions that affect the number of employed individuals who have health insurance coverage will similarly affect the ability of patients to pay for their care. The ACA imposes requirements on tax-exempt hospitals to develop, implement and monitor charity care policies and procedures. In addition, as described above, one of the objectives of the ACA has been to extend the availability and affordability of health care insurance to those segments of the population who have not been able to afford health care insurance or who have not had access to health care services. It is possible that future legislation could require that tax-exempt hospitals and other health care providers maintain minimum levels of indigent care as a condition to federal income tax exemption or exemption from certain state or local taxes.

The foregoing are examples of the type examinations, investigations and challenges that face nonprofit health care organizations as a consequence of their favorable treatment as charitable or tax-exempt organizations. They could result in legislation, regulations, judgments, or penalties that would have a material adverse effect on the Obligated Group.

Charity Care and Community Benefit Reporting

Hospitals are permitted to obtain tax-exempt status under the Code because the provision of health care historically has been treated as a "charitable" enterprise. This treatment arose before most Americans had health insurance, when charitable donations were required to fund the health care provided to the sick and disabled. Some commentators and others have taken the position that, with the onset of employer health insurance and governmental reimbursement programs, there is no longer any justification for special tax treatment for the health care industry, and the availability of tax-exempt status should be eliminated. Federal and state tax authorities are also beginning to

demand that tax-exempt hospitals justify their tax-exempt status by documenting their charitable care and other community benefits.

Schedule H. Schedule H to the Form 990 asks whether a 501(c)(3) organization has a charity care policy and requests a description of that policy. Schedule H also requires that an organization report the community benefits that it provides, including the cost of providing charity care and other benefits. The reporting of this information to the IRS could lead to additional audit examinations and such audits could result in a more stringent interpretation by the IRS of community benefit.

Section 501(r). The ACA enacted a new Code Section 501(r), which requires, among other things, that 501(c)(3) hospital organizations: (i) adopt, implement and widely publicize a written financial assistance policy ("FAP") and a policy relating to emergency medical care meeting the requirements of Code Section 501(r)(4); (ii) limit the amounts charged for emergency or other medically necessary care provided to individuals eligible for assistance under the hospital's FAP to not more than the amounts generally billed to individuals who have insurance covering such care and refrain from using "gross charges" when billing such individuals; (iii) make reasonable efforts to determine whether an individual is FAP-eligible before pursuing extraordinary collection actions; and (iv) conduct a community health needs assessment at every three years and adopt an implementation strategy to meet the identified community needs. Inova's management believes that the Members of the Obligated Group are in compliance with the requirements of Section 501(r).

In December 2014, the IRS published final regulations establishing regulations implementing the requirements of Section 501(r) applicable to tax-exempt organizations. The requirements outlined in the regulations are generally applicable to tax years beginning after December 29, 2015. The final regulations provide detailed guidance on the various requirements of Section 501(r), clarify the consequences for failing to meet the various requirements under Section 501(r) and explain that minor omissions and inadvertent errors will not result in loss of tax-exempt status if certain specified correction and disclosure steps are taken.

Inova's management has adopted all policies required for the Members of the Obligated Group to remain in compliance with the provisions of Section 501(r) and the final regulations. A failure to comply with the provisions of Section 501(r) and the final regulations could result in a loss of Section 501(c)(3) tax-exempt status or otherwise subject revenues of a hospital facility to federal income tax.

Risks Related to Obligated Group Financings and Enforcement of Remedies

The obligations of Inova to make Loan Repayments under the Loan Agreement and the obligation of the Members of the Obligated Group to make payments of principal of and interest on the Series 2018A Obligation and to comply with their obligations under 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, reorganization, moratorium, avoidance of fraudulent transfers and other similar laws, the application of general principles of creditors' rights, by equitable principles affecting the enforcement of creditors' rights and as additionally described below. Although Inova, IHCS and Loudoun Hospital Corporation are currently the only Members of the Obligated Group and members of the Credit Group under the Master Indenture, the Master Indenture permits the addition of other Members of the Obligated Group and Credit Group if certain conditions are met. See **Appendix C – "DEFINITIONS OF CERTAIN TERMS AND CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS – Certain Provisions of the Master Indenture – Admission and Withdrawal from Obligated Group; Designated Affiliates; General Covenants of Credit Group – Entrance into the Obligated Group**" and "**– Designated Affiliates.**"

Enforcement of remedies under the Loan Agreement, the Trust Agreement and the Master Indenture may be limited or delayed in the event of application of federal bankruptcy laws or other laws affecting the rights of creditors and may be substantially delayed and subject to judicial discretion in the event of litigation or the required use of statutory remedial procedures.

The remedies available to the Bond Trustee, the Master Trustee, the Authority and the Holders and Beneficial Owners of the Series 2018A Bonds upon an event of default under the Trust Agreement, the Master Indenture, the Loan Agreement and the Series 2018A Obligation are in many respects dependent upon judicial actions that are often subject to discretion and delay. Under existing constitutional and statutory law and judicial

decisions, including, specifically, the United States Bankruptcy Code, the remedies provided in the Trust Agreement, the Master Indenture, the Loan Agreement and the Series 2018A Obligation may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2018A Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by general principles of equity and by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally, laws relating to fraudulent conveyances and the exercise of judicial discretion.

The enforceability of the Trust Agreement, the Loan Agreement and the Master Indenture may be subject to subordination or prior claims in addition to those arising from bankruptcy proceedings. Examples of cases of possible limitations on enforceability and of possible subordination or prior claims are (i) statutory liens; (ii) rights arising in favor of the United States of America or any agency thereof; (iii) present or future prohibitions against, or limitations on, assignment in any federal statutes or regulations; (iv) constructive trusts, equitable liens or other rights impressed or conferred by any state or federal court in the exercise of its equitable jurisdiction; and (v) federal bankruptcy laws or state insolvency or fraudulent conveyance laws affecting the assignment of revenues earned after, or within certain periods prior to, any institution of bankruptcy or insolvency proceedings by or against any Member of the Obligated Group or the Authority, or affecting the ability of a guaranteed party to enforce a guaranty for which fair consideration or reasonably equivalent value has not been received.

In addition, donor-restricted assets or assets subject to a direct, express or charitable trust may not be available for the payment of debt service or Loan Repayments under the Loan Agreement or debt service on the Series 2018A Obligation. Further, there exists common law and statutory authority for the ability of state courts and other public officers to take actions to terminate the existence of a nonprofit corporation or undertake supervision of its affairs on various grounds, including the public interest in the protection of gifts, bequests and devises intended for charitable purposes.

The joint and several obligations 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 such payments (1) 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; (2) 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 (3) 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 together with the accounts of any Designated Affiliates, 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 loaned or otherwise disbursed to such Member to the extent that the payment would conflict with, or would be prohibited or avoidable under applicable laws.

No System Affiliate (including Designated Affiliates) is liable, either individually or jointly or severally, for the Obligations. In the event of fiscal distress or bankruptcy of a System Affiliate or Designated Affiliate, there is no assurance that the Obligated Group will continue to meet certain covenants, including tax covenants, contained in the Trust Agreement, the Loan Agreement or the Master Indenture and certain other documents. The bankruptcy of a System Affiliate or Designated Affiliate could cause the loss of tax exemption on the Series 2018A Bonds.

The bankruptcy of a System Affiliate would not automatically trigger an event of default under the Master Indenture, the Trust Agreement or the Loan Agreement, but the bankruptcy of such System Affiliate or Designated Affiliate could have a material adverse effect on the Members of the Obligated Group and their ability to comply with material covenants in the Master Indenture, the Trust Agreement or the Loan Agreement and to make debt service payments on Obligations.

If a System Affiliate or Designated Affiliate that had no contractual obligation to make payments to Inova or another Member of the Obligated Group were to file for bankruptcy, none of Inova, such other Member, the Master Trustee or any Holder of the Series 2018A Bonds would have any right to file a claim in a bankruptcy proceeding involving such System Affiliate or Designated Affiliate for the payment of any amounts due on the Series 2018A Obligation. In addition, in the event Inova or another Member of the Obligated Group were to become a debtor in a bankruptcy case, Inova or such other Member, as debtor-in-possession, or a trustee in bankruptcy, may not be able to cause the System Affiliate or Designated Affiliate to transfer funds to Inova, such other Member or the Master Trustee, or to the debtor-in-possession or trustee in bankruptcy.

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

Additional Debt; Permitted Encumbrances

The Master Indenture permits the issuance of additional Obligations on parity with the Series 2018A Obligation and also permits incurrence of additional Indebtedness by the Members of the Obligated Group. **See** "**DEFINITIONS OF CERTAIN TERMS AND CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS – Certain Provisions of the Master Indenture – Permitted Indebtedness**" in **Appendix C**. Each Obligated Group Member covenants in the Master Indenture that it will not create or incur, or permit to be created or incurred or to exist, any Lien on any Property of a Member of the Credit Group except Permitted Encumbrances. Under the definition of Permitted Encumbrances, the Members of the Credit Group could place significant encumbrances on their Property. The Property subject to such Liens could consist in part or in whole of cash, marketable securities, accounts receivable or health care facilities. See "**DEFINITIONS OF CERTAIN TERMS AND CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS – Certain Provisions of the Master Indenture – Permitted Encumbrances**" in **Appendix C**.

Amendments to Master Indenture, Trust Agreement and Loan Agreement

Certain amendments to the Master Indenture, including the Springing Amendments described herein, may be made with the consent of the holders of not less than 51% of the aggregate principal amount of the outstanding Obligations. Those amendments could adversely affect the security of the Holders of the Series 2018A Bonds, and the required percentage could be obtained wholly or partially from the Holders of Obligations other than the Series 2018A Obligation. Further, the Trust Agreement provides that the Bond Trustee is deemed to be the holder of the Series 2018A Obligation, including for purposes of obtaining Obligation holder consent. In addition, in certain circumstances, a credit or liquidity enhancement provider may be deemed to be the holder of an Obligation issued to a bond trustee to secure payment of debt service and tender price with respect to the bonds for which credit or liquidity enhancement is being provided. This could either facilitate or hamper the ability to obtain consent as to the debt represented by that Obligation, or an Obligation issued to the credit or liquidity enhancement provider may be taken into account for the purpose of determining consent, rather than the Obligation held by the related bond trustee.

If or when the Springing Amendments become effective, without the consent of the Holders of the Series 2018A Bonds, the Master Indenture could be amended, replaced, or substituted, in whole or in part by a different master indenture and could lead to substantially different covenants and the substitution of different security in the form of obligations backed by an obligated group or credit group that is financially and operationally different from the then-existing Obligated Group under the Master Indenture. That new obligated group or credit group could have substantial debt outstanding that would rank on a parity basis with the Series 2018A Obligation (or any replacement thereof).

Certain amendments to the Trust Agreement and the Loan Agreement can be made with the consent of the Holders of not less than a majority of the outstanding principal amount of the Series 2018A Bonds outstanding under the Trust Agreement.

In any of these circumstances, amendments to the Master Indenture, the Trust Agreement and/or the Loan Agreement adverse to Holders of the Series 2018A Bonds could be made without the consent of affected Holders. See "**INTRODUCTORY STATEMENT – Existing Obligations**" herein.

Facilities

The health care facilities of the Members of the Obligated Group are not general purpose buildings and may not be suitable for industrial or commercial use. Consequently, if an event of default were to occur and the Bond Trustee or the Master Trustee were in a position to sell or lease such facilities because of the exercise of available remedies, it could be difficult to find a buyer or lessee. As a result, the Bond Trustee or the Master Trustee may not obtain an amount sufficient to satisfy obligations on the Series 2018A Bonds or the Series 2018A Obligation, whether pursuant to a judgment against an Obligated Group Member or otherwise.

Patient Service Revenues

Patient service revenue realized by the Members of the Obligated Group is derived from a variety of sources and varies among the individual facilities owned and operated by the Members of the Obligated Group and also among the various market areas and regions in which the facilities are located. Certain facilities and regions may realize substantially more revenues from private payment programs, such as managed care organizations, than do others.

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

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

Medicare

Medicare is the federal health insurance system under which hospitals and other providers receive payments for services provided to eligible elderly and disabled persons. Medicare provides certain health care benefits to beneficiaries who are 65 years of age or older, blind, disabled or qualify for the End Stage Renal Disease Program. Medicare Part A covers inpatient hospital services, certain skilled nursing facility ("SNF") care, hospice and some home health care, and Medicare Part B covers physician services, outpatient hospital services, diagnostic tests, outpatient therapy and some supplies. CMS administers Medicare and delegates to the states the certification of hospitals to which CMS will make payment. In order to achieve and maintain Medicare certification, providers and suppliers must meet CMS's "Conditions of Participation" on an ongoing basis, as determined by each state in which they operate; however, certain providers and suppliers that hold an accreditation from a CMS-approved accreditation program, such as The Joint Commission, may be exempt from state surveys. The requirements for Medicare certification are subject to change, and, therefore, it may be necessary for hospitals to make changes from time to time in their facilities, equipment, operations, personnel, billing, policies and services. Failure to comply with certification and accreditation requirements could result in a loss of eligibility to participate in the Medicare program. A loss of participation in the Medicare program could have a material adverse effect on the financial condition and results of operations of the Obligated Group.

As the U.S. population ages, more people will become eligible for the Medicare program. Current projections indicate that if current cost trends continue, the overall federal budget will be materially and adversely affected. The Medicare program reimburses hospitals based on a fixed schedule of rates based on categories of treatment or conditions. These rates change over time and there is no assurance that these rates will cover the actual costs of providing services to Medicare patients. As discussed above, the 2013 Budget Act provides for annual reductions in the Medicare payments to providers and insurers and additional reductions could be imposed. There cannot be any assurance that reductions in payments to Medicare intermediaries will not ultimately be passed on to providers.

For the year ending December 31, 2017, Medicare payments represented approximately 30.2% (on average for the five full-service hospital campuses owned by the Members of the Obligated Group) of gross inpatient and

outpatient revenue for the five full-service hospital campuses owned by the Members of the Obligated Group. See **Appendix A** – "**THIRD-PARTY REIMBURSEMENT AND SOURCES OF REVENUES**."

The ACA instituted multiple mechanisms for reducing the costs of the Medicare program and thus reimbursements paid to hospitals. These changes are summarized above under the "Health Care Reform" section with greater detail provided below:

Market Basket Reductions and Market Productivity Adjustments. Generally, Medicare payment rates to hospitals for inpatient hospital services are adjusted annually based on a "market basket" of estimated cost increases. The market basket adjustments for inpatient hospital care have averaged approximately 2% to 4% annually in recent years. The ACA calls for reductions in the annual "market basket" update amount ranging from 0.10% to 0.75% each year through federal fiscal year 2019. The ACA also provides for an additional productivity adjustment to the "market basket" update based on overall national economic productivity statistics calculated by the Bureau of Labor Statistics. This productivity adjustment is anticipated to result in an approximately 1% additional annual reduction to the "market basket" update.

The reductions in market basket updates and the productivity adjustments have had (and will continue to have) a disproportionately negative impact upon those providers that are relatively more dependent upon Medicare than other providers.

Value-Based Purchasing. Medicare inpatient payments to hospitals are now determined, in part, based on a program under which value-based incentive payments are made in a fiscal year to hospitals that meet certain performance standards during that fiscal year. The program is funded through a pool of money collected from all hospital providers as a result of the reduction of the hospital inpatient care payment, by 2%. This reduction may be offset by incentive payments for hospitals that meet or exceed quality standards.

Hospital Acquired Conditions Penalty. Beginning with federal fiscal year 2015, CMS reduces Medicare inpatient payments by 1% for hospitals that are in the top quartile nationally for frequency of certain "hospital-acquired conditions" for the applicable federal fiscal year.

Readmission Rate Penalty. Medicare inpatient payments to those hospitals with excess readmissions compared to the national average for certain specified patient conditions are being reduced on the basis of the dollar value of that hospital's percentage of excess preventable Medicare readmissions within 30 days of discharge. The maximum penalty is 3% in fiscal year 2016 and thereafter.

Medicare Disproportionate Share Payments. The ACA provided for a significant reduction in supplemental Disproportionate Share ("DSH") payments from Medicare (*i.e.*, those hospitals that care for a disproportionate share of low-income Medicare beneficiaries). Beginning October 1, 2013, DSH payments were reduced initially by 75%. DSH payments increased thereafter and, under currently effective legislation, will continue to increase.

Medicare Advantage. Hospitals also receive payments from health plans under the Medicare Advantage program. The ACA made significant changes to federal payments to Medicare Advantage plans resulting in a transition to benchmark payments tied to the level of fee-for-service spending in the applicable county. Decreased federal payments to the Medicare Advantage plans, which have been delayed to date, could in turn affect the scope of coverage of these plans or cause plan sponsors to negotiate lower payments to providers.

Electronic Health Information Systems Medicare and Medicaid Incentive Payments and Payment Reductions. The Health Information Technology for Economic and Clinical Health Act (the "HITECH Act") provided for Medicare and Medicaid incentive payments that began in federal fiscal year 2011 to hospital providers demonstrating "meaningful use" of certified electronic health record technology. For hospitals and certain physicians that fail to meet program requirements, Medicare payments will be significantly reduced. Beginning in 2014, the federal government began auditing hospitals' and providers' records related to their attestation of being "meaningful users" in order to obtain the incentive payments. A hospital or provider that fails the audit will have the opportunity to appeal. Ultimately, hospitals or providers that fail on appeal will have to repay any incentive payments they received through these programs. In the fiscal year 2019 IPPS proposed rule, CMS has proposed to overhaul the Medicare and Medicaid EHR Incentive Programs to focus on interoperability, improve flexibility,

relieve burden and place emphasis on measures that require the electronic exchange of health information between providers and patients. To better reflect this new focus, CMS has proposed to re-name the Meaningful Use program "Promoting Interoperability."

Taxpayer Relief Act Medicare Reductions. The Taxpayer Relief Act mandates a reduction in Medicare reimbursement for hospitals by $11 billion, in the form of a coding and documentation adjustment to inpatient reimbursement payment rates, which reduction has been phased in over more than one year. Accordingly, CMS has made certain recoupment adjustments to the standardized amount of Medicare payments to acute care hospitals. CMS has proposed to make a 0.5% positive adjustment to the standardized amount for fiscal year 2019.

Hospital Inpatient Reimbursement. Hospitals are generally paid for inpatient services provided to Medicare beneficiaries based on established categories of treatments or conditions known as diagnosis related groups ("MS-DRGs"). The actual cost of care, including capital costs, may be more or less than the MS-DRG rate. MS-DRG rates are subject to adjustment by CMS and are subject to federal budget considerations. There is no guarantee that MS-DRG rates, as they change from time to time, will cover actual costs of providing services to Medicare patients. For information regarding the impact of the ACA on payments to hospitals for inpatient services, see "**Market Basket Reductions and Market Productivity Adjustments**" above.

Effective October 1, 2013, CMS adopted a policy known as the Inpatient Hospital Prepayment Review "Probe & Educate" review process or the "Two-Midnight" rule. The "Two-Midnight" policy specifies that hospital stays spanning two or more midnights after the beneficiary is properly and formally admitted as an inpatient will be presumed to be "reasonable and necessary" for purposes of inpatient reimbursement. With some exceptions, stays not expecting to extend beyond two midnights must be treated and billed as outpatient.

The calendar year 2015 Medicare outpatient prospective payment system ("OPPS") final rule required, as part of the "Two Midnight" rule, a physician certification, including an admission order and certain additional elements, for all inpatient admissions. The 2015 OPPS final rule implemented a change to the requirement that certifications must be provided for all inpatient admissions. Going forward, CMS will require physician certification only for outlier cases and long stay cases of 20 days or more. An admission order will continue to be required for all inpatients when that patient has been formally admitted to the hospital.

Effective January 1, 2016 CMS modified an "exception" policy to allow the two-midnight benchmark to be determined on a case-by-case basis by the physician responsible for the care of the beneficiary, subject to medical review. These updates were included in the calendar year 2016 OPPS proposed rule. The effect of the "Two Midnight" rule on the Obligated Group is still unclear, but the rule may have an adverse impact.

Hospital Outpatient Reimbursement. Hospitals are generally paid for outpatient services provided to Medicare beneficiaries under the Medicare OPPS, which is based on established categories of treatments or conditions known as ambulatory payment classifications ("APCs"). The actual cost of care, including capital costs, may be more or less than the reimbursements. The ACA provides for a reduction to the market basket used to determine annual OPPS increases by an adjustment factor for federal fiscal years 2010 through 2019 and by a productivity adjustment for federal fiscal year 2012 and subsequent years. Application of the productivity adjustment can result in a market basket increase of less than zero, such that payments in a current year may be less than the prior year. There is no guarantee that APC rates, as they change from time to time, will cover actual costs of providing services to Medicare patients. Additionally, Congress or regulators in the future may impose further limits or cutbacks in such payments or modify the method of calculating such payments.

Provider-Based, Off-Campus Hospital Outpatient Departments. Section 603 of the Bipartisan Budget Act of 2015 reduces Medicare payments to newly enrolled provider-based, off-campus hospital outpatient departments ("HOPDs") by excluding such facilities from payment under the OPPS beginning January 1, 2017. While this change does not affect already existing and enrolled provider-based, off-campus HOPDs that were billing for services prior to November 2, 2015, newly enrolled provider-based, off-campus HOPDs will receive lower payments than in previous years for providing the same services.

Other Medicare Service Payments. Medicare payment for skilled nursing services, psychiatric services, inpatient rehabilitation services, general outpatient services and home health services are based on regulatory

formulas or predetermined rates. There is no guarantee that these rates, as they may change from time to time, will be adequate to cover the actual cost of providing these services to Medicare patients.

Medical Education Payments. Medicare currently pays for a portion of the costs of graduate medical education ("GME") at hospitals that have teaching programs. These payments are vulnerable to reduction or elimination. The direct and indirect GME reimbursement programs have repeatedly emerged as targets in the legislative efforts to reduce the federal budget deficit. The calculation for both the direct part and the indirect part of Medicare payments for GME includes certain limitations on the number and classification of full-time equivalent residents reimbursed by Medicare. The ACA includes some changes to funding for primary care residency programs and provides grants to establish teaching health centers, which are community based ambulatory patient care centers. The ACA also establishes other programs to encourage the training and development of more primary care residents (including family medicine, internal medicine, pediatrics, obstetrics and gynecology, psychiatry and geriatrics) and the primary care workforce.

Medicare Bad Debt Reimbursement. Under the Medicare program, the costs attributable to the deductible and coinsurance amounts that remain unpaid by the Medicare beneficiary can be added to the Medicare share of allowable costs as cost reports are filed. Hospitals generally receive interim pass-through payments during the cost report year that were determined by the MAC from the prior cost report filing. Bad debts must meet the following criteria to be allowable:

- the debt must be related to covered services and derived from deductible and coinsurance amounts;
- the provider must be able to establish that reasonable collection efforts were made;
- the debt was actually uncollectible when claimed as worthless; and
- sound business judgment established that there was no likelihood of recovery at any time in the future.

The amounts uncollectible from specific beneficiaries are to be charged off as bad debts in the accounting period in which the accounts are deemed to be uncollectible. In some cases, an amount previously written off as a bad debt and allocated to the program may be recovered in a subsequent accounting period. In these cases, the recoveries must be used to reduce the cost of beneficiary services for the period in which the collection is made. In determining reasonable costs for hospitals, the amount of bad debts otherwise treated as allowable costs is reduced by 35%. Amounts incurred by a hospital as reimbursement for bad debts are subject to audit and recoupment by the MAC. Bad debt reimbursement has been a focus of MAC audit/recoupment efforts in the past.

Medicare Physician Payment. The sustainable growth rate ("SGR") formula, a limit on the growth of Medicare payments for physician services, was enacted in 1997 and linked to changes in the U.S. Gross Domestic Product over a ten-year period. Each year since 2003, Congress provided temporary relief from scheduled "negative" updates that would have reduced physician payments. In April of 2015, Congress enacted the Medicare Access and CHIP Reauthorization Act of 2015 ("MACRA"). Specifically, MACRA eliminated the cut to physician payments required by the SGR formula, and substituted annual 0.5% payment increases through 2019. Thereafter, payment rates will be frozen at 2019 levels through 2025. Beginning in 2026, physicians and other professionals paid under the Medicare physician fee schedule will receive an annual update of 1% for participating in eligible alternative payment models, while all other professionals will receive annual updates of 0.5%. While the immediate payment cuts associated with the SGR formula have been eliminated, it is possible that future legislative action will be taken that would once again trigger physician payment reductions.

Furthermore, MACRA moved Medicare physician reimbursement from a fee-for-service to a pay-for-performance model that will continue to control the growth of physician payments based on clinical outcomes and quality reporting. In addition to the base payment methodology, physicians can earn merit-based payments based on factors including compliance with meaningful use of certified electronic health record technology and demonstration of quality-based medicine.

Beginning January 1, 2019, and carrying through 2025, physician payment adjustments will occur through the Quality Payment Program's two reimbursement tracks – the Merit-based Incentive Payment System ("MIPS") or an Advanced Alternative Payment Model ("APM"). In calculating physician payment adjustments, MIPS

streamlines existing quality and value programs, accounting for physician performance under the meaningful use of electronic health records incentive program, the value-based modifier, and physician quality reporting system. Payments to physicians participating in APMs similarly accounts for performance under such programs. Beginning January 1, 2026, and effective January 1 of each subsequent calendar year, physician payments will be increased 0.75% for physicians who adequately participate in APMs, and 0.25% for those in MIPS. Notably, CMS designated calendar year 2017 as the "transition year" during which physician reporting obligations for participation in these programs were substantially reduced. The outcomes of these programs, including the likelihood of being revised or expanded or their effect on health care organizations revenues or financial performance cannot be predicted, and it remains unclear what effect this legislation will have on the Members of the Obligated Group. For example, these programs may encourage more physicians to retire, not accept Medicare (or only accept Medicare Advantage). Alternatively, or in addition to other externalities of the implementation of these programs, increased focus and performance scoring on resource use may impact utilization of health care resources across the facilities of the Members of the Obligated Group. Furthermore, implementation of a quality payment system will likely require regular reporting to CMS and greater internal resources to monitor performance and prevent payment reductions.

Recovery Audit Contractor Program. CMS has implemented a Recovery Audit Contractor ("RAC") program on a nationwide basis pursuant to which CMS contracts with private contractors to conduct pre-and post-payment reviews to detect and correct improper payments in the fee-for-service Medicare program. The ACA expanded the RAC program's scope to include managed Medicare plans and Medicaid claims. CMS also employs Medicaid Integrity Contractors to perform post-payment audits of Medicaid claims and identify improper payments. These programs tend to result in retroactively reduced payment and higher administration costs to hospitals.

Medicaid

Medicaid is a health insurance program for certain low-income and needy individuals. It is funded jointly by the federal government and individual states. Medicaid is administered by an agency of the applicable state. States obtain federal funds for their Medicaid programs by obtaining CMS approval of a "state plan" that conforms to Title XIX of the Social Security Act and its implementing regulations.

Pursuant to broad federal guidelines, each state establishes its own eligibility standards; determines the type, amount, duration, and scope of services; sets the payment rates for such services; and administers its own programs. Thus, the Medicaid program varies considerably from state to state, as well as within each state over time. After its plan is approved, a state is entitled to federal matching funds for Medicaid expenditures.

Medicaid Payment of Health Care Providers. Medicaid operates as a vendor payment program. Subject to federally-imposed upper limits and specific restrictions, states may either pay providers directly or may pay for Medicaid services through various prepayment arrangements such as HMOs. Providers participating in Medicaid must accept Medicaid payment rates as payment in full. States must make additional payments to qualified hospitals that provide services to a disproportionately large number of Medicaid, low income and/or uninsured patients under the "disproportionate share hospital" adjustment. States may impose nominal deductibles, coinsurance or copayments on some Medicaid recipients for certain services. Emergency services and family planning services must be exempt from such copayments. Certain Medicaid recipients must be excluded from this cost sharing, including: pregnant women, children under age 18, hospital or nursing home patients who are expected to contribute most of their income to institutional care and categorically needy HMO enrollees.

Medicaid in Virginia. In the Commonwealth of Virginia, the Medicaid program is administered by the Department of Medical Assistance Services ("DMAS") pursuant to federal and state laws and regulations. DMAS receives funding for program expenditures from both the federal government and the Commonwealth of Virginia. Limits on Medicaid payment may be affected by federal or state law or regulation. Payment for Medicaid patients is subject to appropriation by the Commonwealth's legislature of sufficient funds to pay the incurred patient obligations. Most state governments, including the Commonwealth of Virginia, are experiencing considerable budgetary challenges. Many health systems have felt the brunt of these pressures as many states have reduced hospital Medicaid reimbursement rates in order to balance their budgets, creating yet another strain on top-line revenue growth that hospital management must address. Any delays in appropriations and state budget deficits may create a risk that payment for services to Medicaid patients will be withheld or delayed.

Virginia's Medicaid program includes several payment and service delivery models, including the fee-for-service model and a full-risk capitated managed care model. DMAS also contracts with administrative services organizations to improve administration of certain services and functions provided in fee-for-service ("FFS"). The delivery models are authorized through the Virginia State Plan for Medical Assistance coupled with several different Federal waiver authorities. Virginia's Medicaid program has shifted to prospective reimbursement methods that result in fixed payments being paid to hospitals on the basis of DRGs, similar to Medicare. This methodology and pre-determined payment amounts are reviewed periodically and subject to adjustment. Capital costs and outpatient services are reviewed annually and settled on a cost basis subject to certain regulatory reductions. No assurances can be given that payments by Medicaid made to the Obligated Group will be adequate to compensate the Members of the Obligated Group for the cost of the patient services provided to Medicaid recipients.

Virginia's Medicaid expansion will take effect beginning in 2019 and is estimated to cause 400,000 people to become eligible for coverage under the expanded guidelines. Of these 400,000 people, approximately 138,000 are currently in the coverage gap—ineligible for Medicaid under current guidelines and not eligible for premium subsidies because their income is too low. Starting in 2019, Medicaid will be available to Virginia residents earning up to 138 percent of the poverty level. As a result of legislative compromise, Virginia's expansion bill requires newly-eligible enrollees to work, attend school, participate in job training, or perform other forms of community engagement in order to maintain eligibility for Medicaid. The federal government will fund around 93% of the cost of expansion in 2019, and starting in 2020, federal funding is decreased to 90% where it remains going forward. The Commonwealth is responsible for the balance of the costs, which will be funded through assessments levied on private acute care hospitals in Virginia beginning on or after October 1, 2018 upon CMS approval of the state plan amendments. The implementation of the provider assessments will increase the System's overhead costs and could result in a negative financial impact on the Obligated Group.

However, the future of Virginia's Medicaid work requirement, and to some extent, Virginia's Medicaid expansion benefits generally, remains unclear. A recent U.S. District Court for the District of Columbia decision vacated a similar approval of work requirements in Kentucky, noting that DHHS never adequately considered whether Kentucky's work requirements and other restrictions would violate the Medicaid program's central purpose of providing medical assistance to vulnerable citizens. That court sent the matter back to CMS for further review. In response, Kentucky canceled dental and vision benefits for beneficiaries otherwise eligible under that state's Medicaid expansion. Although January 2018 guidance from CMS generally indicates that agency's intent to approve work requirement proposals, that policy may be revisited in light of the most recent District Court decision. Accordingly, it remains unclear whether Virginia's Medicaid expansion will be implemented as adopted, whether some form of work requirement may remain in place, or whether benefits may be reduced or eliminated to the extent that work requirements are contested and cannot be imposed.

DMAS continues to offer a number of Medicaid long-term care services through Section 1915(c) waivers or home and community-based services waivers ("HCBS Waivers") for eligible individuals who prefer to receive required assistance in their own home or community setting rather than a facility setting. There are six HCBS waivers administered by DMAS—Community Living, Family and Individual Support, Building Independence, Alzheimer's Assisted Living, Commonwealth Coordinated Care Plus, and Children's Mental Health. In addition, DMAS operates the Commonwealth's Medicaid managed care program, Medallion 3.0, pursuant to a Section 1915(b) waiver. DMAS currently operates two other programs that are part of its maternal and child health and behavior health services pursuant to Section 1115 waivers, which give states flexibility to design and improve their programs in order to demonstrate policy approached to better serving Medicaid populations. Reimbursement, coverage and eligibility for elements of Virginia's Medicaid program operated pursuant to these waivers may change if the waivers are not renewed or their funding is reduced.

Medicaid Outlier Payments. Like Medicare, the Medicaid program also analyzes high cost cases to determine whether an outlier payment should be made. This amount is paid for unusually high cost inpatient cases in addition to the AP-DRG payment. Medicaid outlier payments may also be made for high cost outpatient cases. No assurances can be given that outlier payments by Medicaid made to Members of the Obligated Group will be adequate to compensate them for the cost of the patient services provided to Medicaid recipients.

Under the Medicaid program, the federal government supplements funds provided by the various states for medical assistance to the medically indigent. Payment for medical and health services is made to providers in amounts determined in accordance with procedures and standards established by state law under federal guidelines.

Fiscal considerations of both federal and state governments in establishing their budgets directly affect the amount of funds available to pay for services rendered to Medicaid patients.

The federal and state governments, including the Commonwealth of Virginia, have considered, and are continuing to consider, changes to Medicaid funding, particularly in light of the budget crises facing many states. The United States Congress has approved an increase in Medicaid funding to states; however, the federal government continues to explore options for a long-term solution to the funding difficulties with Medicaid. Certain additional proposals being examined may ultimately result in reduced federal Medicaid funding to the states, which could adversely affect the amount of revenue received by the Obligated Group.

The ACA also expanded the RAC program to include Medicaid, using state-based RAC contracts. Inova's management cannot predict the effect of these changes to the Medicaid program on the operations, results from operations or financial condition of the Members of the Obligated Group.

Medicare and Medicaid Audits

Hospitals that participate in the Medicare and Medicaid programs are subject from time to time to audits and other investigations relating to various aspects of their operations and billing practices, as well as to retroactive audit adjustments with respect to reimbursements claimed under these programs. Medicare and Medicaid regulations also provide for withholding reimbursement payments in certain circumstances. New billing rules and reporting requirements for which there is no clear guidance from CMS or state Medicaid agencies could result in claims submissions being considered inaccurate. The penalties for violations may include an obligation to refund money to the Medicare or Medicaid program, payment of criminal or civil fines and, for serious or repeated violations, exclusion from participation in federal health programs.

The Medicare Integrity Program ("MIP") was established pursuant to the Health Insurance Portability and Accountability Act of 1996 ("HIPAA") to deter fraud and abuse in the Medicare program. The MIP is funded separately from the general administrative contractor program and allows CMS to enter into contracts with outside entities to ensure the "integrity" of the Medicare program. CMS contracts with these "Medicare zone program integrity contractors" ("ZPICs"), to review claims and medical charts, both before and after payments are made, conduct cost report audits and identify cases of suspected fraud. ZPICs have the authority to deny and recover payments as well as to refer cases to the Office of Inspector General (the "OIG"). ZPICs have the ability to compile claims data from multiple sources in order to analyze the complete claims histories of beneficiaries for inconsistencies.

The federal Medicaid Integrity Program was created by the Deficit Reduction Act in 2005. It was the first federal program established to combat fraud and abuse in state Medicaid programs. Congress determined that a federal program was necessary due to the substantial variations in state Medicaid enforcement efforts. The Medicaid Integrity Program's enforcement efforts supplant existing state Medicaid Fraud Control Units. Federal Medicaid Integrity Contractors ("MICs") are classified as Review MICs, Audit MICs and Educational MICs. Review MICs perform review audits generally to determine trends and patterns of aberrant Medicaid billing practices through data mining. Audit MICs perform post-payment reviews of individual providers through desk or field audits. The Educational MICs are responsible for developing and carrying out a variety of educational activities to increase and improve Medicaid enforcement efforts by state governments. Once a Medicaid overpayment is identified, the state has either 60 days, or one year if there is fraud, to repay the state's share of federal financial participation to CMS. The state is then required to collect from the provider. If the provider wins on an appeal of the identified overpayment, the state is not permitted to reclaim its federal portion, so there is very little incentive for the states to settle such cases with the provider.

Medicare and Medicaid audits may result in reduced reimbursement or obligations to repay past, alleged overpayments. They also may delay Medicare or Medicaid payments to providers pending resolution of the appeals process. The ACA gives HHS the authority to suspend Medicare and Medicaid payments to a provider or supplier during a pending fraud investigation. The ACA also amended certain provisions of the False Claims Act (as defined below) to make retention of overpayments beyond 60 days of discovery of a violation subject to enforcement under the False Claims Act. It also added provisions concerning the timing of the obligation to identify, report and return overpayments. In February 2016, CMS issued the Medicare overpayments final rule, with an emphasis for providers on developing robust compliance programs. In the final rule, CMS imposes a new "reasonable diligence" standard

for identifying overpayments that must be reported and returned within 60 days. CMS clarifies that the 60-day timeframe for report and return begins when either reasonable diligence is completed (including determination of the overpayment amount) or on the day the person received credible information of a potential overpayment if the person failed to conduct reasonable diligence and the person in fact received an overpayment. CMS relaxed the lookback period for identifying overpayments in its final rule from 10 years to 6 years. The final rule does, however, impose an affirmative duty to proactively determine through the exercise of reasonable diligence whether overpayments have been made. The effect of these changes on existing programs and systems of the Members of the Obligated Group cannot be predicted.

Research Funding and Increased Enforcement of Clinical Trials Research

A portion of the Obligated Group's revenues relates to its research activities, including funding through the National Institutes of Health ("NIH"). NIH funding is subject to appropriations by Congress. Inova's management cannot provide any assurance that NIH funding will not be materially reduced in the future. A material reduction in the aggregate NIH budget could result in a reduction of funding made available to the Obligated Group for research activities.

The receipt of grants from federal government agencies requires that grantees report certain financial, operating and use information to the appropriate grantor agency. Grantees are responsible for managing the day-to-day operations of grant-supported activities and ensuring that grants are administered consistent with grant requirements. Failure to comply with reporting requirements or provision of inaccurate information in a report may subject the grant recipient to sanctions. In addition, federal grants are subject to audits to determine, among other things, whether costs are appropriately charged to a grant. A grantee's failure to comply with the terms and conditions of a grant award may cause the federal government to initiate an enforcement action against the grantee. As recipients of various federal grants, Members of the Obligated Group must comply with the terms and conditions of those grants as well as the reporting requirements associated with the grants. Due to the complexity of federal law and regulations governing research activities, federal authorities could determine that a Member of the Obligated Group is not in compliance with grant requirements and could seek sanctions that could have a material adverse effect on the financial condition of the Obligated Group.

Moreover, the federal government has enhanced its enforcement of laws and regulations governing the conduct of clinical trials at hospitals. HHS elevated and strengthened its Office of Human Research Protection, one of the agencies responsible for monitoring federally funded research. In addition, the NIH 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 exclusion of researchers and suspension or termination of entire research programs. Inova's management believes that clinical research being conducted at its hospitals is in substantial compliance with material applicable requirements, but no assurance can be made that the FDA or any other regulatory body will not take a contrary position or that such a position will not have a material adverse effect on the future operations or financial condition of the Obligated Group.

Children's Health Insurance Program

The Children's Health Insurance Program ("CHIP") is a federally funded insurance program for families who are financially ineligible for Medicaid, but cannot afford commercial health insurance. CMS administers CHIP, but each state creates its own program based upon minimum federal guidelines. CHIP insurance is provided through private health plans contracting with the state.

The federal government provides matching funds to states that provide CHIP insurance to targeted uninsured low-income children. From time to time, Congress or the President may seek to expand or contract CHIP. The Bipartisan Budget Act of 2018 extended CHIP funding through 2027. Additionally, in a November 25, 2015 HHS notice, the agency increased federal program matching percentages as authorized by the ACA.

The CHIP program in Virginia is called Family Access to Medical Insurance Security ("FAMIS"). There are no costs or monthly premiums for FAMIS enrollees. Copayments may be charged but are limited to $2.50 or $5.

All enrollees start in FFS before they are transitioned to a managed care organization. Prior to federal fiscal year 2017, the federal matching rate for FAMIS was 65%. The ACA increased the Enhanced Federal Medical Assistance Percentages ("eFMAP") for states by 23 percentage points beginning October 1, 2015 through September 30, 2019. The eFMAP for Virginia is now 88%.

The Federally Facilitated Marketplace ("FFM") MAC Learning Collaborative provides eligibility and enrollment functions in Virginia through a partnership model. The FFM will make assessments of Medicaid/CHIP eligibility and then transfer the applicant's account to the state agency for a final eligibility determination.

Private Health Plans and Commercial Insurance

For the year ending December 31, 2017, commercial, non-governmental payor payments (including managed care) constituted approximately 52.4% of the gross inpatient and outpatient revenue for the five full-service hospital campuses owned by Members of the Obligated Group. The Members of the Obligated Group currently have contractual agreements with commercial health insurance plans that reimburse their subscribers or make direct payments to hospitals at established rates, with patients responsible for deductibles, co-payments, personal comfort items and services over the limitation of coverage (*e.g.*, limit on the number of inpatient days). There is a large market for managed health care, such as Health Maintenance Organizations ("HMOs"), Health Insuring Corporations ("HICs"), third-party administered self-insured plans, and Preferred Provider Organizations ("PPOs") and Point of Sale plans ("POSs"), generally referred to as Managed Care Organizations or "MCOs." Commercial insurance plans generally use negotiated discount rates applied to facility patient charges. Payments from MCOs are typically lower than those received from traditional indemnity or commercial insurers. Most MCOs pay hospitals on a discounted fee-for-service basis, a discounted per-diem rate, or a prospective payment rate. The discounts negotiated by MCOs may result in payment that is less than actual costs and the volume of patients directed to a contracted provider may vary significantly from projections. Further, there is no assurance that the Members of the Obligated Group will be able to maintain or renew existing commercial contracts or to obtain other similar contracts in the future. Failure to maintain third-party, commercial payor contracts could adversely affect the market share of net patient service revenue of the Members of the Obligated Group. Conversely, participation may maintain or increase the patient base but could result in lower net income or operating losses to the Members of the Obligated Group if they are unable to negotiate payments for services that adequately cover their costs in providing those services.

The ability of the Members of the Obligated Group to maintain and enhance their financial performance is dependent, in part, upon their ability to enter into contracts with third-party payors at competitive rates. Various factors, including sluggish economic growth, underemployment and a reduction in employer-provided health insurance benefits have increased the difficulty of negotiating favorable reimbursement. There can be no assurance that the Members of the Obligated Group will be able to continue to attract third-party payors, or that they will be able to contract with such payors on advantageous terms. The inability of the Members of the Obligated Group to contract with a sufficient number of such payors on advantageous terms could have a material adverse effect on patient volume the Profitability of service delivery and financial results of the Members of the Obligated Group.

Consistent with perceived trends in the health care industry, including changes occurring in connection with health care reform, and the shift of greater financial risk to health care providers, Inova's management has determined to make its own investment in managed health plans in order to enhance its ability to manage population health and financial risk. See "**System-Affiliated Health Plans**" below.

The ACA imposes, over time, increased regulation of the health care industry, the use and availability of state-based exchanges in which health insurance can be purchased by certain groups and segments of the population, the extension of subsidies and tax credits for premium payments by some consumers and employers and the imposition upon commercial insurers of certain terms and conditions that must be included in contracts with providers. In addition, the ACA imposes many new obligations on states related to health care insurance. It remains unclear how the changes occurring as a consequence of the ACA will affect different participants in the health care industry, including Members of the Obligated Group. It is also not certain how increased federal oversight of state-administrated health care programs may affect future state oversight of the Obligated Group. In addition, it is impossible to predict the effect that these changes will have on the financial condition of third-party payors offering health care insurance and the rates paid by third-party payors to providers such as the Members of the Obligated

Group and, accordingly, the effect of these changes upon the operations and financial condition of the Members of the Obligated Group.

Under a PPO arrangement, there are generally financial incentives for subscribers to use only those hospitals or providers that contract with the PPO. Under most HIC/HMO plans, private payors limit coverage to those services provided by selected hospitals or providers (*e.g.*, a "closed panel" plan). With this contracting authority, private payors, including health plans and HIC/HMOs, may direct patients away from non-selected hospitals by denying coverage for services provided by them, or providing for coverage with significant patient financial obligations. Many PPOs and HMOs currently pay providers on a negotiated fee-for-service basis or on a fixed rate per day of care, which, in each case, usually is discounted from the typical charges for the care provided. The discounts offered to HMOs and PPOs may result in payment to a provider that is less than its actual cost. Additionally, the volume of patients directed to a hospital may vary significantly from projections or changes in the utilization of certain services offered by a provider may be dramatic and unexpected, thus further jeopardizing the provider's ability to contain costs.

Under a POS arrangement, there are generally financial incentives for subscribers to use a closed panel of hospitals or providers that contract with the network, but subscribers are able to use hospitals or providers that do not contract with the network as well. 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 and to the extent that the popularity of POS plans increases, more patients may determine to obtain their care at a variety of facilities and from different providers. In that event, it will become increasingly difficult for health care providers to maintain or increase market share by contracting with managed care plans, networks, and other similar entities.

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

The Members of the Obligated Group currently have, and may have in the future, contracts that require Members to accept financial risk. For example, Medicare and commercial payors are experimenting with shared savings programs that contain a risk component.

The growth of managed care in the market has been significant over the past several years, initially among commercial insurance carriers and, more recently, as government health programs such as Medicare and Medicaid convert to commercial managed care solutions in order to control medical spending. Continued growth in managed care in government-paid health programs is expected. The contract with the Obligated Group's largest payor is an arrangement using a DRG payment mechanism with annual rate increases. DRGs are used to classify hospital cases resulting in the payment of a fixed fee for the hospitalization of a patient according to the patient's diagnosis no matter how many days the patient stays or how many services are required. The discounts, fixed rates or capitated rates paid by HMOs, PPOs and insurers may result in payments less than actual cost, and the volume of patients and the types of required medical services directed to a hospital under an HMO, PPO or insurer contract may vary significantly from the expectations of the Members of the Obligated Group, when the compensation for services provided under the contract are negotiated. Therefore, the future financial consequences of such contracts cannot be predicted with certainty and may be different from the current or past periods.

If payment under a managed care 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, HIC/HMO contracts are statutorily required to contain a requirement that the hospital care for enrollees for a certain period of time, regardless of whether the HIC/HMO has funds to make payment of contractual amounts to the hospital. Moreover, statutory requirements also generally prohibit hospitals from "balance billing" (directly charging the patient for the difference in the hospital charge and the insurance payment) subscribers, even in the circumstance of an insolvency of an HIC/HMO. Contractual and some statutory requirements also sometimes extend balance billing restrictions and continuity of care obligations to PPOs.

Increasingly, physician practice groups and independent physician associations have become a part of the process of negotiating payment rates to hospitals. This involvement has taken many forms, but it typically increases the competition for limited payment resources from HICs/HMOs, 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 in which patients (and not payors) determine where to obtain care and they are less able to pay for the care they have historically received and expect.

In areas in which managed care is 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. It is also essential, however, that contracting hospitals be able to provide the contracted services without incurring significant operating losses. This requires innovative cost containment efforts. There can be no assurance that managed care contracts entered into by an Obligated Group Member with managed care payors will be renewed by such payors upon their expiration or will not be terminated prior to their expiration. Failure to obtain or maintain contracts could materially reduce an Obligated Group Member's market share and gross revenues and affect materially and adversely its results of operations but, conversely, maintenance of management care contracts also could adversely affect results of operations if an Obligated Group Member is unable to promptly and adequately contain its costs of providing services.

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

State Laws

State regulation of the delivery of health care services is increasing. Much of this increased regulation has centered on the managed care industry. State legislatures have cited their right and obligation to regulate and oversee health care insurance and have enacted sweeping measures that aim to protect consumers and, in some cases, providers. For example, a number of states have enacted laws mandating a minimum of 48-hour hospital stays for women after delivery; laws prohibiting "gag clauses" (contract provisions that prohibit providers from discussing various issues with their patients); laws defining "emergencies," which provide that a health care plan may not deny coverage for an emergency room visit if a layperson would perceive the situation as an emergency; and laws requiring direct access to obstetrician-gynecologists without the requirement of a referral from a primary care physician.

Due to this increased state oversight, the Members of the Obligated Group could become subject to a variety of new state health care laws and regulations affecting health care providers. In addition, the Members of the Obligated Group could be subject to or affected adversely by state laws and regulations prohibiting, restricting, or otherwise governing PPOs, third-party administrators, physician-hospital organizations, independent physician associations or other intermediaries, fee-splitting, the "corporate practice of medicine," selective contracting, "any willing provider" and "freedom of choice" laws, coinsurance and deductible amounts, insurance agency and brokerage, quality assurance, utilization review, and credentialing activities, provider and patient grievances, mandated benefits, rate increases, and many other practices. States also are increasingly reviewing their scope of practice laws, which address commissions and boards, licensure and credentialing, Medicaid/health insurance plan reimbursement, practice autonomy, prescriptive authority, truth in medical education, and truth in advertising for a number of distinct health care professions. Therefore, the existing regulatory framework may change.

Integrated Delivery System Development

Many hospitals and health systems are pursuing strategies with physicians in order to offer an integrated package of health care services. Hospitals and hospital systems often own, control or have affiliations with relatively large physician groups. Generally, the sponsoring hospital or health system will be the primary capital and funding source for such alliances and may have an ongoing financial commitment to provide growth capital and support operating deficits. These types of alliances are generally designed to respond to trends in the delivery of medicine to better integrate hospital and physician care, to increase physician availability to the community or to enhance the managed care capability of the affiliated hospitals and physicians. However, these goals may not be achieved, and an unsuccessful alliance may be costly and counterproductive. See also "**System-Affiliated Health Plans**" with

respect to determinations by certain health care providers, including the System, to accept greater responsibility for population health and financial risk.

The ACA establishes a Medicare Shared Savings Program ("MSSP") to promote accountability and coordination of care through the creation of ACOs. The ACA also requires HHS to implement a shared savings program that will allow providers, such as hospitals and physicians, to organize as ACOs, and to implement a voluntary demonstration project to develop ACOs for pediatric patients under the Medicaid program. To qualify as an ACO, organizations must agree to be accountable for the overall care of their Medicare beneficiaries, have adequate participation of primary care physicians, define processes to promote evidence-based medicine, report on quality and costs, and coordinate care. The program will allow hospitals, physicians and others to form ACOs and work together to invest in infrastructure and redesign integrated delivery processes to achieve high quality and efficient delivery of services. ACOs that achieve quality performance standards will be eligible to share in a portion of the amounts saved by the Medicare program. HHS has significant discretion to determine key elements of the program, including what steps providers must take to be considered an ACO, how to decide if Medicare program savings have occurred, and what portion of such savings will be paid to ACOs.

The ACO and MSSP final rules were published in November 2011 and June 2015; however, the regulations are complex and it remains unclear whether the qualification requirements will be a formidable barrier to entry into an ACO. In particular, because the federal ACO regulations do not preempt state law, providers in any state participating as a federal ACO must be organized and operated in compliance with such state's existing statutes and regulations. In June 2016, CMS issued a final rule that revises the benchmark rebasing calculations for ACOs. While these revised benchmark rebasing calculations may be particularly attractive for high performing ACOs, the delayed onset of these revised benchmark calculations (*e.g.*, the revised methodology would not apply for the earliest ACOs until the start of their third participation agreement in 2019) leaves the MSSP ACO landscape somewhat uncertain. Also, the Federal Trade Commission ("FTC") and Department of Justice ("DOJ") issued a joint statement of antitrust enforcement policy in October 2011 as applied to ACOs; CMS and the OIG issued a final rule in October 2015 on certain waivers of the Anti-Kickback Statute, Stark Law and the Civil Money Penalty laws for ACOs; and the IRS issued a notice and fact sheet in October 2011 addressing the impact on tax-exempt organizations participating in ACOs; however, there may remain regulatory risks for participating hospitals, as well as financial and operational risks.

It is probable that hospital participants in ACOs will have to marshal a large upfront financial investment to form unique and untested ACO structures, which may or may not succeed in gaining qualification. For those that do qualify, it is uncertain whether the savings will be adequate to recoup the initial investment. Numerous organizations have formed ACOs and been selected by CMS to participate in the MSSP. In addition, it is anticipated that private insurers may seek to establish similar incentives for providers, while requiring less infrastructure and organizational change. The potential impacts of these initiatives and the regulation of ACOs are unknown, but introduce greater risk and complexity to health care finance and operations.

In addition to ACOs, integration strategies may take many forms, including management service organizations, or MSOs, which may provide physicians or physician groups with a combination of financial and managed care contracting services, office and equipment, office personnel and management information systems. Integration objectives may also be achieved via physician-hospital organizations, or PHOs, 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 business and legal liabilities for the related hospital or health system.

Often the start-up capitalization for such developments, as well as operational deficits, are funded by the sponsoring hospital or health system. Depending on the size and organizational characteristics of a particular development, these capital requirements may be substantial. In some cases, the sponsoring hospital or health system may be asked to provide a financial guarantee for the debt of a related entity that 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. In recent years, the Obligated Group Members have made grants on an annual basis to other System Affiliates. These transfers are subject to the limitations set forth in the Master Indenture. See **APPENDIX C** – "**DEFINITIONS OF**

CERTAIN TERMS AND CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS – Certain Provisions of the Master Indenture – Permitted Dispositions of Property."

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 health care laws and regulations, antitrust laws and federal or state tax exemption. 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.

Regulatory Environment

Licensing, Surveys, Investigations and Audits. Health facilities, including those of the Members of the Obligated Group, are subject to numerous legal, regulatory, licensing, professional certification and private accreditation requirements. These include, but are not limited to, requirements relating to Medicare Conditions of Participation, requirements for participation in Medicaid, state licensing agencies, private payors and the accreditation standards of various private accreditation programs such as The Joint Commission. Renewal and continuation of certain of these licenses, certifications and accreditations are based on inspections, surveys, audits, investigations or other reviews, some of which may require affirmative actions by a Member of the Obligated Group. In particular, Virginia law prohibits a person from knowingly, willfully and fraudulently making or causing to be made any false statement or representation of material fact with respect to the conditions or operations of any institution or facility with the intent to qualify the facility as a hospital, skilled nursing facility, intermediate care facility, or home care facility, whether the false statements are made upon initial certification or recertification.

Inova's management does not, at present, anticipate any difficulty renewing or continuing all licenses, certifications and accreditations that are material to the existing operations of the Members of the Obligated Group. Nevertheless, the loss of or inability to renew any such licenses, certifications or accreditations could impair the ability of the Members of the Obligated Group to operate all or a portion of their health care facilities, result in the loss of utilization and patient service revenues, and materially and adversely affect the operations, results of operations and financial condition of the Obligated Group.

Negative Rankings Based on Clinical Outcomes, Cost, Quality, Patient Satisfaction and Other Performance Measures. Health plans, Medicare, Medicaid, employers, trade groups and other purchasers of health services, private standard-setting organizations and accrediting agencies increasingly are using statistical and other measures in efforts to characterize, publicize, compare, rank and change the quality, safety and cost of health care services provided by hospitals and physicians. Published rankings (such as "score cards,") "pay for performance," "never events" and other financial and non-financial incentive programs are being introduced that have the potential to affect the reputation and revenue of hospitals and the members of their medical staffs and to influence the behavior of health care consumers and providers such as the Members of the Obligated Group. Measures of quality based on clinical outcomes of patient care, reduction in costs, patient satisfaction and investment in health information technology are currently prevalent. Measures of performance set by others that characterize a hospital negatively may adversely affect its reputation and financial condition.

Civil and Criminal Fraud and Abuse Laws and Enforcement. Federal and state health care fraud and abuse laws regulate both the provision of services to government program beneficiaries (and sometimes to individuals insured by private payors) and the methods and requirements for submitting claims for services rendered to such beneficiaries. Under these laws, individuals and organizations can be penalized for a wide variety of conduct, including submitting claims for services that are not provided, that are billed in a manner other than as actually provided, that are not medically necessary, that are provided by an improper person or accompanied by an illegal inducement to utilize or refrain from utilizing a service or product, or are billed in a manner that does not otherwise comply with applicable legal requirements. The laws governing fraud and abuse apply to all individuals and health care enterprises with which a hospital does business, including other hospitals, home health agencies, long term care entities, infusion and pharmaceutical providers, insurers, health maintenance organizations, preferred provider organizations, third party administrators, physicians, physician groups, and physician practice management companies.

If any such violation were found, any sanctions imposed could have a material adverse effect upon the results of operations and financial condition of the Members of the Obligated Group. Federal and state governments

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

Because the language in many of these statutes is very broad, the statutes are potentially applicable to many ordinary business arrangements pursuant to which remuneration passes between health care providers and suppliers that are in a position to make referrals to each other. Inova believes that its current arrangements are being conducted consistent with applicable law and is not aware of any pending or contemplated challenge or investigation with respect to any such arrangements that could have a material adverse effect on the Obligated Group. However, there can be no assurance that such challenges or investigations into violations of fraud and abuse laws will not occur in the future, or that existing arrangements will not require restructuring or elimination in order to comply with applicable laws of this nature, particularly if the trend toward greater regulation of relationships between health care providers continues. Fraud and abuse prosecutions can have a materially adverse effect on a provider and on the results of operations and financial condition of other entities in the health care delivery system of which that entity is a part.

The Anti-Kickback Statute. The Anti-Kickback Statute prohibits the knowing and willful offer, solicitation, payment or receipt of remuneration in exchange for or as an inducement to make or influence a referral of a patient for goods or services, or the purchase, lease, order or arrangement for the provision of goods or services, that may be reimbursed under Medicare, Medicaid or other health benefit programs funded by the federal government. The scope of the Anti-Kickback Statute is very broad, and it potentially implicates many practices and arrangements common in the health care industry, including space and equipment leases, personal services contracts (*e.g.* medical director agreements), purchase of physician practices, joint ventures, and relationships with vendors. Penalties for violation of the Anti-Kickback Statute include criminal prosecution and/or civil penalties of up to $100,000 per kickback and damages of up to three times the amount sustained by the government, as well as exclusion from the federal health care programs.

The ACA amended the intent requirement under the Anti-Kickback Statute to provide that a person need not have actual knowledge or the specific intent to commit a violation in order to violate the statute. This change decreases the burden on the federal government to provide that a healthcare provider has violated the Anti-Kickback Statute. Penalties for the failure to grant timely access to HHS were also added by the ACA.

Federal regulations describe certain arrangements that will be exempt from prosecution or other enforcement action under the Anti-Kickback Statute. These regulations, known as "safe harbors," include certain arrangements for personal services, space and equipment leases that meet certain criteria, bona fide employment relationships and donations of certain information technology, among other arrangements set forth in the regulations. Because the safe harbors are narrowly drawn, there can be no assurance that the Members of the Obligated Group will not be found to be in violation of the Anti-Kickback Statute. The ACA significantly increases funding for enforcement efforts under these laws.

Stark Law. Current federal law (the "Stark Law") prohibits a physician who has a financial relationship with an entity that provides certain health services from referring Medicare patients to that entity for the provision of such health services, with limited statutory and regulatory exceptions. Recent cases have interpreted the Stark Law to also apply to prohibited referrals of Medicaid patients. The Stark Law prohibits referrals for clinical laboratory services, physical therapy services, occupational therapy services, outpatient speech-language pathology services, radiology or other diagnostic services, durable medical equipment, radiation therapy services, parenteral and enteral nutrients, equipment and supplies, prosthetics, orthotics and prosthetic devices, home health services, outpatient prescription drugs, and inpatient and outpatient hospital services without meeting a Stark Law exception. The Stark Law also prohibits an entity that receives a prohibited referral from filing a claim or billing for the services arising out of that prohibited referral.

The Stark Law strictly prohibits specific referral arrangements and the accompanying claims for payment from Medicare (and potentially Medicaid) by the provider unless an exception applies. Sanctions for violations of the Stark Law include refunds of the amounts collected for services rendered pursuant to a prohibited referral, civil money penalties of up to $24,253 for each claim arising out of such referral, plus up to three times the

reimbursement claimed, and exclusion from the Medicare and Medicaid programs. The Stark Law also provides for a civil penalty of up to $161,692 for entering into an arrangement with the intent of circumventing its provisions. In addition, a knowing violation of the Stark Law may also serve as the basis for liability under the False Claims Act (see discussion below under the "False Claims Act" section). 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.

In particular, the Stark Law has a significant influence on the structure and operation of hospital systems through its regulation of physician financial relationships. While the Stark Law was intended to provide bright lines on how to structure physician arrangements, the law's complexity and breadth has instead created unclear boundaries. Thus, it is difficult for even the most sophisticated and well-intentioned health care providers to remain completely compliant with the Stark Law. Because the government does not need to prove any intent by a provider to violate the law, a small technical violation of the Stark Law can trigger substantial financial penalties. In the Physician Fee Schedule final rule for calendar year 2016, CMS eased some of the technical burdens associated with Stark Law compliance (*e.g.*, CMS explains in the final rule that a single contract is not necessary and instead a collection of documents will suffice to demonstrate Stark Law compliance), but the practical outcome remains unclear. While Inova's management 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.

CMS has established a voluntary self-disclosure program under which hospitals and other entities may report Stark Law violations and seek a reduction in potential refund obligations. However, the program is relatively new and it is therefore difficult to determine at this time whether it will provide significant monetary relief to hospitals that discover inadvertent Stark Law violations. The Members of the Obligated Group may make self-disclosures under this program as appropriate from time to time.

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

Virginia Medicaid Fraud and Abuse Provisions. Virginia law makes it a felony to solicit or receive remuneration in exchange for making referrals for services paid for by Virginia Medicaid, which resulting felony conviction may also include fines of up to $25,000. Virginia law also makes it a felony to knowingly and willfully make a false statement or falsify or conceal any material fact in connection with a Virginia Medicaid application or payment with the intent to fraudulently secure payment in an amount greater than is due. Violations are punishable by imprisonment of not less than nor more than 20 years and fines up to $25,000. Similarly, Virginia law makes it a felony to charge or collect from a Virginia Medicaid beneficiary an amount in excess of the entitlements established by DMAS, with fines up to $25,000.

Virginia Restrictions on Referrals. Virginia law prohibits practitioners from making certain referrals to entities outside the practitioner's office or group practice if the practitioner or any of the practitioner's immediate family members are investors in such entity, unless the Virginia Board of Health Professionals grants an exception. Virginia law authorizes penalties up to $20,000 per referral bid, or claim, is submitted in violation of this prohibition on referrals.

False Claims Act. The federal False Claims Act ("False Claims Act" or "FCA") makes it illegal to knowingly or willingly submit or present a false, fictitious or fraudulent claim to the federal government. However, because of its broad scope, the statute may be violated by claims that are simply erroneous. Recent legislation has classified the failure to return any overpayment to a federal program as a false claim for purposes of assessing liability under the False Claims Act. This statute is violated if a person acts with actual knowledge, or in deliberate ignorance or reckless disregard of the falsity of the claim. Penalties under the False Claims Act include fines of up to $22,363 per claim, plus treble damages potentially resulting in penalties for ongoing claims submission errors in the

range of millions of dollars. Anyone who knowingly makes a false statement or representation in any claim to the Medicare or Medicaid programs may also be subject to criminal penalties, including fines and imprisonment.

The FCA permits an individual to bring a civil action for a violation of such Act and expressly prohibits providers from terminating or retaliating against such "whistleblowers." These actions are referred to as qui tam actions. In this way, a hospital employee would be able to sue on behalf of the U.S. government if he or she believes that the hospital has committed fraud. If the government intervenes and proceeds with an action brought by this individual, then he or she could receive as much as 25% of any money recovered. Even if the government does not intervene in an action, the employee could still proceed independently and receive up to 30% of any money recovered.

Amendments to the FCA in the Fraud Enhancement and Recovery Act of 2009 ("FERA") and the ACA amend and expand the reach of the FCA. FERA expanded the FCA's reverse false claims provision, imposing liability on any person who "knowingly conceals" or "knowingly and improperly avoids or decreases" an "obligation to pay or transmit money or property to the Government," whether the person uses a false record or statement to do so or not. FERA also clarified that an "obligation" can arise from the retention of an overpayment. Section 6402 of the ACA further addresses the retention of overpayments by defining the term overpayment and the circumstances and timing under which an overpayment need be returned to the government before it becomes an "obligation" under the FCA. FERA and the ACA also amend certain jurisdictional bars to the FCA, effectively narrowing the public disclosure bar and expanding the definition of "original source," thus potentially broadening the field of potential whistleblowers.

While the Members of the Obligated Group make every effort to comply with applicable federal health care program requirements, there can be no assurance that the Members of the Obligated Group will not be subject to an investigation or that a violation will be found. Inova's management is not aware, however, of any pending investigation or of any violation that would result in a material adverse effect upon the results of operations or financial condition of the Obligated Group.

Virginia Prohibition on False Claims. Virginia law prohibits a person from knowingly making claims for money or property to the Commonwealth of Virginia. No specific intent to defraud is required and liability to the Commonwealth of Virginia includes a civil administrative penalty of not less than $5,500 and not more than $11,000, three times the amount of the damages, and reasonable attorney's fees.

Red Flags Rule. On November 9, 2007, six federal agencies, including the Federal Trade Commission ("FTC"), published what has come to be known as the "Red Flags Rule." This rule, promulgated pursuant to the Fair and Accurate Credit Transactions Act of 2003, requires financial institutions and creditors to develop and implement written identity theft prevention programs. The programs must be developed for the identification, detection and response to patterns, practices, or specific activities – known as "red flags" – that could indicate identity theft. The FTC has interpreted the definition of "creditors" to include health care providers. However, The Red Flag Program Clarification Act of 2010, Public Law 111-319, that was signed into law on December 18, 2010, amends the definition of the term "creditor" and may exclude certain service providers, including hospitals, from the requirements of the Red Flags Rule, based on how a service provider uses credit reporting agencies. It is not known whether the Members of the Obligated Group are subject to the Red Flags Rule as amended. Failure to comply with the rule could result in penalties of $2,500 per violation under the Fair Credit Reporting Act. Enforcement of the rule commenced on December 31, 2010.

Federal Privacy Laws. HIPAA added two prohibited practices, the commission of which may lead to civil monetary penalties: (1) the practice or pattern of presenting a claim for an item or service on a reimbursement code that the person knows or should have known will result in greater payment than appropriate, *i.e.*, upcoding, and (2) the practice of submitting claims for payment for medically unnecessary services. Engagement in those prohibited practices could lead to civil monetary penalties ranging from $55,910 to $1.68 million for all identical violations in a calendar year or imprisonment if the information was obtained or used with intent to sell, transfer or use the information for commercial advantage, personal gain or malicious harm. Inova's management is not aware of engagement by any Member of the Obligated Group in practices prohibited by HIPAA that would materially and adversely affect the results of operations or financial condition of the Members of the Obligated Group.

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

HHS promulgated privacy regulations under HIPAA (the "Privacy Rule") that protect the privacy of PHI maintained by health care providers (including hospitals), health plans, and health care clearinghouses (collectively, "Covered Entities") and provides individuals with certain rights regarding their PHI (including, for example, access to PHI, amending PHI, and receiving an accounting of disclosures of PHI). Security regulations also have been promulgated under HIPAA (the "Security Rule"). The Security Rule requires Covered Entities to have certain administrative, technical, and physical safeguards in place to ensure the confidentiality, integrity, and availability of all electronic PHI they create, receive, maintain, or transmit. Additionally, HHS promulgated regulations to standardize the electronic transfer of information pursuant to certain enumerated transactions.

The HITECH Act significantly changed federal privacy and security laws regarding PHI. The HITECH Act (i) extended the reach of HIPAA, certain provisions of the Privacy Rule, and the Security Rule beyond "covered entities," (ii) imposed a breach notification requirement on HIPAA-covered entities and their business associates, (iii) limited certain uses and disclosures of PHI, (iv) increased individuals' rights with respect to PHI, (v) increased enforcement of, and penalties for, violations of the privacy and security of PHI; and (vi) restricted covered entities' marketing communications.

The HITECH Act breach notification requirement created a federal breach notification law that mirrors protections that many states have passed in recent years. The breach notification requirement requires the Members of the Obligated Group to notify patients of any unauthorized access, acquisition, or disclosure of their unsecured protected health information unless it is demonstrated that there is a low probability that the protected health information was not compromised based on a four-factor test. In addition, all breaches must be reported to the Secretary of HHS. In breach cases involving over 500 individuals, local media outlets must be notified and the Secretary of HHS will also notify the public by posting a description of the breach on its website. These reporting obligations increase the risk of government enforcement as well as class action lawsuits, especially if large numbers of individuals are affected by a breach.

As previously discussed, the HITECH Act also established programs under Medicare and Medicaid to provide incentive payments for the "meaningful use" of certified electronic health record ("EHR") technology. Beginning in 2011, the Medicare and Medicaid EHR incentive programs provide incentive payments to eligible professionals and eligible hospitals for demonstrating meaningful use of certified EHR technology. Health care providers demonstrate their meaningful use of EHR technology by meeting objectives specified by CMS for using health information technology and by reporting on specified clinical quality measures. Beginning in 2015, hospitals and physicians who have not satisfied the performance and reporting criteria for demonstrating meaningful use will have their Medicare payments significantly reduced.

In addition, the facilities of the Members of the Obligated Group remain subject to any state laws that relate to the reporting of data breaches that are more restrictive than the regulations issued under HIPAA and the requirements of the HITECH Act.

Inova's management believes that all of the health care facilities and operations of the Members of the Obligated Group are in substantial compliance with HIPAA and the HITECH Act, and the rules promulgated thereunder.

Cybersecurity Risks. Despite the implementation of network security measures by the Members of the Obligated Group, their information technology systems may be vulnerable to breaches, hacker attacks, computer viruses, physical or electronic break-ins and other similar events or issues. The Federal Bureau of Investigation has expressed concern that health care systems are a prime target for such cyber attacks due to the mandatory transition from paper records to EHRs and a higher financial payout for medical records in the black market. Such events or

issues could lead to the inadvertent disclosure of protected health information or other confidential information or could have an adverse effect on the ability of the Members of the Obligated Group to provide health care services.

Patient Transfers. The Emergency Medical Treatment and Active Labor Act ("EMTALA") imposes certain requirements on hospitals prior to transferring a patient to another facility. Failure to comply with EMTALA could result in civil monetary penalties and possible exclusion from the Medicare and Medicaid programs. EMTALA and its implementing regulations are complex, and a hospital's compliance is dependent, in part, upon the volition of medical staff members. EMTALA also requires hospital departments that are located anywhere on the hospital's main campus to comply with EMTALA, even if such departments are not located within the hospital itself. In addition, EMTALA creates a private cause of action for individuals who suffer personal harm as a result of an EMTALA violation, and for any hospital that suffers financial loss as a result of another hospital's violation of EMTALA. Failure of any Member of the Obligated Group to meet its responsibilities under the law could adversely affect the results of operations and financial condition of the Obligated Group.

Generally, EMTALA requires that Medicare participating hospitals provide an "appropriate medical screening" to all patients "who come to the emergency department" to determine if an emergency medical condition exists. If such a condition exists, the hospital must provide the appropriate treatment within its capabilities until the patient's condition is stabilized. This screening and treatment requirement applies with regard to all persons, not limited to Medicare beneficiaries, and notwithstanding ability to pay. A hospital may not delay the provision of medical screening examination in order to inquire about the patient's ability to pay or method of payment.

Over the last few years, the federal government has increased its enforcement of EMTALA. Failure to comply with this law can result in exclusion from the Medicare and Medicaid programs as well as the imposition of civil and criminal penalties. Additionally, a hospital may be held liable to any patient who suffered injuries as a result of a violation of EMTALA and may be liable to the receiving hospital for financial losses suffered as a result of a transfer in violation of EMTALA. Any failure by Inova and its hospitals to meet its responsibilities under this law could materially affect its financial condition, and as a result, the financial condition of Members of the Obligated Group.

Inova's management is not aware of any pending or threatened claim, investigation, or enforcement action regarding patient transfers that, if determined adversely to a Member of the Obligated Group, would have material adverse effect on the results of operations or financial condition of the Obligated Group.

340B Drug Pricing. Hospitals that participate in the prescription drug discount program established under Section 340B of the federal Public Health Service Act (the "340B Program") are able to purchase certain outpatient prescription drugs for their patients at a reduced cost. On August 28, 2015, the federal Health Resources and Services Administration ("HRSA") published proposed omnibus guidance for the 340B Drug Pricing Program (the "Proposed Guidance"). The Proposed Guidance includes proposals to, among other things, (i) narrow the definition of patients who are eligible to receive 340B discounted drugs, (ii) exclude patients receiving infusion services from 340B eligibility if the only health care services received by the patient is infusion services, and (iii) change the definition of "covered outpatient drug" such that outpatient drugs that are part of a bundled payment for Medicaid reimbursement would not qualify for 340B drug discounted pricing. On January 30, 2017, HRSA withdrew its Proposed Guidance. In withdrawing that guidance, HRSA has indicated that the Proposed Guidance will not be adopted as originally proposed.

In the 2018 OPPS final rule, CMS announced that it will reduce payments for separately payable, non-pass-through drugs (excluding vaccines) purchased through the 340B Program from Average Sales Price ("ASP") plus 6 percent to ASP minus 22.5 percent, an effective reduction of 26.89 percent in payments for 340B Program drugs. The American Hospital Association, Association of American Medical Colleges, and America's Essential Hospitals have announced their intention to file a lawsuit challenging the cut in 340B Program drug payments on the grounds that CMS has exceeded its statutory authority in implementing the payment reduction. CMS confirms in the preamble to the final rule that the 340B drug payment reduction will not apply to 340B-acquired drugs in non-excepted off-campus provider-based departments in 2018 but may consider extending the payment reduction to these facilities in calendar year 2019.

Certificates of Need and Other Virginia Regulatory Matters

Certificate of Public Need. To make certain capital expenditures, acquire certain equipment, increase their licensed bed capacity or introduce certain clinical health services, Members of the Obligated Group must obtain a Certificate of Public Need ("COPN"). The Commonwealth of Virginia may enjoin any project that is constructed, undertaken or commenced without a COPN or enjoin the admission of patients to, or the provision of services utilizing, such a project. COPNs may be granted conditionally upon agreement by the recipient to provide certain charity care and other conditions that may vary with each project; these conditions may result in lower net revenues or additional costs to health care providers. Additionally, a civil penalty of $100 per violation per day may be assessed against any person who willfully violates certain regulatory provisions limiting the schedule for completion of any project and maximum capital expenditures.

COPN review is required prior to expansions of licensed bed or operating room inventory, initiation of certain specialty clinical services (such as cardiac catheterization, computed tomographic (CT) scanning, stereotactic radiosurgery, lithotripsy, magnetic resonance imaging, magnetic source imaging, open heart surgery, positron emission tomography (PET), magnetic radiation therapy and proton beam therapy), or equipment, as well as capital expenditures of $15 million or more. The capital expenditure threshold may be adjusted annually to reflect inflation.

The Commonwealth of Virginia's COPN program could be modified or eliminated and changes to the COPN program could have a significant adverse or positive impact on the Obligated Group, depending in part upon their relative impact on other health care providers. Additional regulation could make it more difficult and costly for Members of the Obligated Group to expand their services and facilities. Any additional deregulation could result in the entrance of new competitors, or the expansion of services and facilities by existing or new competitors, in the service area in which the Members of the Obligated Group compete. Such additional competition could affect adversely the ability of the Obligated Group to generate revenues sufficient to pay debt service on the Series 2018A Bonds.

The existence of the COPN program has two distinct implications for providers such as Inova, which could adversely impact the Members of the Obligated Group. First, the program may limit a provider's ability to respond on a timely basis to competitive programs offered by other providers that may not be subject to similar COPN requirements. The time required for approval of a COPN application is sometimes several years. Second, while the existence of the COPN program may limit a provider's ability to expand or add services needed to compete, the program has also, in certain instances, served as a barrier to entry that prevents would-be competitors from entering or expanding operations in a particular field of service.

Quality Improvement Organizations. To participate in the federal Medicare Program, certain Members of the Obligated Group that provide health care services are required to be reviewed by a quality improvement organization ("QIO"). Unlike previous review procedures by other professional standards review organizations, QIO reviews are not permitted to be delegated to hospitals, and certain non-emergency procedures are subject to preadmission review. The QIO may recommend denial of payment and, in certain circumstances, suspend or terminate eligibility for participation in Medicare, if unnecessary, substandard or inappropriate medical care is found to have been provided. In Virginia, the QIO is the Virginia Health Quality Center ("VHQC"). The VHQC is organized as a private corporation and performs its Medicare review activities pursuant to a contract with CMS, which requires VHQC, among other things, to reduce overutilization by Medicare patients and decrease costs. Private employers and other third-party payors, including the Virginia Department of Medical Assistance Services, may also apply to contract with VHQC to screen admissions and review discharges of health benefit plan subscribers in an effort to contain costs. VHQC review may decrease admissions and could result in nonpayment or sanction for some admissions and procedures subsequently disapproved by VHQC. CMS recently extended VHQC's contract. As part of the contract extension and a change in CMS' quality improvement efforts, VHQC will place a stronger emphasis on engaging patients and families in its efforts to reduce hospital admissions through improved care transitions. Therefore, CMS and the QIOs are continuing their efforts to reduce inappropriate payments and reduce the number of hospital readmissions.

Commonwealth Regulation. The Members of the Obligated Group and their operations are subject to regulation and certification by various state and local government agencies and by statutes enacted by the Virginia legislature. No assurances can be given as to the nature or effect on future operations of the Members of the

Obligated Group of actions arising out of existing laws, regulations or standards for certification or licensure, or out of any future changes in such laws, regulations or standards.

Legislation is periodically introduced in the Virginia legislature that could affect hospital revenues, reimbursements and costs and charges, including additional surcharges to patients to whom the Members of the Obligated Group render services. Changes in the governmental regulations concerning the treatment of patients, the referral of patients and services, COPN requirements and regulations, licensure, medical malpractice damage limitations and qualification by nonprofit organizations for tax-exempt treatment under Virginia law all could have a significant effect on the operations, and results of operations and financial condition of the Members of the Obligated Group.

Utilization and Financial Reporting Requirements. Virginia law requires the submission of certain utilization and financial data to Virginia Health Information, Inc. ("VHI"), a nonprofit health data organization. By statute, VHI is required to disseminate health care cost and quality information that is designed to assist businesses and consumers in purchasing health care services. Inova submits the year-end audited financial statements, other requested financial information and patient level data of the Obligated Group as required.

Disposition of Assets by Nonprofit Health Care Entities. Any nonprofit tax-exempt hospital, HMO or health service plan is required by statute to provide the Virginia Attorney General at least sixty days' prior notice of its intent to transfer control of all or substantially all of its assets, so that the Attorney General may exercise common law and statutory authority over such transaction. The potential scope of application of this statute to transactions in which the Members of the Obligated Group might engage is not certain, but Inova's management is not aware of any contemplated transactions that would be subject to the statute or exercise by the Virginia Attorney General of any such common law or statutory authority.

Future Legislation. Future legislation, regulation, or other actions by the Virginia legislature may impose requirements, limitations or costs that could adversely affect the Members of the Obligated Group.

Environmental Laws and Regulations

The health care operations of the Members of the Obligated Group generate medical waste that must be disposed of in compliance with federal, state and local environmental laws, rules and regulations. The operations of the Members of the Obligated Group, as well as the purchases and sales of facilities, also are subject to compliance with various other environmental laws, rules and regulations. Inova's management does not anticipate that compliance with existing environmental laws and regulations will have any material and adverse impact on the operations, results of operations or financial condition of the Obligated Group.

Inova's management is not aware of any pending or threatened claim, investigation or enforcement action regarding environmental issues or any instance of contamination with or discharge or release of hazardous substances that, if determined adversely to a Member of the Obligated Group, would have material adverse effect on the operations, results of operations or financial condition to the Obligated Group.

Antitrust

The Members of the Obligated Group, like other providers of health care services, are subject to antitrust laws. Those laws generally prohibit agreements that restrain trade and anticompetitive practices. The legality of particular conduct under the antitrust laws generally depends on the specific facts and circumstances and often cannot be predicted in advance. Enforcement of antitrust laws against health care providers has become 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. The application of federal and state antitrust laws to health care continues to evolve, but enforcement activities by federal and state agencies appear to be increasing. Violators of antitrust laws could be subject to criminal and civil liability by both federal and state agencies as well as claims for damages by private litigants.

Judicial decisions have permitted physicians who are subject to disciplinary or other adverse actions by a hospital at which they practice, including denial or revocation of medical staff privileges, to seek treble damages from the hospital under the federal antitrust laws. The Federal Health Care Quality Improvement Act of 1986 provides physicians with immunity from liability for discipline by hospitals under certain circumstances, but courts

have differed over the nature and scope of this immunity. In addition, hospitals occasionally indemnify medical staff members who incur costs as defendants in lawsuits involving medical staff privilege decisions. Court decisions have also permitted recovery by competitors claiming harm from a hospital's use of its market power to obtain unfair competitive advantage in expanding into ancillary health care businesses. Antitrust liability in any of these contexts can be substantial, depending upon the facts and circumstances involved.

In 1993, the United States Department of Justice and the Federal Trade Commission issued "Statements of Antitrust Enforcement Policy in the Health Care Area", which have been revised from time to time. The statements describe generally analytical principles that the agencies will apply to certain factual situations and also establish certain "antitrust safety zones." Conduct within the safety zones will not be challenged by the agencies, absent extraordinary circumstances. Many activities frequently engaged in by health care providers fall outside of the zones but are not challenged, and failure to fall within a safety zone does not mean that a participant will be investigated or prosecuted, or that the activity violated the antitrust laws. A new safety zone was established in October 2011 related to the formation of ACOs as discussed earlier. With increasing consolidation in the healthcare industry, federal and state governments have stepped up antitrust enforcement actions, including prospective challenges to proposed affiliations and efforts to unwind them after the integration. Transactions in which Members of the Obligated Group are subject to the antitrust laws and could be subject to federal or state enforcement activities and claims by private parties. Accordingly, because the degree to which these transactions may expose the Members of the Obligated Group to antitrust risk from governmental or private sources is dependent on a myriad of factual matters which may change from time to time, it is impossible to predict with certainty the precise degree of risk.

Physician Relations

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

The existence of sufficient numbers of community-based physicians is important to hospitals and other health care facilities. CMS annually reviews overall physician reimbursement formulas for Medicare and Medicaid. Changes to physician compensation under these programs could lead to physicians ceasing to accept Medicare or Medicaid patients. Regional differences in reimbursement by commercial and governmental payors, along with variations in the costs of living, may cause physicians to avoid locating their practices in communities with low reimbursement or high living costs. Hospitals and health systems may be required to invest additional resources in recruiting and retaining physicians, or may be compelled to affiliate with, and provide support to, physicians in order to continue servicing the growing population base and maintain market share.

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

The success of the Members of the Obligated Group depends, in part, upon the level of physician participation in affiliated physician contracting organizations and its ability to attract physician organizations to participate in their networks, as well as the ability of the physicians, including employed physicians, to perform their obligations and deliver high quality patient care in a cost-effective manner. There can be no assurance that the Members of the Obligated Group will be able to attract and retain the requisite number of physicians, or that such physicians will deliver high quality health care services. Without impaneling a sufficient number and type of physicians and other health care professionals, the Members of the Obligated Group could fail to be competitive and to keep or attract payor contracts, or could be prohibited from operating until its panel provides adequate access to patients. Any such occurrence could have a material adverse effect on the operations, results of operations and financial condition of the Obligated Group.

Labor Relations

Hospitals are large employers with a wide diversity of employees and medical staff. Unionization of hospital employees has increased and many hospitals have collective bargaining agreements with one or more labor organizations. Employees subject to collective bargaining agreements may include essential nursing and technical personnel, as well as food services, maintenance and other trade personnel. Renegotiation of such agreements upon expiration may result in significant cost increases to hospitals. Employee and medical staff strikes or other adverse labor actions may have an adverse impact on operations and reputation, results of operations and financial condition of health care providers. Nonprofit health care providers and their employees are under the jurisdiction of the National Labor Relations Board.

System-Affiliated Health Plans

In June 2012, Inova and Aetna ACO Holdings, Inc. ("Aetna") agreed to establish Innovation Health, a jointly owned health plan in which Inova and Aetna each has a 50% interest. In connection with the establishment of Innovation Health, the System has also developed Signature Partners, a regional provider network intended to improve quality of service and reduce cost. This network consists of the System's health care facilities and services, select community physicians and the System's employed physicians, all supported by Aetna's national network. See **Appendix A** – "**SERVICES OFFERED BY THE SYSTEM** – **Population Health**." Innovation Health is not a Member of the Obligated Group. These transactions were undertaken in response to the development of potential new payment models that shift increasing financial risk to health care providers and are intended to provide the System with additional capabilities that will enhance its ability to manage population health and financial risk and position the System to remain successful in a post-healthcare reform environment.

There are, however, risks associated with acceptance of greater population health and financial risk. The financial performance of a risk-based business depends upon the ability of its management to accurately assess and predict use of covered services, to deliver or cause those services to be delivered cost-effectively, to price those services by collection of dues and premiums at a level consistent with the cost of their provision, and to obtain an adequate return on the investment of revenues pending payment for the costs of services.

Insurance businesses are required by state laws and regulations to maintain minimum capital and reserve requirements. To maintain compliance with those requirements, the Members of the Obligated Group could be requested to transfer funds outside the Obligated Group to Innovation Health. The Members of the Obligated Group do not, however, have any legal obligation to contribute additional capital to it.

Affiliations, Mergers, Acquisitions and Divestitures

Inova's management evaluates regularly and from time to time may pursue potential acquisition, merger and affiliation candidates as part of the overall strategic planning and development process. As part of their ongoing planning and property management functions, Inova's management reviews the use, compatibility and business viability of System operations and may pursue changes in the use of, or disposition of, System facilities. Likewise, the Members of the Obligated Group occasionally receive offers from, or conduct discussions with, third parties about the potential acquisition of operations and properties, the potential sale of some of the operations or property that are currently conducted or owned by Members of the Obligated Group, and affiliations with other health care providers. As a result, it is possible that the current organization and assets of the Members of the Obligated Group may change from time to time.

In addition to relationships with other hospitals and physicians, the Members of the Obligated Group may consider investments, ventures, affiliations, development and acquisition of other health care-related entities. These may include home health care, long-term care entities or operations, infusion providers, pharmaceutical providers, and other health care enterprises that support the overall operations of the Members of the Obligated Group. In addition, the Members of the Obligated Group may pursue transactions with health insurers, HMOs, PPOs, third-party administrators and other health insurance-related businesses. Because of the integration occurring throughout the health care field, Inova's management will consider these arrangements if there is a perceived strategic or operational benefit for the Members of the Obligated Group. Any initiative may involve significant capital commitments or capital or operating risk (including, potentially, insurance risk) in a business in which the Members

of the Obligated Group may have less expertise than in hospital operations. There can be no assurance that these projects, if pursued, will not lead to material adverse consequences to the Members of the Obligated Group.

Interest Rate Swap Risks

Certain Members of the Obligated Group have utilized interest rate swap transactions to manage their capital structure and have entered into a number of such transactions the primary purpose of which was to change the character of certain of bonds issued for their benefit from a variable interest rate to a fixed interest rate. For information regarding outstanding interest rate swaps of the Obligated Group, see Note 11 "Derivative Financial Instruments" of the 2017 Audit incorporated by reference herein and "**MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION**" in **Appendix A**. Those Members' existing swap transactions are referred to herein collectively as the "Swap Transactions."

The Swap Transactions contain certain mandatory and optional termination provisions under which the Members of the Obligated Group that are parties to the Swap Transaction could be obligated to make significant payments to the swap provider. If the swap provider or the Members of the Obligated Group terminate Swap Transactions when they have a negative valuation, the Members of the Obligated Group that are parties to the Swap Transactions may be required to make a termination payment to the swap providers, and such payments could be material.

In the event of nonperformance by a swap provider under a Swap Transaction, the Obligated Group could suffer adverse financial consequences. Under certain circumstances, a Swap Transaction is subject to termination prior to its scheduled termination date and prior to the maturity of the related bonds. In the event of an early termination of a Swap Transaction, there can be no assurance that (i) the Members of the Obligated Group that are parties to the Swap Transaction will receive any termination payment payable to it by the swap provider, (ii) the Members of the Obligated Group that are parties to the Swap Transaction will have sufficient amounts available to pay a termination payment payable by it to the swap provider, or (iii) the Members of the Obligated Group that are parties to the Swap Transaction will be able to obtain a replacement swap agreement with comparable terms. Payment due upon early termination may be substantial.

To the extent of a mismatch between the variable interest rate the swap provider is required to pay the Members of the Obligated Group that are parties to the Swap Transaction under a Swap Transaction and the variable interest rate the Members of the Obligated Group that are parties to the Swap Transaction are required to pay on the related bonds, the Members of the Obligated Group that are parties to the Swap Transaction are exposed to "basis risk" in that the variable interest rate they receive from the swap provider pursuant to the Swap Transaction will not equal the variable interest rate they are required to pay on the related bonds.

The agreement by the swap provider to pay certain amounts to the Members of the Obligated Group that are parties to a Swap Transaction pursuant to the Swap Agreement does not alter or affect the obligation of the Members of the Obligated Group that are parties to the Swap Transaction to pay the principal of and interest and any premium on, any of the related bonds. The swap provider has no obligation to make any payments with respect to the principal of and interest and any premium on the related bonds. Neither the holders of the related bonds nor any other person has any rights under the Swap Transactions or against the swap providers.

Competition among Health Care Providers

Increased competition from a wide variety of sources, including specialty hospitals, other hospitals and health care systems, HMOs, inpatient and outpatient health care facilities, long-term care and skilled nursing services facilities, clinics, physicians and others, may adversely affect the utilization and revenues of hospitals. Existing and potential competitors may not be subject to various restrictions applicable to hospitals, and competition, in the future, may arise from new sources not currently anticipated or prevalent.

Specialty facilities or ventures that attract an important segment of an existing hospital's admitting specialists or services that generate a significant source of revenue may be particularly damaging. For example, some large hospitals may have significant dependence on heart surgery or orthopedic programs, as revenue streams from those programs may cover significant fixed overhead costs. If a significant number of such a hospital's heart surgeons or orthopedists were to develop their own specialty hospital or surgery center (alone or in conjunction with

a growing number of specialty hospital operators and promoters), taking with them their patient base, the hospital could experience a rapid and dramatic decline in net revenues that is not proportionate to the number of patient admissions or patient days lost. It is also possible that the competing specialty hospital, as a for-profit venture, would not accept indigent patients or other payors and government programs, leaving low-pay patient populations in the full-service hospital. In certain cases, such an event could have a material adverse effect on the operations, results of operations and financial condition of the hospital. The ACA prohibits physician-owned hospitals that did not have a provider agreement prior to December 31, 2010 from participating in Medicare. Such hospitals that had a provider agreement prior to December 31, 2010 may continue to participate in Medicare under certain requirements addressing conflict of interest, bona fide investments, and patient safety issues, and are required to comply with certain expansion limitations. There is a limited exception to the growth restrictions for grandfathered physician-owned hospitals that treat the highest percentage of Medicaid patients in their county and are not the sole hospital in a county.

Freestanding ambulatory surgery centers may attract significant commercial outpatient services traditionally performed at hospitals. Commercial outpatient services, currently among the most profitable for hospitals, may be lost to competitors that can provide these services in an alternative, less costly setting. Full-service hospitals rely upon the revenues generated from commercial outpatient services to fund other less profitable services, and the decline of that business may result in reduced income. Competing ambulatory surgery centers, which are often for-profit businesses, may not accept indigent patients or low paying programs and would leave these populations to receive services in the full-service, nonprofit hospital setting. Consequently, hospitals are vulnerable to competition from ambulatory surgery centers.

Additionally, scientific and technological advances, new procedures, drugs and applications, preventive medicine and outpatient health care delivery may reduce utilization and revenues of hospitals in the future or otherwise lead the way to new avenues of competition. In some cases, hospital investment in facilities and equipment for capital-intensive services may be lost as a result of rapid changes in diagnosis, treatment or clinical practice brought about by new technology or new pharmacology. The growth of e-commerce also may result in a shift in the way that health care is delivered, *i.e.* from remote locations. For example, physicians will be able to provide certain services over the internet and pharmaceuticals and other health services may now be purchased on-line. Additionally, other service providers in competition with the System may compete through these same electronic mediums by advertising their services and providing easy registration for competing services over the internet.

Tax Exemption

Tax-Exempt Status of the Members of the Obligated Group. The tax-exempt status of the Series 2018 Bonds presently depends upon maintenance by the Members of the Obligated Group of their status as organizations described in Section 501(c)(3) of the Code. The maintenance by a Member of the Obligated Group of its status as an organization described in Section 501(c)(3) of the Code is contingent upon compliance with general rules promulgated in the Code and related regulations regarding the organization and operation of tax-exempt entities, including their operation for charitable and educational purposes and their avoidance of transactions that may cause their assets to inure to the benefit of private individuals. As described above under the heading, "Charity Care and Community Benefit Reporting" the ACA has expanded the requirements for maintenance of Section 501(c)(3) status by hospitals to include establishment and implementation of charity care policies and procedures and periodic reporting.

Tax-exempt organizations are subject to scrutiny from and face the potential for sanctions and monetary penalties imposed by the IRS. If a tax-exempt entity is engaged in private inurement or impermissible private benefit, the IRS may revoke its tax-exempt status. Although the IRS has not frequently revoked the tax-exempt status of nonprofit hospitals, it could do so in the future. Loss of status under the Code as a 501(c)(3) organization by one or more Members of the Obligated Group could result in loss of the tax exemption of the Series 2018 Bonds and of other tax-exempt debt issued for the benefit of the Members of the Obligated Group, in which event defaults in covenants regarding the Series 2018 Bonds and other related tax-exempt debt would likely be triggered. Such an event would have material adverse consequences on the financial condition of the Members of the Obligated Group. Inova's management is not aware of any transactions or activities that are likely to result in the revocation of the tax-exempt status of any Member of the Obligated Group.

The IRS has announced that it intends to scrutinize transactions between nonprofit corporations and for-profit entities and, in particular, has issued audit guidelines for tax-exempt hospitals. Although specific activities of hospitals, such as medical office building leases and compensation arrangements and other contracts with physicians, have been the subject of interpretations by the IRS in the form of private letter rulings, many activities have not been addressed in any official notice, procedure or ruling by the IRS. Because the Members of the Obligated Group conduct large-scale and diverse operations involving private parties, there can be no assurance that the IRS would not challenge certain of their transactions.

The IRS has taken the position that hospitals that are in violation of the Anti-Kickback Statute may also be subject to revocation of their tax-exempt status. See the information herein under the heading, "**BONDHOLDERS' RISKS – Regulatory Environment –Fraud and Abuse Laws and Regulations**." As a result, tax-exempt hospitals, such as those of the Members of the Obligated Group, that have, and will continue to have, extensive transactions with physicians are subject to an increased degree of scrutiny and potential IRS enforcement activities.

The Taxpayers Bill of Rights 2, to which reference is made for purposes of this Official Statement as the "Intermediate Sanctions Law," allows the IRS to impose "intermediate sanctions" against certain individuals in circumstances involving the violation by tax-exempt organizations of the prohibition against private inurement. Prior to the enactment of the Intermediate Sanctions Law, the only sanction available to the IRS was revocation of an organization's tax-exempt status. Intermediate sanctions may be imposed in situations in which a "disqualified person" (such as an "insider") (i) engages in a transaction with a tax-exempt organization on other than a fair market value basis, (ii) receives unreasonable compensation from a tax-exempt organization or (iii) receives payment in an arrangement that violates the prohibition against private inurement. These transactions are referred to as "excess benefit transactions." A disqualified person who benefits from an excess benefit transaction will be subject to an excise tax equal to 25% of the amount of the excess benefit. Organizational managers who participate in the excess benefit transaction knowing it to be improper are subject to an excise tax equal to 10% of the amount of the excess benefit, subject to a maximum penalty of $20,000. A second penalty, in the amount of 200% of the excess benefit, may be imposed on the disqualified person (but not upon the organizational manager) if the excess benefit is not corrected within a specified period of time. Although these intermediate sanctions focus enforcement on private persons who transact business with a tax-exempt organization rather than the tax-exempt organization itself, these sanctions do not replace the other remedies available to the IRS mentioned above including revocation of tax-exempt status.

In certain cases, the IRS has imposed substantial monetary penalties and future charity care or public benefit obligations on tax-exempt hospitals in lieu of revoking their tax-exempt status, as well as requiring that certain transactions be altered, terminated or avoided in the future or requiring governance or management changes. These penalties and obligations are typically imposed on the tax-exempt hospital pursuant to a "closing agreement" with respect to the hospital's alleged violation of Code Section 501(c)(3) exemption requirements. Given the size of the Members of the Obligated Group, the wide range of complex transactions entered into by the Members of the Obligated Group, and uncertainty regarding how particular tax-exemption requirements may be applied by the IRS, the Members of the Obligated Group are, and will be, at risk for incurring monetary and other liabilities imposed by the IRS through "closing agreements." As with other business and legal risks described herein which apply to large multi-hospital systems, these liabilities could be substantial, in some cases involving millions of dollars, and in extreme cases could have a material adverse effect on the operations, results of operations and financial condition.

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

In recent years, the IRS and state, county and local taxing authorities have been undertaking audits and reviews of the operations of tax-exempt hospitals with respect to their exempt activities and the generation of unrelated business taxable income. The Members of the Obligated Group participate in activities that may generate unrelated business taxable income. Inova's management believes the Members of the Obligated Group have properly accounted for and reported such unrelated business taxable income; nevertheless, an investigation or audit could lead to a challenge which could result in taxes, interest and penalties with respect to unreported unrelated business taxable income and in some cases could ultimately affect the tax-exempt status of a Member of the

Obligated Group as well as the exclusion from gross income for federal income tax purposes of the interest payable on the Series 2018A Bonds and other tax-exempt debt of the Members of the Obligated Group. In addition, legislation, if any, which may be adopted at the federal, state and local levels with respect to unrelated business income cannot be predicted. Any legislation could have the effect of subjecting a portion of the income of a Member of the Obligated Group to federal or state income taxes.

Certain of the Members of the Obligated Group have been, and may in the future be, audited by the IRS. Inova's management believes that the Members of the Obligated Group have complied in all material respects with federal tax laws. Nevertheless, because of the complexity of those tax laws and the existence of issues about which reasonable persons can differ, an audit could result in additional taxes, interest and penalties. An audit also could ultimately affect the tax-exempt status of a Member of the Obligated Group as well as the exclusion from gross income for federal income tax purposes of the interest payable on the Series 2018A Bonds and on other tax-exempt debt of the Members of the Obligated Group.

It is not possible to predict the scope or effect of future legislative or regulatory actions with respect to federal taxation of nonprofit corporations. There can be no assurance that future changes in federal laws and regulations will not have a material adverse effect on the operations, results of operation and financial condition of Members of the Obligated Group by requiring it to pay income taxes or increasing its cost of borrowing by requiring it to borrow on a taxable basis.

State and Local Tax Exemption. Until recently, states have not been as active as the IRS in scrutinizing the operations of nonprofit health care organizations in relation to the state and local tax benefits afforded by their status. The loss by a Member of the Obligated Group of its status as a 501(c)(3) organization under the Code could also trigger a challenge to its charitable, nonprofit status under state law. The loss of that status and the state and local tax benefits afforded by the change in its status could have a material adverse effect on operations, results of operation and financial condition of the Members of the Obligated Group.

In particular, it is not unusual for state and local taxing authorities to review and question whether the operations of tax-exempt health care providers justify tax benefits for which they qualify, including the exemption of their real property from ad valorem property taxes. Issues arise as to the amount of services provided to indigents And rates charged to low-income patients. A substantial portion of the real property of the Members of the Obligated Group is exempt from real property taxation. Although that could change in the future, Inova's management is not aware of any proposed legislative changes to the exemption from property taxes of real property that is currently exempt from real property taxation and that is utilized by other nonprofit organizations in a manner similar to the Obligated Group's use of its property.

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

Tax-Exempt Status of the Series 2018A Bonds. The Code imposes a number of requirements that must be satisfied for interest on state and local obligations, such as the Series 2018A Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and facilities financed with bond proceeds, limitations on the investment earnings of bond proceeds prior to expenditure, a requirement that certain investment earnings on bond proceeds be paid periodically to the United States, and a requirement that the Authority file an information report with the IRS. The Members of the Obligated Group have agreed that they will comply with such requirements. Failure to comply with requirements of the Code and related regulations, rulings and policies could cause interest on the Series 2018A Bonds to be included in the gross income of Holders for federal income tax purposes retroactive to the date of issuance of the Series 2018A Bonds. See also "**TAX MATTERS**."

Congress has considered and is considering revisions to the Code that may limit access of the Authority and organizations such as the Members of the Obligated Group to tax-exempt financing. Loss of that access could increase the Obligated Group's cost of capital financing.

Limitations on Contractual and Other Arrangements Imposed by the Internal Revenue Code. As tax-exempt organizations, the Members of the Obligated Group are limited with respect to their use of practice income guarantees, subsidized rent on medical office space, below market interest rate loans, joint ventures with for profit entities and other means of recruiting and retaining physicians. Uncertainty in this area has been reduced somewhat by the issuance by the IRS of guidelines on permissible physician recruitment practices. The IRS scrutinizes a broad variety of contractual relationships commonly entered into by hospitals and has issued a detailed audit guide suggesting that field agents scrutinize numerous activities of hospitals in an effort to determine whether any action should be taken with respect to limitations on or revocation of their tax-exempt status or assessment of additional tax. Any suspension, limitation, or revocation of the tax-exempt status of a Member of the Obligated Group or assessment of a significant tax liability would have a material adverse effect on the Members of the Obligated Group and could lead to loss of tax exemption of interest on the Series 2018A Bonds.

Bond Compliance

Bond Examinations. IRS officials have recently indicated that more resources will be devoted to audits of tax-exempt bonds in the charitable organization sector, with specific emphasis upon the review of private use of bond-financed property. In addition, the IRS sent several hundred post-issuance compliance questionnaires to nonprofit corporations that had borrowed on a tax-exempt basis. The questionnaire included questions relating to the borrower's (i) record retention, which the IRS has particularly emphasized, (ii) qualified use of bond-financed property, (iii) arbitrage yield restriction and rebate requirements, (iv) debt management policies and (v) voluntary compliance and education. In September 2008, the IRS issued an interim report analyzing the responses from the completed questionnaires. The report indicates that within the nonprofit sector of the municipal finance market there is significant variation in the implementation by nonprofit organizations of post-issuance and record retention procedures for tax-exempt bonds.

Internal Compliance Programs. Inova's management has implemented internal policies and procedures designed to ensure compliance with all applicable laws and regulations concerning the expenditure and investment of bond proceeds, the use of bond-financed property and record retention practices. Notwithstanding these internal procedures, Members of the Obligated Group may from time to time identify arrangements or transactions that may not comply with these laws and regulations. In that event, the policies and procedures contemplate action to correct any noncompliance on a timely basis.

Although Inova's management believes that its expenditure and investment of bond proceeds, use of bond financed property and record retention practices have complied in all material respects with applicable laws and regulations, there can be no assurance that internal compliance reviews, or the issuance of additional IRS surveys will not lead to discovery of noncompliance that could require the taking, if possible, by Members of the Obligated Group of remedial action and that, in the absence of remedial action, could adversely affect the tax-exempt status of the Series 2018A Bonds and their market value and marketability or of other outstanding tax-exempt indebtedness of Members of the Obligated Group. Additionally, the Series 2018A Bonds or other tax-exempt obligations issued for the benefit of Members of the Obligated Group, may be subject to examination from time to time by the IRS.

Inova's management believes that the Series 2018A Bonds and other tax-exempt obligations issued for the benefit of Members of the Obligated Group properly comply with the tax laws. Bond Counsel will render an opinion with respect to the tax-exempt status of the Series 2018A Bonds, as described under the caption "**TAX MATTERS**." See "**Appendix D – FORM OF PROPOSED OPINION OF BOND COUNSEL**" herein. However, opinions of counsel are not binding on the IRS or the courts, and Inova's management has not sought a private letter ruling from the IRS with respect to the Series 2018A Bonds. An IRS examination of the Series 2018A Bonds could adversely affect their market value and marketability regardless of its ultimate outcome.

Technology

The ability to adequately price and bill health care services and to accurately report financial results depends on the integrity of the data stored within information systems. Information systems require an ongoing commitment of significant resources to maintain, protect and enhance them, as well as to develop new systems to keep pace with continuing changes in information processing technology, evolving technological systems and regulatory standards. There can be no assurance that efforts to upgrade and expand information technology system

capabilities, protect and enhance these systems, and develop new systems to keep pace with continuing changes in information processing technology will be successful or that additional systems issues will not arise in the future.

Electronic media are also increasingly being used in clinical operations, including the conversion from paper to electronic medical records, computerization of order entry functions and the implementation of clinical decision-support software. The reliance on information technology for these purposes imposes new burdens on physicians and other workforce members, requiring that they develop new competencies in the use and management of electronic systems. It also introduces risks related to patient safety and to the privacy, accessibility and preservation of health information. See "**Regulatory Environment – Patient Records and Patient Confidentiality.**" Technology malfunctions or failure to understand and use information systems properly could result in the dissemination of or reliance on inaccurate information, as well as in disputes with patients, physicians and other health care professionals. Health information systems may also be subject to different or higher standards or greater regulation than other information technology or the paper-based systems previously used by health care providers, which may increase the cost, complexity and risks of operations. All of these risks may have adverse consequences on hospitals and health care providers.

As with many other health systems, Inova has in recent years implemented new clinical information systems and billing systems, including a system-wide electronic health records system. Implementation of these new systems can affect productivity, billing, and collections under both the new system and legacy systems. There cannot be any assurance that these systems will function as designed. Any such failure could negatively affect the operations, results of operations and financial condition of the Members of the Obligated Group.

Future government regulation and adherence to technological advances could result in an increased need of the Members of the Obligated Group to implement new technology. Implementation of new technology could be costly and may be subject to cost overruns and delays in application, which could negatively affect the operations, results of operations and financial condition of the Members of the Obligated Group.

Scientific and technological advances, new procedures, drugs and appliances, preventive medicine, occupational health and safety and outpatient health care delivery may reduce utilization and revenues generated by Members of the Obligated Group from their facilities. Technological advances in recent years have accelerated the trend toward the use by hospitals of sophisticated and costly equipment and services for diagnosis and treatment. The acquisition and operation of this type of equipment and these types of services may continue to be a significant factor in hospital utilization, but the ability of the Members of the Obligated Group to offer such equipment or services may be subject to the availability of equipment or specialists, governmental approval or the ability to finance such acquisitions or operations.

Covenants Related to Other Series of Bonds

Members of the Obligated Group have entered into agreements with banks (collectively, the "Banks"), in connection with the Bank's direct purchase of outstanding bonds issued for the benefit of Members of the Obligated Group, and the provision by Banks of liquidity or credit support with respect to outstanding bonds issued for the benefit of Members of the Obligated Group, which agreements (collectively, the "Bank Agreements") contain certain covenants and restrictions (collectively, the "Bank Covenants") solely for the benefit of the Banks. The Bank Covenants are in addition to, and in certain cases more restrictive than, the covenants in the Master Indenture. These Bank Covenants may be waived, modified or amended by the related Banks in their sole discretion and without notice to or consent by the bond trustee for any outstanding bonds, the Bond Trustee, the Master Trustee, the holders of outstanding bonds, including the Series 2018A Bonds, the holders of any Obligations or any other Person. Violation of Bank Covenants may result in an event of default under the related Bank Agreement, which may result in an event of default under the Master Indenture, leading potentially to acceleration of all of the Obligations, including the Series 2018A Obligation. The Series 2018A Bonds are not insured by a bond insurance policy, or supported by a credit facility or liquidity facility.

Other Industry and Investment Risks

Market for the Series 2018A Bonds / Bond Ratings. Subject to prevailing market conditions, the Underwriters intend, but are not obligated, to make a market in the Series 2018A Bonds. There cannot be any

assurance that a secondary market for the Series 2018A Bonds will develop. Consequently, investors may not be able to resell the Series 2018A Bonds purchased should they need or wish to do so.

There is no assurance that the ratings assigned to the Series 2018A Bonds will not be lowered or withdrawn at any time, the effect of which could adversely affect the market value for and marketability of the Series 2018A Bonds. See the information under the caption "**RATINGS**."

Balance Sheet Pressure. The balance sheets of hospitals and health systems continue to come under pressure due to exposure to bank facility renewal risk, negative valuation of swap portfolios, and increased capital spending funded with cash reserves. Even with the recovery of the equity markets, health systems continue to face risks related to their debt structures. Additionally, liquidity requirements are likely to remain high relative to levels prior to the credit crisis due to increased capital spending, potential swap collateral requirements and new opportunities for physician employment or practice.

Investments. The Obligated Group has significant holdings in a broad range of investments. Market fluctuations may affect the value of those investments and those fluctuations may be at times material.

Additional Capital Requirements. Hospital operations are capital intensive. Credit market dysfunction and increased regulation of the financial industry, could make it more difficult for the Obligated Group to access the capital markets or to otherwise fund capital expenses through borrowings on favorable terms and conditions. Any such limitation could result in delayed or deferred capital expenditures relating to projects that could be integral to the operations of Members of the Obligated Group.

Hospital Pricing. Inflation in hospital costs may evoke action by legislatures, payors or consumers. Legislative action at the state or national level could be taken with regard to the pricing of health care services.

Exposure to Liquidity Risks. As set forth in the table in **Appendix A** under the heading "**SELECTED FINANCIAL INFORMATION – Liquidity and Capitalization – *Long-Term Debt***," commercial banks have issued standby bond purchase agreements and letters of credit that provide liquidity or credit support for certain variable rate bonds issued for the benefit of Members of the Obligated Group. Such variable bonds are subject to tender for purchase and, if not remarketed, those bonds that are supported by an external bank facility would be purchased through a draw on the related standby bond purchase agreement or letter of credit. Members of the Obligated Group would then be required to repay the related commercial bank for such draw over time (typically pursuant to a more rapid amortization of principal than the scheduled amortization of the publicly held bonds), and the interest rate payable to such commercial bank for such draw would likely be significantly higher than the interest rate for bonds held by the bondholders. The Variable Rate 2018 Bonds are also expected to be subject to tender for purchase, but are not supported by a liquidity facility, meaning Inova will be required to either purchase such bonds upon tender (if they are not remarketed) or refinance them. See "**PLAN OF FINANCE**" herein.

The ratings assigned to any variable rate bonds issued for the benefit of the Obligated Group and supported by an external bank facility are based (in whole or in part) upon the ratings assigned to the related commercial bank. The ratings assigned to any variable rate bonds issued for the benefit of the Obligated Group that are not supported by an external bank facility are based upon the ratings assigned to the Obligated Group. No assurance can be given that the ratings assigned to such variable rate bonds will remain in effect for any given period of time or that they might not be lowered or withdrawn entirely. Any downward change in or withdrawal of any ratings could increase the debt service requirements of the Obligated Group.

As further set forth in the table in **Appendix A** under the heading "**SELECTED FINANCIAL INFORMATION – Liquidity and Capitalization – *Long-Term Debt***," certain commercial banks have directly purchased certain variable rate bonds issued for the benefit of Members of the Obligated Group. Such bonds are subject to tender for purchase by Inova on the dates set forth in that table and if Inova is unable to extend, refund or replace such facilities in the future, it could be required to refinance such bonds at substantially higher interest rates than those assumed for such bonds herein. If it fails to do so, available cash and investments could be reduced to pay the principal of such bonds.

Wage and Hour Class Actions and Litigation. Federal law and many states impose standards related to worker classification, eligibility and payment for overtime, liability for providing rest periods and similar

requirements. Large employers with complex workforces, such as hospitals, are susceptible to actual and alleged violations of these standards. In recent years there has been a proliferation of lawsuits over these "wage and hour" issues, often in the form of large, sometimes multi-state, class actions. For large employers, these class actions can involve multi-million dollar claims and judgments or settlements. A major class action decided or settled adversely to any Member of the Obligated Group could have a material adverse impact on the results of operations and financial condition of the Members of the Obligated Group.

Health Care Worker Classification. Health care providers, like all businesses, are required to withhold income taxes from amounts paid to employees. If the employer fails to withhold the tax, the employer becomes liable for payment of the tax imposed on the employee. On the other hand, businesses are not required to withhold federal taxes from amounts paid to a worker classified as an independent contractor. The IRS has established criteria for determining whether a worker is an employee or an independent contractor for tax purposes. If the IRS were to reclassify a significant number of hospital independent contractors (*e.g.*, physician medical directors) as employees, the amount of back taxes and penalties could be material.

Staffing Shortages. In recent years, the health care industry has suffered a scarcity of nursing and other qualified health care technicians and personnel. A significant factor underlying this trend includes a decrease in the number of persons entering these professions. This trend could force the Members of the Obligated Group to pay higher salaries to nursing and other qualified health care technicians and personnel as competition for these employees increases and, in an extreme situation, could lead to difficulty in keeping the facilities licensed to provide nursing care and thus eligible for reimbursement under Medicare and Medicaid. This trend is expected to intensify in the future, aggravating the general shortage and increasing the likelihood of hospital-specific shortages. Competition for employees, coupled with increased recruiting and retention costs, is likely to increase hospital operating costs, possibly significantly, and growth may be constrained. This trend could have a material adverse impact on the results of operations and the financial condition of health care providers, including the Members of the Obligated Group.

Professional Liability Claims and Liability Insurance. In recent years, the number of professional and general liability suits and the dollar amounts of damage recoveries have increased in the health care sector nationwide, resulting in substantial increases in malpractice insurance premiums, higher deductibles and generally less coverage. Professional liability and other actions alleging wrongful conduct and seeking punitive damages often are filed against health care providers.

Since October 2008, CMS will not reimburse hospitals under the Medicare program for medical costs arising from certain "never events," which include specific preventable medical errors such as performing surgery on the wrong body part. A similar rule has been adopted under the Medicaid program. It is anticipated that HMOs and other private insurers may follow suit. The occurrence of "never events" may be more likely to be publicized and may negatively impact a hospital's reputation, thereby reducing future utilization and potentially increasing the possibility of liability claims.

Litigation may also arise from the corporate and business activities of the Members of the Obligated Group and their affiliates, employee-related matters, medical staff and provider network matters and denials of medical staff and provider network membership and privileges. As with professional liability, many of these risks are covered by insurance, but some are not. For example, some antitrust claims, business disputes and workers' compensation claims are not covered by insurance or other sources and, in whole or in part, may be a liability of a Member of the Obligated Group and its affiliates if determined or settled adversely. Claims for punitive damages may not be covered by insurance under certain state laws. Inova's management believes that the Members of the Obligated Group maintain adequate self-insurance reserves and excess malpractice and general liability insurance; however, no assurance can be given that those reserves and that insurance will be adequate reserves and liability insurance will be available at reasonable cost in the future.

Employees. Hospitals are major employers, combining a complex mix of professional, quasi-professional, technical, clerical, housekeeping, maintenance, dietary and other types of workers in a single operation. The Members of the Obligated Group bear a wide variety of risks in connection with their employees. These risks include strikes and other related work actions, contract disputes, discrimination claims, personal tort actions, work-related injuries, exposure to hazardous materials, interpersonal torts (such as between employees, between physicians or management and employees, or between employees and patients), and other risks that may flow from

the relationships between employer and employee or between physicians, patients and employees. Many of these risks are not covered by insurance, and certain of them cannot be anticipated or prevented. The Members of the Obligated Group are subject to all of the risks listed above, and such risks, alone or in combination, could have a material adverse impact on the results of operations and financial condition of the Members of the Obligated Group.

Labor costs, including salary, benefits and other liabilities associated with the workforce, have significant impacts on hospital operations, results of operations and financial condition. Developments affecting hospitals as major employers include: (1) imposing higher minimum or living wages; (2) enhancing occupational health and safety standards; and (3) penalizing employers of undocumented immigrants. Legislation or regulation on any of the above or related topics could have a material adverse effect on the Members of the Obligated Group and, in turn, their ability to make payments with respect to the Series 2018A Bonds.

Other Class Actions. Hospitals have long been subject to a wide variety of litigation risks, including liability for care outcomes, employer liability, property and premises liability, and peer review litigation with physicians, among others. In recent years, consumer class action litigation has emerged as a potentially significant source of litigation liability for hospitals and health systems. These class action suits have most recently focused on hospital billing and collection practices, and they may be used for a variety of currently unanticipated causes of action. Since the subject matter of class action suits may involve uninsured risks, and since such actions often involve alleged large classes of plaintiffs, they may have material adverse consequences for hospitals and health systems.

County Lease. A portion of the land on which Inova Fairfax Hospital is located and the entirety of the land on which Inova Mount Vernon Hospital is located are owned by the County and that land and the related buildings and equipment thereon are leased to IHCS pursuant to the terms of the County Lease Agreement. Although the County Lease Agreement does not expire until the year 2109, the County has the right to evict IHCS from Inova Fairfax Hospital and Inova Mount Vernon Hospital and terminate the County Lease Agreement if IHCS breaches the County Lease and remains in breach for 180 days following notice of the breach. Upon such termination, the County would be obligated to pay certain of IHCS's capital indebtedness, including the Series 2018A Bonds, to the extent approved by the County, but only to the extent that the proceeds thereof were allocable to the construction, renovation, acquisition or purchase of the facilities, equipment or other medical appliances and systems located at or allocable to Inova Fairfax Hospital and Inova Mount Vernon Hospital, and only to the extent of the revenues, income, receipts, money and proceeds generated by the operation of those hospitals. Moreover, the provisions of the County Lease Agreement do not obligate the County to continue to operate those hospitals. However, if the County were to determine not to operate one or both of such hospitals, the County would be required to sell the leased premises relating to such hospital or hospitals and apply the proceeds of such sale to the payment of the portion of the Series 2018A Bonds and other indebtedness of IHCS approved by the County that is allocable to such hospitals. See "**Appendix A – COUNTY LEASE AGREEMENT**."

Other Risk Factors Generally Affecting Health Care Facilities

In the future, the following factors, among others, may adversely affect the operations of the Members of the Obligated Group or the market value of the Series 2018A Bonds, to an extent that cannot be determined at this time:

(a) Competition from other hospitals and other competitive facilities now or hereafter located in the respective service areas of the facilities operated by the Members of the Obligated Group may adversely affect revenues of the Members of the Obligated Group. Development of alternative health delivery programs and an inability of the Members of the Obligated Group to respond effectively to changes in delivery systems and programs could result in decreased usage of inpatient hospital and other facilities operated by the Members of the Obligated Group.

(b) Regulatory actions that might limit the ability of the Members of the Obligated Group to undertake capital improvements at their respective facilities or to develop new institutional health services.

(c) The occurrences of natural disasters may damage some or all of the facilities, interrupt utility service to some or all of the facilities or otherwise impair the operation of some or all of the facilities operated by the Members of the Obligated Group or the generation of revenues from some or all of such facilities.

(d) Scientific and technological advances, new procedures, drugs and appliances, preventive medicine, occupational health and safety and outpatient health care delivery may reduce utilization and revenues of the facilities. Technological advances in recent years have accelerated the trend toward the use by hospitals of sophisticated and costly equipment and services for diagnosis and treatment. The acquisition and operation of certain equipment or services may continue to be a significant factor in hospital utilization, but the ability of the Members of the Obligated Group to offer such equipment or services may be subject to the availability of equipment or specialists, governmental approval or the ability to finance such acquisitions or operations.

(e) Reduced demand for the services of the Members of the Obligated Group that might result from decreases in population in their respective service areas.

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

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

(h) The occurrence of a large-scale terrorist attack that increases the proportion of patients who are unable to pay fully for the cost of their care and that disrupts the operation of certain health care facilities by resulting in an abnormally high demand for health care services.

(i) Adoption of a so-called "flat tax" federal income tax, a reduction in the marginal rates of federal income taxation or replacement of the federal income tax with another form of taxation, any of which might adversely affect the market value of the Series 2018A Bonds.

(j) Limitations on the availability of, and increased compensation necessary to secure and retain nursing, technical and other professional personnel.

Legal Opinions

The various legal opinions to be delivered concurrently with the delivery of the Series 2018A Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by the valid exercise of the constitutional powers of the Commonwealth of Virginia and the United States of America and other governmental authorities, including police powers exercised for the benefit of the public health and welfare, and by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally, and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

The various legal opinions to be delivered concurrently with the delivery of the Series 2018A Bonds express the professional judgment of the attorneys rendering the opinions on the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, or the transaction opined upon, or the future performance of parties to such transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

LITIGATION

The Authority

There is not now pending or, to the knowledge of the Authority, threatened any litigation restraining or enjoining the issuance or delivery of the Series 2018A Bonds or questioning or affecting the validity of the Series 2018A Bonds or the proceedings or authority under which the Series 2018A Bonds are to be issued. Neither the creation, organization or existence of the Authority nor the title of any of the present directors or officers of the Authority to their respective memberships and offices is being contested. There is no litigation pending or, to the knowledge of the Authority, threatened, that in any manner questions the right of the Authority to enter into the Trust Agreement or Loan Agreement or to secure the Series 2018A Bonds in the manner provided in the Trust Agreement.

The Authority may from time to time be involved in litigation relating to other bonds or obligations of the Authority. Such bonds or obligations are payable from separate and distinct sources of revenues than the Series 2018A Bonds and disclosure of any such litigation is therefore not considered to be a material fact with respect to the Series 2018A Bonds.

Inova and the Other Members of the Obligated Group

Inova's management has advised that there is no litigation or proceedings to its knowledge pending or threatened against the Members of the Obligated Group except litigation or proceedings in which the estimated probable ultimate recoveries and the costs and expenses of defense, in the opinion of Inova's management, (i) will be entirely within applicable commercial insurance policy limits (subject to applicable deductibles) or are not in excess of the total available reserves held under applicable self-insurance programs, or (ii) will not have a material adverse effect on the operations or financial condition of the Obligated Group, taken as a whole. In addition, no litigation or proceedings are pending or, to the knowledge of Inova's management, threatened against any Member of the Obligated Group restraining or enjoining the issuance of the Series 2018A Bonds or in any way contesting or questioning the validity of the Series 2018A Bonds or the right of any Member of the Obligated Group to enter into the transactions described herein.

The Members of the Obligated Group, like most health care providers given the nature of their business and the regulatory environment in which they operate, have exposure to potential legal actions that may not be covered, in whole or in part, by insurance or self-insurance, because of the type of action or damages requested (*e.g.*, punitive damages). No such actions have commenced that are expected to have a material adverse effect on the operations or financial condition of the Obligated Group, taken as a whole, nor has there been any credible threat of such an action, but no assurance can be given that such an action will not arise, or that if such action were to arise, it would be covered by insurance.

APPROVAL OF LEGALITY

The Series 2018A 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 Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel. Certain legal matters will be passed upon for the Authority by Elizabeth Teare, Esq., County Attorney for Fairfax County, Virginia; for the Obligated Group by its counsel, Polsinelli PC, Chicago, Illinois; and for the Underwriters by their counsel, Norton Rose Fulbright US LLP, Dallas, Texas.

LIMITED OBLIGATIONS

The Series 2018A Bonds are limited obligations of the Authority, payable solely from payments made pursuant to the Loan Agreement and the Series 2018A Obligation and from amounts on deposit in certain funds and accounts established under the Trust Agreement. Neither the credit nor the taxing power of the Commonwealth of Virginia, Fairfax County, Virginia, or any political subdivision of the Commonwealth of Virginia is pledged for the payment of the Series 2018A Bonds, nor shall the Series 2018A Bonds be or be deemed an obligation of the Commonwealth of Virginia, Fairfax County, Virginia, or of any political subdivision, agency or instrumentality thereof other than the Authority. Except as stated above, the Authority shall not be liable on its obligations in respect to the Series 2018A Bonds, nor are the members, officers or employees of the Authority liable on such obligations. The Authority has no taxing power.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Authority, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2018A Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Series 2018A Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed for taxable years beginning prior to January 1, 2018. See "**Appendix D – FORM OF PROPOSED OPINION OF BOND COUNSEL**" herein.

In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority, Inova and others in connection with the Series 2018A Bonds, and Bond Counsel has assumed compliance by the Authority and Inova with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2018A Bonds from gross income under Section 103 of the Code. In addition, in rendering its opinion, Bond Counsel has relied on the opinion of counsel to Inova regarding, among other matters, the current qualification of Inova and the affiliates of Inova that are Project users as organizations described in Section 501(c)(3) of the Code.

In addition, in the opinion of Bond Counsel to the Authority, under existing statutes, the interest on the Series 2018A Bonds, including any profit made on the sale thereof, is exempt from taxation imposed by the Commonwealth of Virginia or any political subdivision thereof.

Bond Counsel expresses no opinion as to any other federal, state or local tax consequences arising with respect to the Series 2018 Bonds, or the ownership or disposition thereof, except as stated above. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action thereafter taken or not taken, any fact or circumstance that may thereafter come to its attention, any change in law or interpretation thereof that may thereafter occur, or for any other reason. Bond Counsel expresses no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Series 2018 Bonds.

The Series 2018A Bonds, together with the Series 2018B Bonds and the Series 2018C Bonds (collectively, the "Related Bonds"), are expected to constitute a single issue for federal income tax purposes. As such, the Authority and Inova are subject to the same ongoing federal tax requirements with respect to both the Series 2018A Bonds and the Related Bonds. Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority and Inova in connection with the Related Bonds, and Bond Counsel has assumed compliance by the Authority and Inova with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Related Bonds from gross income under Section 103 of the Code. Failure to comply with such requirements with respect to the Series 2018A Bonds and the Related Bonds could cause interest on all such bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of such bonds.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Series 2018A Bonds in order that interest on the Series 2018A Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Series 2018A Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Series 2018A Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Authority and Inova have covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Series 2018A Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Series 2018A Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Series 2018A Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Series 2018A Bonds.

Prospective owners of the Series 2018A Bonds should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including

S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the Series 2018A Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Bond Premium

In general, if an owner acquires a bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that bond (a "Premium Bond"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond, determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Information Reporting and Backup Withholding

Information reporting requirements will apply to interest paid on tax-exempt obligations, including the Series 2018A Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification", or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding", which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Series 2018A Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Series 2018A Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Series 2018A Bonds under federal or state law or otherwise prevent beneficial owners of the Series 2018A Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future or enacted) and such decisions could affect the market price or marketability of the Series 2018A Bonds.

Prospective purchasers of the Series 2018A Bonds should consult their own tax advisors regarding the foregoing matters.

UNDERWRITING

Morgan Stanley & Co. LLC, as Representative (the "Representative"), on behalf of itself and J.P. Morgan Securities LLC ("JPMS" and together with the Representative, the "Underwriters"), have agreed pursuant to a Contract of Purchase with the Authority to purchase all of the Series 2018A Bonds, if any of the Series 2018A Bonds are purchased. The Underwriters have agreed to purchase the Series 2018A Bonds at a purchase price equal to $218,953,576.90, representing the principal amount thereof plus an original issue premium of $12,093,576.90. The underwriting compensation is $1,058,281.21, which will be paid from funds provided by Inova. In accordance with the Contract of Purchase, Inova has delivered a Letter of Representations to the Underwriters containing Inova's agreement to indemnify the Underwriters against losses, claims, damages and liabilities to third parties arising out of any material inaccuracy of certain statements in or material omissions of certain information from this Official Statement.

The Representative has entered into a retail distribution arrangement with its affiliate, Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, the Representative may distribute municipal securities to retail investors through the financial network of Morgan Stanley Smith Barney LLC. As part of this arrangement, the Representative may compensate Morgan Stanley Smith Barney LLC for its underwriting efforts with respect to the Series 2018A Bonds.

JPMS has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings, including the Series 2018A Bonds, at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase Series 2018A Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2018A Bonds that such firm sells.

The Underwriters and their affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. The Underwriters and their affiliates have provided, and may in the future provide, a variety of these services to the Obligated Group and to persons and entities with relationships with the Obligated Group, for which they received or will receive customary fees and expenses

In the ordinary course of their various business activities, the Underwriters and their affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the Obligated Group (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the Obligated Group. The Underwriters and their affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

RELATIONSHIPS AMONG PARTIES

Morgan Stanley & Co. LLC acts as remarketing agent for certain bonds issued on behalf of Inova, including, when and if issued, the Variable Rate 2018 Bonds. JPMS acts as a dealer for Inova's taxable commercial paper program.

FINANCIAL ADVISOR

Ponder & Co. has served as financial advisor to Inova for purposes of assisting with the development and implementation of a bond structure in connection with the issuance of the Series 2018A Bonds. Ponder & Co. is not obligated to undertake, and has not undertaken, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. Ponder & Co. is an independent advisory firm and is not engaged in the business of underwriting or distributing municipal securities or other public securities.

FINANCIAL STATEMENTS

The consolidated financial statements of the System for the years ended December 31, 2017 and 2016 (the "2017 Audit"), appearing in a filing made with the Municipal Securities Rulemaking Board on its Electronic Municipal Market Access ("EMMA") website were audited by Ernst & Young LLP, as stated in their report also appearing in the filing. The 2017 Audit filed on EMMA, available for inspection on the following page of EMMA, is incorporated herein by reference: Audited Consolidated Financial Statements and Other Supplementary Information Relating to the IHS Obligated Group, Fiscal Year Ended December 31, 2017, with Report of Independent Auditors, filed, March 26, 2018, https://emma.msrb.org/ES1125400-ES880333-ES1281621.pdf. Not all controlled affiliates of Inova are Members of the Obligated Group. The current Members of the Obligated Group represented at least 88.4% of total operating revenues and 88.8% of total operating expenses of the System for the quarter ended March 31, 2018 and the fiscal year ended December 31, 2017, and at least 98.0% of total assets and 99.2% of the unrestricted net assets of the System as of March 31, 2018. The balance of total operating revenues of the System was generated by non-hospital operations. See **Appendix A – "SELECTED FINANCIAL INFORMATION**" and "**MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION**" and the other financial information relating to the System in the 2017 Audit and the Obligated Group included in the 2017 Audit.

RATINGS

Moody's Investors Service, Inc. and Standard & Poor's Ratings Services have assigned ratings of "Aa2" and "AA+," respectively, to the Series 2018A Bonds. Any explanation of the significance of such ratings should be obtained from the rating agency assigning the same. Certain information and materials not included in this Official Statement were furnished to such rating agencies by the Obligated Group. Generally, rating agencies base their ratings on the information and materials so furnished and on investigations, studies and assumptions made by the rating agencies. There is no assurance that a particular rating will be maintained for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the rating agency assigning the rating, circumstances so warrant. The Underwriters have undertaken no responsibility either to bring to the attention of Holders of the Series 2018A Bonds or any Member of the Obligated Group any proposed revision or withdrawal of the ratings of the Series 2018A Bonds or to oppose any such proposed revision or withdrawal. Any such change in or withdrawal of such ratings could have an adverse effect on the market price or marketability of the Series 2018A Bonds.

LEGALITY FOR INVESTMENT

The Act provides that bonds issued pursuant thereto are legal investments for all banks, savings banks, trust companies, building and loan associations, insurance companies, fiduciaries, trustees and guardians and for all public funds of the Commonwealth of Virginia or other political corporations and subdivisions of the Commonwealth of Virginia. The Series 2018A Bonds are eligible to secure the deposit of any and all public funds of the Commonwealth of Virginia and all public funds of cities, towns, counties, school districts or other political corporations or subdivisions of the Commonwealth of Virginia, and the Series 2018A Bonds are lawful and sufficient security for said deposits. No representation is made as to the eligibility of the Series 2018A Bonds for investment or any other purpose under any law of any other state.

CONTINUING DISCLOSURE

No financial or operating data concerning the Authority is material to any decision to purchase, hold or sell the Series 2018A Bonds, and the Authority will not provide any such information. Inova has undertaken all responsibility for any continuing disclosure to owners of the Series 2018A Bonds as described below, and the Authority shall not have any liability to the owners or any other person with respect to such disclosures.

Pursuant to the Disclosure Agreement, Inova has undertaken to provide disclosure of financial and operating data with respect to the Obligated Group on both a quarterly and an annual basis, including the financial statements as provided in the Disclosure Agreement for the Obligated Group or the System, and notice of the occurrence of certain events on an ongoing basis, for the benefit of the Holders of the Series 2018A Bonds; provided, however, that Inova is not required to provide quarterly reports for any fiscal quarter coinciding with the Obligated Group's fiscal year end. The proposed form of the Disclosure Agreement is set forth in **Appendix B** to

this Official Statement. The Disclosure Agreement may be amended or modified without Holder consent under certain circumstances set forth therein. Copies of the Disclosure Agreement executed by the parties thereto will be on file at the Designated Corporate Trust Office of the Bond Trustee in Richmond, Virginia.

MISCELLANEOUS

The references herein to the Master Indenture, the Trust Agreement, the Loan Agreement, the Series 2018A Bonds and the Series 2018A Obligation are brief summaries of certain provisions thereof. Such summaries do not purport to be complete, and reference is made to such instruments, documents and other materials, copies of which will be on file at the Designated Corporate Trust Office of the Bond Trustee in Richmond, Virginia, for full and complete statements of such provisions.

The Authority and Inova have each duly authorized the execution and delivery of this Official Statement.

INDUSTRIAL DEVELOPMENT AUTHORITY OF FAIRFAX COUNTY, VIRGINIA

By: /s/ Leigh Anne Arnold
Chairperson

INOVA HEALTH SYSTEM FOUNDATION

By: /s/ Richard C. Magenheimer
Chief Financial Officer

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APPENDIX A

INOVA HEALTH SYSTEM

The information set forth in this Appendix A has been provided, unless otherwise expressly indicated, by Inova Health System

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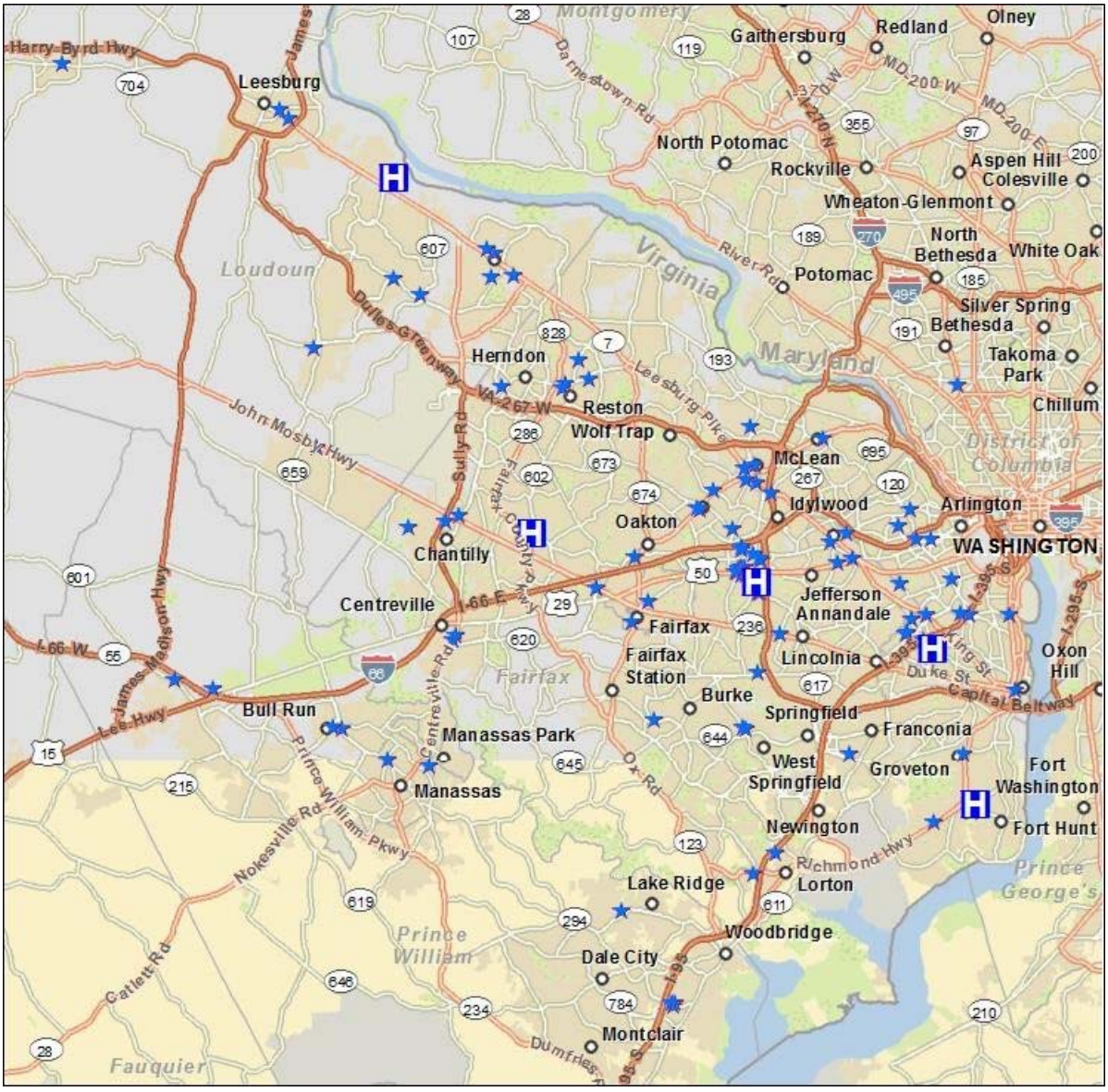
Inova Health System Facility Locations



Inova Health System has five hospitals and over 100 outpatient clinical locations across the region including:

- 6 Freestanding Emergency Departments
- 10 Urgent Care Centers
- 17 Imaging Locations
- 5 Ambulatory Surgery Centers
- 13 Physical Therapy Centers
- 25 Primary Care Locations
- Over 50 Specialty Physician Locations

INOVA HEALTH SYSTEM

This Appendix to the Official Statement presents information concerning Inova Health System (the "**System**"), an integrated, not-for-profit health care delivery system that owns, operates and manages clinical, educational, research and hospital facilities located in Northern Virginia, and serves Northern Virginia, the Washington, D.C. metropolitan area and contiguous counties in Virginia and Maryland.

The System consists of Inova Health System Foundation (the "**System Parent**") and its controlled affiliated entities and subsidiaries (the "**System Affiliates**"), certain of which are identified in the organizational chart below. The System Parent, together with Inova Health Care Services ("**IHCS**") and Loudoun Hospital Center ("**Loudoun Hospital Corporation**"), form a combined financing group (the "**Obligated Group**") under the Master Indenture to which reference is made in the front part of this Official Statement.

Obligated Group Members are the only System entities liable for payment of the Series 2018 Bonds and the Obligations issued under the Master Indenture related thereto to which reference is made in the front part of this Official Statement. The Obligated Group accounted for at least (i) 88.4% of total operating revenues and 88.8% of total operating expenses of the System for the quarter ended March 31, 2018 and the fiscal year ended December 31, 2017, and (ii) 98.0% of the total assets and 99.2% of the unrestricted net assets of the System as of March 31, 2018. System Affiliates that are not Members of the Obligated Group are discussed in this Appendix only to the extent they are viewed by System management to be of particular operational or strategic importance.

The composition of the Obligated Group may change from time to time as a consequence of mergers and consolidations affecting a Member, or the addition of an entity as a Member to, or the withdrawal of an entity as a Member from, the Obligated Group, subject to the conditions and limitations provided by the Master Indenture. See "Appendix D – Certain Provisions of the Master Indenture – Permitted Reorganizations" and "– Admission and Withdrawal from Obligated Group; Designated Affiliates; General Covenants of Credit Group."

This Appendix includes "forward looking statements"; please see the Cautionary Statement concerning such statements in the front part of this Official Statement.

System Mission and Strategic Focus

The System's stated mission is to improve the health of the diverse community it serves through excellence in patient care, education and research. It seeks to fulfill this mission by emphasizing the following areas of strategic focus:

- *Core Business Performance* – maintain strength by providing the highest levels of quality care and service delivery at an affordable cost;
- *Growth* – achieve selectivity by further development of geographic markets, subspecialty clinical services, physician relationships and strategic partnerships;
- *Payment Models* – establish additional clinical capabilities and strategic partnerships and continue to enhance technological infrastructure to manage efficiently, and accept risk associated with, the health of patient populations as health care reform proceeds; and
- *Financial Stewardship* – maintain "best-in-class" financial performance to ensure operational flexibility and availability of options to address uncertainty and future challenges.

The System's leadership emphasizes these areas of strategic focus as it strives to position the System as the highest value health care provider in the health care markets it serves.

System Overview

The System provides a comprehensive array of clinical, rehabilitative, surgical and assisted living and nursing services at multiple access points across Northern Virginia, with a primary service area consisting of Fairfax, Loudoun, Prince William and Arlington counties in Northern Virginia.

The principal System facilities, each of which is owned and operated by a Member of the Obligated Group, are the following five full-service hospital campuses (collectively, the "**System Hospitals**"):

- Inova Fairfax Hospital located in Falls Church, Virginia ("**Fairfax Hospital**");
- Inova Fair Oaks Hospital located in Fairfax, Virginia ("**Fair Oaks Hospital**");
- Inova Mount Vernon Hospital located in Alexandria, Virginia ("**Mount Vernon Hospital**");
- Inova Alexandria Hospital located in the City of Alexandria, Virginia ("**Alexandria Hospital**"); and
- Inova Loudoun Hospital located in Leesburg, Virginia ("**Loudoun Hospital**").

As of December 31, 2017, the System Hospitals had a total of 1,798 beds licensed in accordance with the Certificate of Public Need ("**COPN**") Program administered by the Virginia Department of Health. The System Hospitals have received numerous professional awards for the health care services they provide. See "SERVICES OFFERED BY THE SYSTEM" and "ACCREDITATIONS AND PROFESSIONAL RECOGNITION." The System also owns and operates numerous, separate outpatient facilities located throughout Northern Virginia, including clinical, emergency department and rehabilitative service facilities, as well as assisted living and nursing facilities, including the Loudoun Nursing and Rehabilitation Center ("**LNRC**").

As of March 31, 2018, the System had approximately 14,200 full-time equivalent employees, of whom approximately 13,400 were employed by Members of the Obligated Group.

The Obligated Group

The following is a discussion of the Members of the Obligated Group:

The System Parent. The System Parent (formerly known as Fairfax Hospital Association Foundation) was incorporated in 1977. Its Board of Trustees controls the System through reserved powers contained in the organizational instruments of System Affiliates. The System Parent performs various functions for the System including: (1) formulation of policy regarding the System's overall strategic direction and mission; (2) performance of strategic and fiscal planning; (3) oversight of overall operations; (4) determination of the need for, and obtaining, financing; (5) coordination of fund-raising activities; (6) determination of the need for and direction of asset transfers among members of the System; and (7) approval of major personnel actions such as the appointment of the respective chief executive officers of System Affiliates.

Inova Health Care Services. IHCS (formerly known as Fairfax Hospital Association) was incorporated in 1956 by Fairfax County community representatives. Its initial purpose was to build Fairfax Hospital, an acute care hospital facility in Fairfax County with 251 licensed beds to serve the health care needs of Northern Virginia's growing population. As of December 31, 2017, Fairfax Hospital had 894 licensed hospital beds. In response to population growth throughout Fairfax County, IHCS also completed the construction and opening of (1) Mount Vernon Hospital in Alexandria, Virginia in 1976, which had 237 licensed hospital beds as of December 31, 2017 and serves the southeastern portion of Fairfax County, and (2) Fair Oaks Hospital in Fairfax, Virginia in 1987, which had 182 licensed hospital beds as of December 31, 2017 and serves western Fairfax County. In addition, IHCS owns and operates Alexandria Hospital, which is located in the City of Alexandria, Virginia and had 318 licensed hospital beds as of December 31, 2017. It was originally established in 1872 and joined the Obligated Group in 2002. The System Parent is the sole member of IHCS.

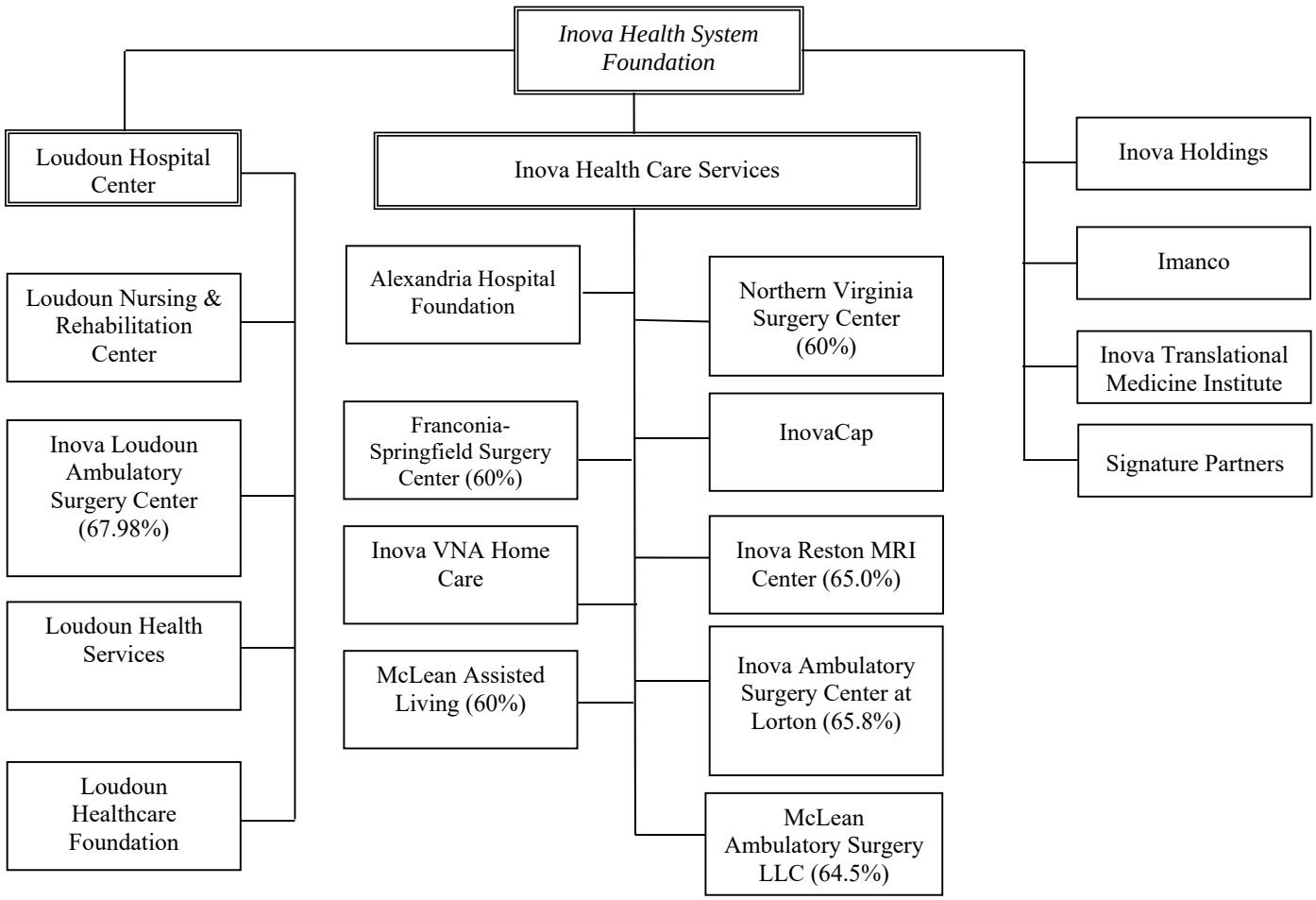
IHCS also provides non-acute care services throughout Northern Virginia and the Washington, D.C. metropolitan area, such as urgent care, behavioral health, addiction treatment, rehabilitation and assisted living services, as well as assisted living services at the Fair Oaks Hospital and Mount Vernon Hospital campuses.

Loudoun Hospital Center. Loudoun Hospital Corporation owns and operates Loudoun Hospital located in Loudoun County, east of the City of Leesburg, Virginia, which had 167 licensed hospital beds as of December 31, 2017. Loudoun Hospital was originally established in 1912 and joined the obligated group in 2005. The System Parent is the sole member of Loudoun Hospital Corporation.

Non-Obligated Group System Affiliates

The System Parent owns direct or indirect interests in various separately incorporated entities, joint ventures and partnerships that are System Affiliates and provide, or support the delivery of, health care services by the System, but which are not Members of the Obligated Group and do not have any liability with respect to the Series 2018 Bonds or the Series 2018 Obligations. The System Affiliates that are not Members of the Obligated Group accounted for no more than (i) 11.6% of total operating revenues or 11.2% of total operating expenses of the System for each of the quarter ended March 31, 2018 and the fiscal year ended December 31, 2017, and (ii) 2.0% of the total assets or 0.8% of the unrestricted net assets of the System as of March 31, 2018.

Inova Health System



IHCS Operating Units

- Alexandria Hospital
- Fairfax Hospital
- Fair Oaks Hospital
- Mount Vernon Hospital
- Assisted Living
- Behavioral Services
- Inova Employee Assistance
- Inova Physical Rehabilitation Services
- Inova Research Center

Member of the Obligated Group

Affiliate – not a Member of Obligated Group (percentage interest indicated if not 100%)

Chart excludes nonconsolidated entities.

SERVICES OFFERED BY THE SYSTEM

The System offers a comprehensive array of health care services, including inpatient adult medical/surgical, critical care, obstetric, pediatric, psychiatric and rehabilitation care, emergency services, outpatient surgical and other procedures, diagnostic imaging and laboratory services, outpatient rehabilitation, home health, and nursing home care, and a wide range of specialty outpatient services such as diabetes, HIV, occupational health, executive health, and extensive community education programs. Each System Hospital offers special clinical programs, although Fairfax Hospital houses a majority of the advanced clinical specialty programs offered by the System.

The following is a profile of the major specialty health care and other services offered by the System:

Clinical and Hospital Services

Heart and Vascular. Inova Heart and Vascular Institute ("**IHVI**") provides cardiovascular care throughout Northern Virginia for all types of cardiovascular cases. IHVI was established in 2004 as the first dedicated heart hospital in Northern Virginia. It is anchored by a 204-bed unit dedicated to cardiovascular care at Fairfax Hospital and is led by a full-time administrator. IHVI brings together a multi-disciplinary team of adult and pediatric specialists to promote appropriate utilization and practice consistency in the provision of high quality cardiovascular care.

Since 2004, the Joint Commission has awarded IHVI its Gold Seal of Approval™ for the care of patients with Left Ventricular Assist Devices. Additional awards that IHVI has achieved over the years include a three-star designation by the Society of Thoracic Surgeons for the quality of coronary artery bypass surgery (2007), Gold Plus quality achievement award by the American Heart Association for the care of STEMI patients (2017), and the Platinum Performance Achievement Award from the National Cardiovascular Data Registry (2015-2017).

Cancer. Inova Cancer Services ("**ICS**") operates full-service cancer centers at Fairfax Hospital, Alexandria Hospital, Fair Oaks Hospital and Loudoun Hospital. Fairfax Hospital is designated by the American College of Surgeons Commission on Cancer as a Teaching Hospital Cancer Program, and Alexandria Hospital has a Community Hospital Comprehensive Cancer Program designation. Other System Hospitals meet the American College of Surgeons Community Hospital Cancer Program standards. As further described below, the System acquired a leasehold interest in property across from Fairfax Hospital in 2015 and has begun to develop the Inova Dwight and Martha Schar Cancer Institute for advanced cancer care and research at the Inova Center for Personalized Health. See "**Inova Center for Personalized Health**" below.

The System maintains several programs dedicated to different types of cancer, cancer care and cancer risk assessment, including the Inova Breast Care Institute, the Cancer Genetic Counseling Program (hereditary conditions), the Center for Advanced Endoscopy (digestive tract), the Center for Interventional Oncology (liver, bile duct and pancreas), the Transplant Center's stem cell and bone marrow transplantation services (lymphoma, leukemia or multiple myeloma), the Thoracic Oncology Program (lung and esophageal cancer), and Life with Cancer (support and education to cancer patients).

Women's Health. In 2017, there were 19,471 deliveries across the System, which involved approximately 200 affiliated OB/GYN specialists. The Inova Women's Hospital at Fairfax Hospital performed over 10,000 deliveries during 2017. Inova Women's Hospital has a dedicated high-risk pregnancy unit and professional staff specializing in the treatment of women with pre-existing conditions and those carrying multiple fetuses. Available resources and services include prenatal genetic testing, the only Level IV NICU in Northern Virginia, high risk pregnancy testing at the James G. Sites Antenatal Testing Center, and expert diagnosis and care at the Center for Coordinated Fetal Care, for women at risk or suspected of carrying a fetus with a congenital heart defect or other abnormalities.

Alexandria Hospital offers a broad range of obstetric and gynecologic services in a community hospital setting designed to offer maternity care close to home. Alexandria Hospital has a 16-bed, level III NICU, which is staffed by neonatologists, specialized nurses, respiratory therapists, physical therapists and nutritionists.

The Women's Center at Fair Oaks Hospital and Loudoun Hospital's Birthing Inn each provide a wide range of obstetrical and gynecological services in a community hospital setting while offering family-centered care. Fair Oaks Hospital and Loudoun Hospital each has a Level IIIA NICU.

Pediatrics. The Inova Children's Hospital at Fairfax Hospital ("**ICH**") is the only pediatric tertiary care center in Northern Virginia. It offers over 35 pediatric medical specialties and more than 400 general pediatricians and pediatric subspecialists. ICH has the region's only pediatric intensive care unit, pediatric oncology program, and Level IV NICU. The Children's Heart Program at ICH performs more than 200 cardiac surgeries each year.

Loudoun Hospital has a dedicated pediatric emergency department and a 14-bed pediatric unit. Inpatient pediatric services are also available at Alexandria Hospital and Fair Oaks Hospital.

Inova Pediatric Specialty Centers are also located in Fairfax and Loudoun counties. These centers provide specialized pediatric care in digestive diseases, oncology, cardiology, infectious diseases, nephrology, neurology and psychiatry.

Trauma and Emergency Services. The Inova Trauma Center at Fairfax Hospital (the "**Trauma Center**") is the only Level I Trauma Center in Northern Virginia. The Trauma Center has been designated as a Level I trauma center by the Commonwealth of Virginia since 1981 and has been verified as Level I trauma center by the American College of Surgeons since 1993. The emergency department at Fairfax Hospital served over 150,000 patients in 2017 and was the entry point for over 2,300 severely injured trauma patients. The Trauma Center's service area includes Fairfax, Falls Church, Arlington, Alexandria, Prince William, Loudoun, Stafford, Culpeper and Fauquier counties. Fairfax Hospital also has a dedicated trauma ICU with 18 beds.

In 2017, Loudoun Hospital received Level III trauma designation from the Virginia Department of Health. This is the first trauma center in Loudoun County.

Alexandria Hospital, Fair Oaks Hospital, and Mount Vernon Hospital each operate a 24-hour emergency department providing a full-range of emergency and urgent care services.

Critical Care Services. As of December 31, 2017, the System had 233 licensed critical care beds placed on a variety of units including, among others, medical/surgical, cardiac, cardiac surgery, neurosciences, trauma, and pediatrics. In 2004, the System became the first health care provider in the Washington, D.C. metropolitan area to introduce the high-tech virtual eICU patient monitoring system through which digital cameras, microphones and special software link patients in critical care units inside the System to a dedicated critical care team. The System's eICU team conducts virtual rounds and leverages the expertise of intensivists and critical care nurses to provide assessments and critical care interventions. The eICU is currently monitoring approximately 70 beds throughout the System.

Neurosciences. The System provides comprehensive neuroscience services for adults and children. All System Hospitals have been designated by The Joint Commission as Advanced Primary Stroke Centers and have dedicated inpatient stroke units. All System Hospitals have been awarded Gold Plus by the American Heart Association and American Stroke Association in their collaborative Get with the Guidelines – Stroke performance improvement program.

In 2016, Fairfax Hospital cared for more stroke patients than any other hospital in the combined region of Virginia, Maryland, and Washington, D.C., according to the Intellimed VA-MD-DC Patient-Level Database. Mount Vernon Hospital maintains a neuroscience rehabilitation program that is accredited by the Commission on Accreditation of Rehabilitation Facilities ("**CARF**") and focuses on stroke and traumatic brain injury.

Each System Hospital provides treatment for other neuroscience diseases and disorders, including memory disorders such as dementia and Alzheimer's disease, Multiple Sclerosis, Parkinson's disease, concussion and others. The System partners with the American Heart Association to provide "Operation Stroke" and has provided community outreach and education and pursued related internal performance improvement initiatives for over a decade.

Spine. The Inova Spine Institute (the "**Spine Institute**") offers a wide range of treatment alternatives, from physical therapy and rehabilitation to pain management. For patients who require surgery, the Spine Institute offers a surgical program. Each surgeon in the program specializes in the unique aspects of spinal surgery. Spine specialists are available at each System Hospital campus, and over 2,400 spine surgery patients were treated at System facilities in 2017.

Orthopedics. All System Hospitals provide orthopedic care, including sports medicine procedures, fracture care, and joint replacement. Mount Vernon Hospital is the site of the Inova Joint Replacement Center ("**IJRC**"), a regional and national referral site for a full range of hip and knee replacement services. The IJRC served over 1,900 joint replacement patients in 2017. IJRC is certified by The Joint Commission and earned a Gold Seal of Approval™ for outstanding care in joint replacement procedures in April 2018.

Transplant. The Inova Transplant Center at Fairfax Hospital (the "**Transplant Center**") was established in 1986 to provide high quality transplant services to both adult and pediatric patients. The Transplant Center offers a wide range of solid organ transplantation services, including heart, lung, heart-lung, kidney, and kidney-pancreas, together with a bone marrow transplant program. The Transplant Center performed the Washington, D.C. metropolitan area's first successful heart transplant in 1986, the first bone marrow transplant in Northern Virginia in 1987 and the first lung transplant in the Washington, D.C. metropolitan area in 1991. In 1997, the Transplant Center was the first in Northern Virginia to perform a heart-double lung transplant. The System maintains an active living donor kidney transplant program. A dedicated clinic, with a separate medical director, exists for each organ program in order to provide patients and their families with individualized treatment and education, including support groups.

Rehabilitation. As noted above, the Inova Rehabilitation Center at Mount Vernon Hospital is accredited by CARF. As of December 31, 2017, it had 67 licensed inpatient beds and provides comprehensive inpatient and outpatient rehabilitation services to patients with severe traumatic brain injuries, spinal cord injuries, stroke, Multiple Sclerosis, Guillain Barre syndrome and other complex disorders. The outpatient "Bridge Program" focuses on patients with neurological deficits.

All System Hospitals, as well as several freestanding System physical therapy centers, provide outpatient rehabilitation services for patients with orthopedic and neurologic disorders. Cardiac rehabilitation services are provided through IHVI. Other areas of specialty treatment include certified lymphedema and hand therapy specialists.

Behavioral Health and Substance Abuse Services. The System's inpatient psychiatric services are provided at Fairfax Hospital (34 beds), Mount Vernon Hospital (30 beds) and Loudoun Hospital (22 beds). These System Hospitals provide inpatient services as well as extensive outpatient and partial hospitalization programs. The System established several outpatient behavioral health clinics across Northern Virginia and established a centralized Psychiatry Assessment Center to identify and begin treatment on newly diagnosed patients.

Inova Comprehensive Addiction Treatment Services ("**CATS**"), located on the Fairfax Hospital campus, provides care for persons with chemical dependencies. A full continuum of treatment services is available including medically supervised inpatient detoxification, day treatment, short-term inpatient rehabilitation and outpatient treatment. All CATS programs emphasize family-centered care, education and relapse prevention.

Inova Kellar Center, located in Fairfax, Virginia, is an outpatient behavioral health and substance abuse treatment center for children, adolescents and their families. It provides a wide range of services including The

Kellar School, which is a therapeutic day school for students with learning, social, emotional or behavioral problems that interfere significantly with their ability to learn.

Other Specialty Medical and Surgical Programs. The following programs are provided on both an inpatient and outpatient basis:

- *Bariatric Surgery*. The weight loss surgery program at Fair Oaks Hospital has been recognized as a Bariatric Surgery Center of Excellence by the American Society for Metabolic and Bariatric Surgery since 2006.
- *The Center for Advanced Endoscopy* at Fairfax Hospital features advanced technology gastroenterology procedure suites to diagnose and treat patients with all types of digestive system conditions and includes several specialty programs. Endoscopy for both adults and children is provided at all of the System Hospitals.
- *The Inova Fairfax Hospital Center for Liver Diseases* offers comprehensive services to patients with acute, chronic and end-stage liver diseases. These consultative services are achieved through a multidisciplinary team of board-certified gastroenterologists/ hepatologists, nurse practitioners, clinical nurse coordinators and a nurse manager. Fairfax Hospital is also a regional referral site for pediatric gastroenterology.
- *The Dorothea R. Fisher Wound Healing Center and Hyperbaric Oxygen Therapy Unit*. This Wound Healing Center and Hyperbaric Oxygen Therapy Unit ("**HBOT**") located at Mount Vernon Hospital provides advanced therapies and individual treatment plans for patients with chronic, non-healing wounds and care for patients suffering from conditions such as carbon monoxide poisoning, chronic bone infections and radiation injury, as well as wound care patients. The HBOT unit is accredited by the Undersea and Hyperbaric Medical Society. Two additional centers are located in the Fairfax and Fair Oaks areas, both a service of Mount Vernon Hospital.
- *The Inova Juniper Program* provides HIV clinical, education, prevention, and research services. The Juniper Program was organized in 1988 to address the health care needs of persons living with HIV disease in Northern Virginia. Approximately 44% of patients are medically indigent and 100% of the funding for the Juniper Program is provided by grants and other funding sources. Clinical services include comprehensive case management and primary and specialty medical care, including mental health and substance abuse counseling. The Northern Virginia Regional Partner of the MidAtlantic AIDS Education and Training Center provides training programs, clinical consultations, technical assistance, and shadowing opportunities to health care providers throughout Virginia.
- *The Inova Center for Wellness and Metabolic Health*, with outpatient locations in Alexandria, Fair Oaks, Leesburg and Fairfax, provides medical treatment, from Board Certified Endocrinologists supported by a Nurse Practitioner, as well as classes and consultations for patients with diabetes or prediabetes, led by nurses and dieticians many of whom are Certified Diabetes Educators. The Centers are recognized for Diabetes Education through the American Diabetes Association.

Ambulatory Services

Ambulatory Surgery Services. The System offers ambulatory surgery in five surgery centers with joint ownership with physicians in Alexandria, Lorton, Leesburg, McLean, and Fair Oaks, Virginia.

Ambulatory Diagnostic Imaging Services. The System offers a wide range of radiology and diagnostic imaging services at 20 different locations throughout Northern Virginia and in Maryland. These sites provide MRI, CT, PET/CT, DEXA (bone densitometry), nuclear medicine, ultrasonography, mammography and stereotactic breast biopsy services.

Ambulatory Laboratory Services. The Inova Reference Laboratory also offers community physicians and their patients, regardless of physician office location, access to comprehensive laboratory testing including three physical service centers located across Northern Virginia.

Community Health. The System provides a wide range of services to the general population in the communities it serves, including, among others:

- *The InovaCares Clinic for Women and Children*, which has facilities in Falls Church, Herndon and Alexandria, provides outpatient prenatal and gynecological charity care and primary health care and wellness education to underinsured or uninsured children from low income families in the region. The clinic also provides annual physicals for school and sport activities.
- *Life with Cancer*, a program of the Inova Schar Cancer Institute, provides a variety of programs and services for patients, survivors, and their family members to help individuals cope with cancer, its treatments, and survivorship. Life with Cancer is available to all adults and children affected by cancer, no matter where treatment is received.

Corporate and Consumer Services. The System offers a variety of specialized health care programs and services tailored to individual needs, including, among others, the following:

- *Inova VIP 360* offers comprehensive executive/concierge physical exams and assessment, medical testing and health and fitness education, in pre-planned, streamlined sessions to employers and consumers.
- *Inova Employee Assistance Program* ("**EAP**") provides confidential counseling, including with respect to legal and financial matters, identity theft, and work-life referral counseling for child and elder care to employers across the United States and internationally.
- *Inova Occupational Health* provides programs designed to enhance employee productivity and encourage effective and economical health care use, including advice as to employer investment in activities intended to increase the safety of the work environment. Services include pre-employment physicals, treatment of work related injuries, and alcohol and drug testing. Services take place at occupational health centers, urgent care centers, and onsite via wellness clinics.
- *Inova Care Management* is designed to address the management of chronic health conditions that can be addressed with self-care and education, including pregnancy care, back pain care, smoking cessation and weight loss.
- *Inova Well* provides onsite health screenings, health fairs, lectures, care management programs, and wellness services to employers in the Washington D.C. metropolitan region.

Assisted Living and Long Term Care Services

Assisted Living Facilities. IHCS and Sunrise Senior Living, Inc. ("**Sunrise**"), a for-profit company headquartered in McLean, Virginia, affiliated in 1998 for the purpose of combining health care delivery by IHCS and Sunrise's hospitality and assisted living expertise. IHCS owns four assisted living facilities, which are located in Reston, Fair Oaks, Fairfax and Mount Vernon, Virginia and are managed by Sunrise. IHCS (60% interest) and Sunrise (40% interest) also formed a joint venture ("**McLean Assisted Living**") in 1998 that owns an assisted living facility located in McLean, Virginia, which is also managed by Sunrise. The facilities offer 24-hour assisted living care, a full range of activities and full meal service.

Skilled Nursing Facility. Inova Loudoun Nursing and Rehabilitation Center provides short term skilled nursing care following a patient's acute hospitalization or surgery, with programs tailored to individual care and rehabilitative needs. Long term care is also provided in a progressive, home-like environment that offers leisure-enhancing and enriching activities. A full complement of rehabilitation services, such as physical, occupational and speech therapy are also provided to patient residents.

Population Health

In response to the development of potential new payment models that shift increasing financial risk to health care providers, the System has identified several capabilities that it believes will enable it to remain successful in a post-health care reform environment that includes bundled payments and population-based payment approaches. These capabilities include:

- a business vehicle for clinical integration;
- administrative capabilities for payment reform and other aspects of financial integration;
- an alternative to employment for community physician engagement via Signature Partners Provider Network, which is a physician-led, clinically integrated network wholly owned by Inova that is designed to transform the delivery of health care in Northern Virginia;
- systems and infrastructure to provide actionable information for population health management; and
- focused approaches to promote wellness in the community served by the System.

Innovation Health. System management concluded that a payor/provider collaboration with an existing health insurance company would enable it to develop these capabilities and that a jointly owned health plan would provide the System with a desirable platform for managing population health and financial risk. Accordingly, in June 2012, the System entered into an agreement with Aetna ACO Holdings, Inc. ("**Aetna**") to establish Innovation Health Holdings, LLC ("**Innovation Health**"), a jointly owned health plan in which the System Parent and Aetna each has a 50% interest, to serve Northern Virginia.

Innovation Health combines Aetna's administrative capabilities, data and national network with the System's ability to provide high quality health care and care management services. The health plan was first licensed in 2013 and began to offer a range of products in Northern Virginia. As of March 31, 2018, Innovation Health had over 120,000 members, including both individuals insured directly by Innovation Health and individuals insured through employer self-insured contracts.

Signature Partners. In connection with the establishment of Innovation Health, the System has developed Signature Partners, a regional provider network intended to improve quality of service and reduce cost. This network consists of the System's health care facilities and services, select community physicians and the System's employed physicians, all supported by Aetna's national network. The System utilizes the regional provider network and Innovation Health to develop clinical integration in the local health care community through the use of technology, data and practice protocols for evidence-based health care. Members of this network will receive incentives based upon quality of care, patient satisfaction and financial performance. As of March 31, 2018, Signature Partners had network agreements covering more than 480 primary care providers, which includes both community-based and System-employed providers, and was contracted with approximately 1,085 community-based specialists.

Research and Medical Education

The System's research and academic activities are based at the Fairfax Hospital campus. Fairfax Hospital has been a teaching hospital for nearly 50 years, and through a strategic partnership with the Virginia Commonwealth University ("**VCU**") School of Medicine, developed the first regional branch medical campus in Northern Virginia. In 2016 the System and the University of Virginia ("**UVA**") announced a comprehensive research and education partnership. As part of the agreement, the parties intend to form a regional campus of the UVA School of Medicine at the System, which would enable UVA medical students to complete their clerkship and post-clerkship education in Northern Virginia at System facilities, with an opportunity for a differentiated medical education experience during the post-clerkship phase. The VCU regional medical school will close in 2021, while the UVA sponsorship of the regional campus is expected to begin in the spring of 2021.

Claude Moore Health Education Center. This Center opened on the Fairfax Hospital campus in 2008. The building features 11,000 square feet of space dedicated to the educational needs of medical and nursing students, residents and fellows. It includes both medical and surgical simulation centers, which enable students to learn through hands-on experience. In addition, the Center offers sophisticated information technology that allows students who travel or live outside the region to receive medical education from anywhere in Virginia.

Current affiliations for graduate medical education include the following:

- Georgetown University
- George Washington University
- National Capital Consortium
- Children's National Health System
- National Institutes of Health
- Howard University
- University of Virginia
- MedStar Washington Hospital Center
- Kessler Institute for Rehabilitation

Training of nursing students is also provided through affiliations between IHCS and George Mason University, Northern Virginia Community College and Marymount University. In addition, IHCS and Shenandoah University recently partnered to extend graduate programs in occupational therapy, physical therapy, and physician assistant studies to the Northern Virginia area.

Research Strategy. Clinical and translational research is essential to the System's vision of becoming a top health system. Each of the System's destination service lines, including heart and vascular, cancer, women's and neuroscience consider research as a foundational driver for delivering impactful care to patients, attracting and retaining key talent, and contributing to their overall brand. In 2018, the System reorganized its research efforts to increase transparency and collaboration within the System, as well as with external partners. The System's overall research efforts are now coordinated through the office of Research and Commercialization, with the help of an internal Research Strategy Board, comprised of key System research, physician, nursing and business leaders.

Inova Translational Medicine Institute ("ITMI"). ITMI, based at Fairfax Hospital, was established in 2011 to promote research in personalized medicine and to manage the integration of genomic testing findings into the clinical setting. The long-term mission of ITMI is to enable the System to successfully translate research and learning in genomics and the molecular sciences to real time patient care. ITMI has been establishing scientific collaborations with academic partners and seeking collaborative partners to build a research network that will facilitate the discovery and validation of biomarkers.

UVA Partnership. As part of the UVA partnership described above, the System and UVA are developing the Global Genomics and Bioinformatics Research Institute located at ICPH (defined below). The Institute will recruit researchers, scientists and investigators who will engage in collaborative research focused on genomics, functional biology, bioinformatics, biologically driven engineering, precision medicine, translational research, development of targeted therapeutics, and commercialization of new discoveries. A cancer research partnership is also being established between the Inova Schar Cancer Institute and UVA Cancer Center, including efforts to achieve designation by the National Cancer Institute as a Comprehensive Cancer Center.

Inova Center for Personalized Health

In 2015, IHCS acquired a leasehold interest in the 117-acre property located across from Fairfax Hospital. The lease is for 99 years, with a right of first refusal to acquire the property. See Note 14 in in the 2017 Audit for additional details concerning this lease, including IHCS' financial obligations under the lease. On this property, the System is in the process of developing the Inova Center for Personalized Health ("**ICPH**"), furthering the System's goal to create a multi-pronged facility specializing in the research, education and treatment of complex

diseases through personalized medicine, which allows doctors to tailor therapies to suit an individual's genetic makeup.

ICPH Programming. ICPH will include the Inova Schar Cancer Institute. The Schar Cancer Institute is designed to be an international center for advanced cancer care and research, has an approximate cost of $331 million, is expected to be funded primarily with unrestricted cash and investments, and is expected to open in the spring of 2019. ICPH will also house the Genomics and Bioinformatics Research Institute (in partnership with UVA), the Inova Clinic, Inova Sports Medicine, the Inova Personalized Health Accelerator and Investment Initiative, and the Inova Center for Healthy Living. The Inova Clinic facility is expected to include a 24-bed in-patient acute rehabilitation facility.

ICPH Zoning. To achieve its vision for creating a health and wellness destination on the ICPH campus, Inova has filed an application with Fairfax County to amend the County's Comprehensive Plan to allow for further development of the property. Current buildings total approximately 1.25 million square feet with another 550,000 square feet approved, all of which is programmed with the research, treatment, and other activities mentioned above. The amendment proposes to allow another 3.3 million square feet as part of an initial phase to allow for new education (in collaboration with partners like UVA), research, hospitality, housing, and retail uses to support the core mission of the campus.

MAJOR HEALTH SYSTEM FACILITIES

System Hospitals: Distribution of Licensed Hospital Beds as of December 31, 2017

Bed Type	Alexandria Hospital	Fairfax Hospital	Fair Oaks Hospital	Loudoun Hospital	Mount Vernon Hospital	Total
Acute	210	452	118	84	120	984
Pediatrics	0	92	8	14	0	114
ICU/CCU	50	128	12	23	20	233
Obstetrics	58	170	44	24	0	296
Psychiatric/Substance Abuse	0	52	0	22	30	104
Rehabilitation	0	0	0	0	67	67
Total Licensed Beds	318	894	182	167	237	1,798
NICU (not included above)	16	108	14	7	0	145

Source: Submitted 2017 Virginia Health Information Survey

Ambulatory Care Facilities

The System owns or operates numerous hospital-based outpatient facilities located throughout Northern Virginia, including clinical and emergency department services. These include the Springfield Healthplex located in Alexandria, Virginia, an 115,000 square foot facility that provides outpatient clinical, surgical and emergency department services. In 2013, the System opened a similar facility in Lorton, Virginia, in Fairfax County. In October 2015, the System opened the Ashburn Healthplex located in Loudoun County, Virginia, which provides outpatient urgent care, imaging, lab and emergency services. The System also operates three additional freestanding emergency departments in Leesburg, Fairfax City, and Reston which are co-located with imaging and physician office space. In addition, four of the System Hospitals have on-campus or nearby imaging centers, including high-end MRI and CT services.

Long Term Care, Assisted Living and Rehabilitation Facilities

		Assisted Living Facilities				
	Loudoun Nursing & Rehabilitation Center[1]	**George Mason[2]**	**Reston Town Center[2]**	**Fair Oaks[2]**	**Mount Vernon[2]**	**McLean[3]**
Nursing Home (beds):						
Skilled Nursing	32	0	0	0	0	0
Intermediate Nursing	68	0	0	0	0	0
Assisted Living (units):	0	48	88	92	92	88
Total Beds or Units	100	48	88	92	92	88

[1] *Beds in service.*
[2] *Owned by IHCS and managed by Sunrise.*
[3] *Owned by a System Affiliate that is not a Member of the Obligated Group and managed by Sunrise.*

ACCREDITATIONS AND PROFESSIONAL RECOGNITION

Each System Hospital and the LNRC are fully accredited by The Joint Commission and licensed by the Virginia Department of Health.

System Hospitals have been recognized for professional achievement in many different service areas, including the following:

- Each System Hospital is recognized with either regional or national achievement by *U.S. News and World Report* in at least one specialty or common core ranking for 2017-2018.
- Each System Hospital's Inova Breast Health Institute program has received full accreditation in breast care from the National Accreditation Program for Breast Centers.
- Each System Hospital has a certified stroke center certified by The Joint Commission.
- Alexandria, Fair Oaks, Fairfax and Loudoun have each been recognized by Healthgrades as Distinguished Hospitals for Clinical Excellence.
- Alexandria, Fair Oaks, Fairfax and Loudoun are all accredited by the American Society for Radiation Oncology Accreditation Program for Excellence.
- Alexandria, Fair Oaks, and Mount Vernon have all been recognized by The Leapfrog Group as highest performing hospitals.
- Fair Oaks and Loudoun have been recognized by the ANCC Magnet Recognition Program as Magnet hospitals.
- Fairfax, Fair Oaks, and Mount Vernon have received 5 out of 5 stars for quality by the Center for Medicare and Medicaid (CMS).
- Inova Alexandria Hospital:
    - National Association of Epilepsy Centers awarded Level 3 Certification in 2018.
    - American College of Radiology designated as a Breast Imaging Center of Excellence since 2015.
    - Baby-Friendly USA designation since 2015.
- Inova Fair Oaks Hospital:
    - American Society for Metabolic and Bariatric Surgery nationally recognized as an MBSAQIP-accredited comprehensive center for weight loss surgery since 2006.
    - Truven Health Analytics awarded as Top 100 Hospitals in 2017.
    - American Association of Gynecologic Laparoscopists designated as a Center of Excellence for Minimally Invasive Gynecology
- Inova Fairfax Medical Campus:
    - National Association of Epilepsy Centers awarded Level 4 Certification in 2018.
- Inova Mount Vernon Hospital
    - Press Ganey Associates awarded Guardian of Excellence Award for Patient Experience since 2015.

GOVERNANCE

The System Parent

The System Parent's Board of Trustees (the "**System Parent Board**") is required to have no less than 9 and no more than 25 members. It currently has 15 members. The members of the System Parent Board are nominated and elected by existing members of the System Parent Board; provided, however, that one elected member is required to be a member of the Board of Trustees of IHCS, at least two members are required either to reside or work in Loudoun County, Virginia and one member must be designated by the Fairfax County Board of Supervisors for election to the System Parent Board. All members are elected annually and may serve concurrent terms on governing boards of other System Affiliates.

System Affiliates

The System Parent Board directly or indirectly appoints the members of the boards of all System Affiliates, including the boards of each Obligated Group Member. The System Parent Board maintains broad authority over the policies and operations of the other entities in the System. Specifically, through reserve powers in the bylaws of the Obligated Group Members, the System Parent Board has the power and authority (i) to determine the terms and conditions of any indebtedness of an Obligated Group Member and the security therefor, and (ii) to authorize the execution and delivery of all instruments and documents necessary to effect financing transactions on behalf of the System Parent and each Obligated Group Member.

System Parent Board of Trustees

Board Member	Occupation	Years of Board Service
Anthony Nader, Chairman	Vice Chairman, Asurion	8
J. Stephen Jones, MD	CEO, Inova Health System Foundation	New in 2018
Wesley Bush	Chairman, CEO, and President, Northrop Grumman Corporation	5
Nicholas Carosi, III	President and Owner, Arban and Carosi, Inc.	27
Alan Dabbiere	Chairman, OneTrust	2
William Dudley	Former Vice Chairman and CEO, Bechtel Group, Inc.	1
Jack Ebeler	Former Consultant, Health Policy Alternatives, Inc.	7
Penelope Gross	Supervisor, Fairfax County Board of Supervisors	10
Katherine Hanley	Former Secretary of the Commonwealth of Virginia	7
Paul Harbolick, Jr.	EVP of Finance, Lowers Risk Group	8
Sudhakar Kesavan	Chairman and CEO, ICF International	4
Mark Moore	Founder, Mark and Brenda Moore and Family Foundation	2
Donna Morea	CEO, Adesso Group	3
Paul Saville	President and CEO, NVR, Inc.	2
Mark Stavish	Former President and General Manager, Evergreen Partners, LLC	3

Relationship of Parties

All members of the System Parent Board are required to disclose any potential conflicts of interest arising from their service on the Board. Certain members of the System Parent Board are associated with organizations doing business with Obligated Group Members or other System Affiliates. Pursuant to the System's compliance policy, System Parent Board members are required to excuse themselves from voting on matters involving their associated organizations and the System Parent Board is required to determine (with the System Parent Board member in question not voting on this determination) whether the transaction is in the best interest of the System notwithstanding the relationship.

EXECUTIVE MANAGEMENT

Key management officers of the System and certain System Affiliates are listed below.

J. STEPHEN JONES, MD, Chief Executive Officer, Inova Health System Foundation. (Age 57) Education: M.D., University of Arkansas for Medical Sciences; B.S., J. William Fulbright College of Arts & Sciences at the University of Arkansas; M.B.A., Case Western Reserve University. Experience: April 2018 to present, Chief Executive Officer, Inova Health System Foundation; 2007 to 2018, various positions, Cleveland Clinic, with the most recent being President, Cleveland Clinic Regional Hospitals and Family Health Centers, Cleveland, Ohio; 1992 to 2006, Practicing Urologist, Southwest Missouri & Cleveland Clinic, Cleveland, Ohio.

LORING FLINT, Executive Vice President and Chief Medical Officer, Inova Health System Foundation. (Age 65) Education: M.B.A., University of Chicago; M.D., Boston University School of Medicine; B.A., Boston University. Experience: 2010 to present, Executive Vice President and Chief Medical Officer, Inova Health System Foundation; 1990 to 2010, various positions, Baystate Medical Center, Springfield, MA, with the most recent being Chief Medical Officer and President of Baystate Medical Practices; 1980 to 1990, various leadership positions, Michael Reese Hospital, Chicago, Illinois.

JOHN GAUL, Senior Vice President and General Counsel, Inova Health System Foundation. (Age 50) Education: J.D., Georgetown University Law Center; B.S.B.A., Georgetown University. Experience: 2009 to present, Senior Vice President and General Counsel, Inova Health System Foundation; 2002 to 2009, General Counsel and Secretary, Sunrise Senior Living, Inc.; 1994 to 2002, Hogan & Hartson LLP (now Hogan Lovells).

CONNIE PILOT, Executive Vice President and Chief Information Officer, Inova Health System Foundation. (Age 54) Education: M.B.A., Webster University, B.S.B.A., University of Florida. Experience: 2015 to present, Executive Vice President and Chief Information Officer, Inova Health System Foundation; 2014 to 2015, Vice President, Chief Technology Officer and Chief Security Officer, Florida Blue; 2011-2014, Vice President Business Solutions and Chief Technology Officer, Florida Blue; 2000-2011, various leadership positions, Florida Blue; 1997 to 2000, various leadership positions, J.M. Family Enterprises; 1987 to 1997, various positions, Shands Hospital.

RICHARD MAGENHEIMER, Chief Financial Officer, Inova Health System Foundation. (Age 64) Education: M.S., State University of New York at Binghamton; B.S., University of South Carolina. Experience: 1994 to 2017 and June 2018 to present, Chief Financial Officer, Inova Health System Foundation; January 2018 to May 2018, Executive Advisor, Inova Health System Foundation; 1987 to 1994, Vice President of Financial Operations, Inova Health System Foundation; 1986 to 1987, Vice President/Corporate Director of Financial Controls, American Medical International, Inc. ("**AMI**"); 1983 to 1986, Vice President/Director Finance, AMI Western Region; 1979 to 1983, Assistant Vice President/Director of Budgeting, AMI, Western Region.

TODD STOTTLEMYER, Chief Executive Officer, Inova Center for Personalized Health. (Age 54) Education: B.A., The College of William and Mary; J.D., Georgetown University Law Center. Experience: 2015 to present, Chief Executive Officer, Inova Center for Personalized Health; 2011 to 2015, Chief Executive Officer,

Acentia, LLC; 2009 to 2010, Executive Vice President, Inova Health System Foundation; 2006 to 2009, President and Chief Executive Officer, National Federation of Independent Business; 2003 to 2006, Chief Executive Officer, Apogen Technologies; 2000 to 2001, President, McGuire Woods Consulting; 1998 to 2000, Executive Vice President and Chief Financial Officer, BTG; 1985 to 1998, Corporate Vice President, BDM International.

MEDICAL STAFF

Each member of a System Hospital's medical staff, including physicians, oral surgeons, dentists and podiatrists, is required to be licensed to practice in the Commonwealth of Virginia. Applicants must be board-certified or board-eligible by training in the specialty for which they are applying and are evaluated for medical staff membership according to several specific personal and professional criteria.

To remain eligible for medical staff membership, professionals must comply with continuing medical educational requirements established by Virginia licensing boards and the Commonwealth's Board of Medicine. In addition, each medical staff member must maintain malpractice insurance in a per claim amount equal to the Virginia medical malpractice damage cap. See "**MALPRACTICE AND OTHER INSURANCE**."

Three major categories of medical staff members (Active, Provisional, and Courtesy) have privileges to admit and attend patients in the System Hospitals; In addition, Allied Health Professionals (Advance Practice Providers – APP) are also granted clinical privileges within the scope of their licenses and certifications to provide health care services in the Hospital.

- Active Staff consisting of practitioners who have met the basic qualifications for staff membership, and who regularly admit patients to one or more of the System Hospitals;
- Provisional Staff consisting of practitioners who have met the basic qualifications for staff membership and have admitting privileges, but who are in their first year on the medical staff at one or more of the System Hospitals (Inova Alexandria Hospital only);
- Courtesy Staff consisting of practitioners who have met the basic qualifications for staff membership, but who do not wish to become members of the Active Staff and cannot admit or attend more than 12 patients per year; and
- Community/Affiliated Staff consisting of practitioners who have met the basic qualifications for staff membership, but do not admit or attend inpatients and instead use hospitalists to admit and attend their patients.
- Telemedicine Staff consisting of practitioners who have met the basic qualifications for staff membership that use communication technology to medically diagnose, manage, evaluate, treat, or monitor injuries and diseases.
- Allied Health Professionals consisting of advanced practice providers that provide health care services in the hospital in order to meet the health care needs of the community.
- House Physicians consisting of physicians employed or contracted by the Hospital to perform designated patient care duties and are not members of the medical staff (Inova Fairfax Hospital and Inova Mount Vernon Hospital only).

Key characteristics of the current medical staff membership at the five System Hospitals and the System's ambulatory care facilities ("**AMB**") are highlighted in the following table:

Medical Staff Membership as of March 31, 2018

Medical Staff Membership	Alexandria	Fairfax	Fair Oaks	Mount Vernon	Loudoun	AMB
Number of:						
Active/Provisional Staff Physicians[1]	460	1,564	482	325	342	182
Courtesy Staff Physicians[1]	213	394	571	62	304	0
Community/Affiliated Staff Physicians	71	363	83	4	118	0
House Physicians	0	37	0	1	0	0
Telemedicine	19	12	0	27	17	0
Percent Boarded of Active and Provisional Staff	95.7%	95%	96.3%	91.4%	94.7%	93.4%
Average Age (years) of Active and Provisional Staff	48.4	49	51.7	49.3	48.6	48.7
Percent of Active and Provisional Staff over 60 years	15%	15.9%	21%	18.2%	11.7%	19.2%
Net Adds (Active/Provisional) (Jan-Mar 2018)	10	16	0	10	14	2

[1] Approximately 33% of physicians are on staff at more than one System Hospital and, therefore, are counted multiple times in this table.

Inova Medical Group

As of March 31, 2018, Inova Medical Group included approximately 690 physicians employed by the System as either Active/Provisional or Courtesy staff physicians. These physicians provide hospital-based services, primary care, and a variety of pediatric and adult specialty health care for the Northern Virginia and Washington, D.C. metropolitan area at approximately 100 sites throughout Northern Virginia.

EMPLOYEES

As of March 31, 2018, the System had approximately 14,200 full-time equivalent employees, of whom approximately 13,400 were employed by Members of the Obligated Group. The System's management believes that employee relations throughout the System are good.

The System provides basic medical, major-medical, vision, dental and health benefits to current employees and, in some cases, to retirees. The System maintains two defined contribution plans, one of which has employer matching features, which covers the employees of the Members of the Obligated Group as well as certain other System Affiliates. For more information regarding these plans, refer to Note 18 in the 2017 Audit incorporated by reference into this Official Statement.

SERVICE AREA

The System's primary service area, as determined through analyses of patient origin information, consists of Fairfax, Loudoun, Prince William and Arlington counties in Northern Virginia and the independent cities of Alexandria, Manassas, Manassas Park and Falls Church, Virginia (the "**PSA**"). The System also serves a secondary service area comprised of Fauquier and Stafford counties in Virginia (the "**SSA**") and a tertiary service area consisting of Clarke, Warren, Rappahannock, Culpeper and Spotsylvania counties in Virginia, the city of Fredericksburg, Virginia, Montgomery and Prince George's counties in Maryland, Jefferson County in West Virginia and Washington, DC (the "**TSA**" and, together with the PSA and the SSA, the "**Service Area**"). The PSA, SSA and TSA are all considered part of the Washington D.C. metropolitan area.

The System also draws some patients from great distances due to the tertiary care and specialty medical programs at Fairfax Hospital, such as the Level I Trauma Center and Fairfax Hospital's open heart surgery, transplant, high risk pregnancy and neonatal intensive care programs. The Inova Joint Replacement Center and Inova Rehabilitation Center at Mount Vernon Hospital and the Bariatric Surgery Center at Fair Oaks Hospital also draw patients from beyond the System's traditional Service Area.

Demographic Information

Over two-thirds of the System's inpatient hospital discharges originate from Fairfax and Loudoun counties in Northern Virginia.

Population. The population of the Washington, D.C. metropolitan area is expected to grow steadily through 2030, adding approximately 55,000 people per year, according to the Metropolitan Washington Council of Governments ("**MWCOG**"). That projected growth is attributed by MWCOG to the anticipated long-term strength of the region's economy, high rates of in-migration, and international immigration.

Fairfax County is the most populous jurisdiction in Virginia, with a 2010 population of approximately 1.1 million according to the 2010 U.S. Census. It is also the most populous jurisdiction in the Washington, D.C. metropolitan area, exceeding the District of Columbia and contiguous Maryland suburban counties. Loudoun County's 2010 population was approximately 290,000 according to the 2010 U.S. Census. Together, Fairfax and Loudoun counties are projected by the U.S. Census Bureau and MWCOG to add more than 150,000 residents between 2010 and 2020.

The following table sets forth the historical growth of Fairfax and Loudon Counties, as well as the entire Washington, D.C. Primary Metropolitan Statistical Area (the "**Washington PMSA**"), of which Fairfax and Loudon counties are a part.

Historical Growth
Washington PMSA, 1950 to 2010[1]

Year	Fairfax County	Loudoun County	Washington PMSA	Fairfax and Loudoun Counties % of PMSA
1950	98,557	21,147	1,752,248	6.80%
1960	248,897	24,549	2,376,307	11.50
1970	454,275	37,150	3,204,852	15.30
1980	596,901	57,427	3,477,972	18.80
1990	818,584	86,129	4,223,485	21.40
2000	969,749	169,599	4,923,153	23.10
2008	1,015,302	289,995	5,529,547	23.60
2010	1,116,623	312,311	5,582,170	25.60

[1] *Source: U.S. Census Bureau*

From 2010 to 2020, the PSA and SSA are projected by MWCOG to grow by 15%, with the highest rate of growth expected to occur in Loudoun County in the PSA and Stafford and Fauquier counties in the SSA. From 2020 to 2030, MWCOG projects that population will grow by another 11%, with that growth again concentrated in outer Washington, D.C. suburbs located in Loudoun, Prince William, Fauquier and Stafford counties.

						% Change	
County	**2010**	**2015**	**2020**	**2025**	**2030**	**'10-'20**	**'20-'30**
Alexandria[1]	140,012	147,669	162,681	171,292	176,259	16%	8%
Arlington[1]	207,627	222,213	232,650	247,357	259,757	12%	12%
Fairfax[1]	1,116,549	1,158,653	1,198,897	1,255,627	1,310,772	7%	9%
Loudoun[1]	312,310	367,957	417,986	452,242	468,664	34%	12%
Prince William[1]	454,094	481,855	528,485	557,549	581,616	16%	10%
PSA Subtotal	**2,230,592**	**2,378,347**	**2,540,699**	**2,684,067**	**2,797,068**	**14%**	**10%**
Fauquier County[1]	65,201	69,658	74,114	78,710	83,306	14%	12%
Stafford County[1]	128,950	149,386	169,774	191,249	212,671	32%	25%
SSA Subtotal	**194,151**	**219,044**	**243,888**	**269,959**	**295,977**	**26%**	**21%**
Total	**2,424,743**	**2,597,391**	**2,784,587**	**2,954,026**	**3,093,045**	**15%**	**11%**
Virginia[2]	8,010,245	8,466,864	8,917,395	9,364,304	9,825,019	11%	10%
United States[2]	310,232,863	325,539,790	341,386,665	357,451,620	373,503,674	10%	9%

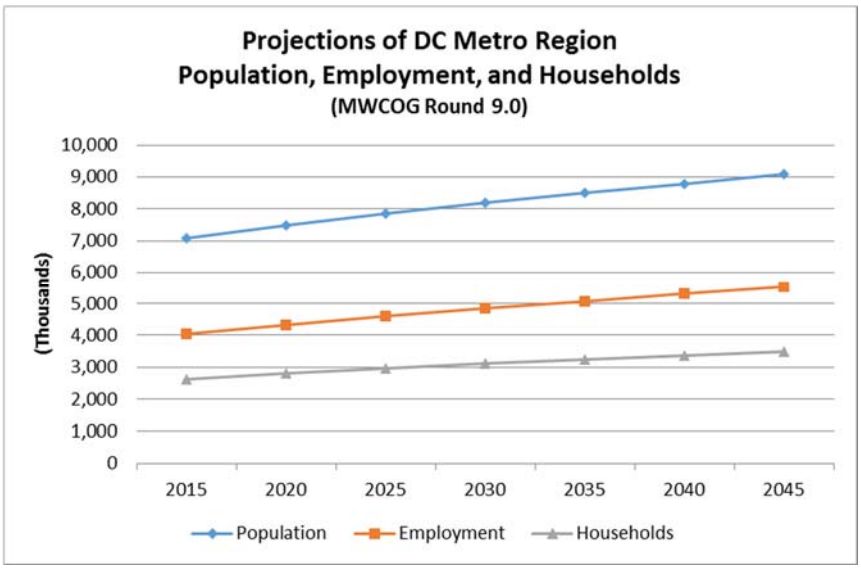
[1] *Source: MWCOG, Round 9.0 Cooperative Forecasts, November 2016*
[2] *Source: U.S. Census Bureau*

Employment. According to MWCOG's Round 8.4 Cooperative Forecasts (2015), employment growth in the Washington, D.C. metropolitan area in the current decade is expected to be greatest during the period from 2015 to 2020, during which MWCOG forecasts that an average of 60,000 new jobs will be added each year.

MWCOG also projects that the Washington, D.C. metropolitan area's inner suburbs are expected to add the largest number of new jobs, 633,000, by 2040. The largest percentage increases in employment are projected by MWCOG to occur in the outer suburbs of Virginia and Maryland. Together, employment in these outer jurisdictions is projected to grow by 66% by 2040, representing 354,400 additional jobs.

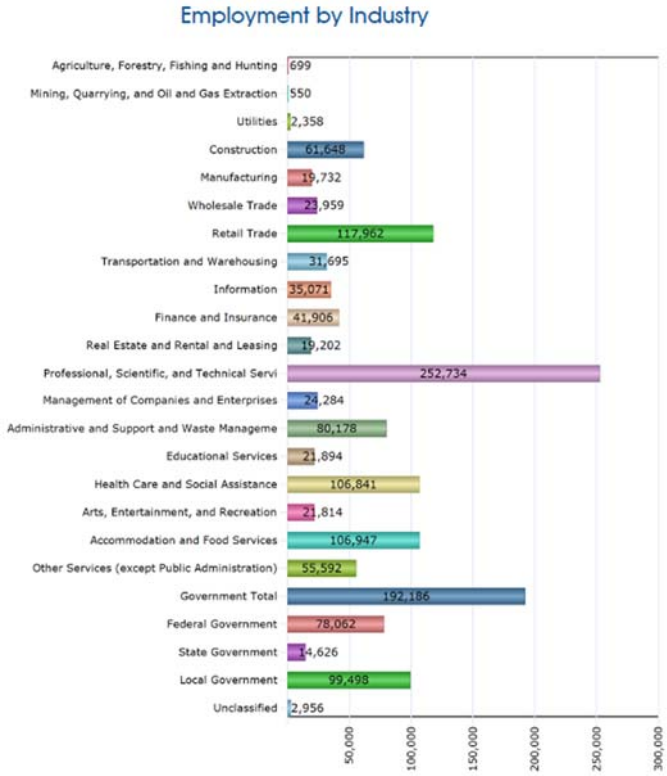
The projected addition of more than 164,400 households during the 2010 to 2040 forecast period reflects the anticipated growth in jobs and in-migration to the Washington, D.C. metropolitan area. The greatest formation of new households is forecast by MWCOG to be in Montgomery County in Maryland, Fairfax and Prince William counties in Virginia, and the District of Columbia, which are together expected to contribute more than half of the household growth during the forecast period. Household growth in Stafford County, Virginia is projected by MWCOG to grow at a rate of 110% over that forecast period, the most rapidly of all jurisdictions, projected to add 45,900 households from 2010 to 2040.

The following table sets forth the historic and forecasted growth for the Washington, D.C. metropolitan area.



Source: MWCOG, Round 9.0 Cooperative Forecasts, Final COG Board of Directors 11/9/16

Employment within Northern Virginia. Economic growth and employment in Northern Virginia, which comprises the PSA, has been the strongest among all regions that comprise the Washington, D.C. metropolitan area according to a 2017 report by the George Mason University Center for Regional Analysis. Northern Virginia has a large and diversified industrial base as indicated by the following table, which shows employment within Northern Virginia by industry group:



Source: Virginia Employment Commission, Quarterly Census of Employment and Wages (QCEW), 3rd Quarter (July-Sept), 2017.

Fairfax County itself has a large and diversified industrial base, with over 37,000 businesses accounting for approximately 595,000 jobs in 2016 according to the Fairfax County Economic Development Authority. Fairfax County is home to several Fortune 500 companies, including General Dynamics, Freddie Mac and Capital One.

According to the U.S. Bureau of Labor Statistics, as of March 2018, the unemployment rate was 2.7% for Fairfax County and Loudoun County, as compared to an unemployment rate of 3.9% nationally.

Median Household Income. Set forth below are median household income statistics pertaining to the PSA and SSA, as compared to the Commonwealth of Virginia and the United States:

City/County	1993	2003	2013	% Change 2003 to 2013
Fairfax County	$62,607	$82,648	$110,658	33.9%
Loudoun County	59,602	90,122	117,860	30.6
Alexandria City	45,600	59,344	85,562	44.2
Arlington County	47,700	67,161	101,533	51.2
Falls Church City	55,126	79,421	117,452	47.9
Manassas City	51,200	61,387	70,133	14.2
Manassas Park City	42,145	62,637	71,742	14.5
Prince William County	54,827	72,977	93,671	28.4
Fauquier County	48,400	68,140	82,705	21.4
Stafford County	50,794	75,556	93,014	23.1
Commonwealth of Virginia	$34,818	$50,028	$62,745	25.4%
United States	$31,241	$43,318	$52,250	20.6%

Source: U.S. Census Bureau

COMPETITION

The System Hospitals accounted for approximately 64% of the licensed hospital beds in the primary service area as of 2016, according to the statewide survey conducted by Virginia Health Information, the Virginia Department of Health COPN filings and System records. Based on 2016 statistics from the VA-MD-DC Patient-Level Database maintained by Intellimed, approximately 55% of inpatients treated by northern Virginia hospital facilities received their care at System Hospitals. There are numerous other hospital service providers in the Service Area, as well as ambulatory surgical centers, urgent care centers, drug and alcohol abuse prevention and treatment centers, outpatient radiological and oncology service facilities, and long-term care facilities.

The ability of any health care provider to make certain capital expenditures, acquire certain equipment, increase its licensed bed capacity or introduce certain clinical health services in the Commonwealth of Virginia is restricted by the requirement that hospitals obtain a COPN. See "BONDHOLDERS' RISKS –Certificates of Need and Other Virginia Regulatory Matters" in the front part of this Official Statement.

The names and numbers of licensed beds of the hospital facilities in the PSA providing acute care services are as follows:

Acute Care Facilities within the PSA
Licensed Beds as of 2016

Inova Health System Hospitals:	
Fairfax Hospital	894
Alexandria Hospital	318
Fair Oaks Hospital	182
Loudoun Hospital[2]	183
Mount Vernon Hospital	237
Total Inova Health System	**1,814**[1]
Other Acute Care Hospitals in Northern Virginia:	
Virginia Hospital Center	350
Reston Hospital Center (HCA affiliation)	187
Novant Health Prince William Medical Center	130
Novant Haymarket Medical Center	60
Sentara Northern Virginia Medical Center	183
Stone Springs Hospital Center[2]	124
Total Other Hospitals	1,034
Total PSA	**2,848**

Source: Virginia Health Information 2016

[1] *As of December 31, 2017, the Inova Health System Hospitals had a total of 1,798 licensed beds. However, the 2016 Virginia Health Information table above is the latest published summary showing licensed bed counts for other market competitors.*

[2] *In compliance with COPN requirements, Loudoun Hospital was required to relinquish 16 acute care beds on the one year anniversary of the opening of Stone Springs Hospital Center, which relinquishment occurred in December 2016.*

The names and inpatient market share of the hospital facilities in Northern Virginia providing acute care services are as follows:

Northern Virginia Inpatient Market Share

Hospital	'15	'16	Q1-Q2 '17
Inova Alexandria Hospital	9.6%	9.1%	8.9%
Inova Fair Oaks Hospital	8.3%	7.5%	7.2%
Inova Fairfax Hospital	25.2%	27.0%	27.3%
Inova Loudoun Hospital	7.7%	7.8%	7.5%
Inova Mount Vernon Hospital	4.1%	4.1%	4.0%
Inova Sub-total	**54.9%**	**55.5%**	**54.9%**
Virginia Hospital Center	14.0%	13.0%	13.2%
Reston Hospital Center	8.4%	8.1%	8.0%
StoneSprings Hospital Center	0.0%	0.6%	0.6%
Sentara NoVa Medical Center	5.9%	5.9%	6.1%
UVA-Novant Prince William	4.0%	3.8%	3.9%
UVA-Novant Haymarket	1.1%	1.2%	1.2%
All Other VA-MD-DC Hospitals	11.7%	11.9%	11.9%
Non-Inova Sub-total	**45.1%**	**44.5%**	**45.1%**

Source: Intellimed Market Data, CY 2015, CY 2016, Q1-Q2 2017
Normal Newborns and Neonates Included

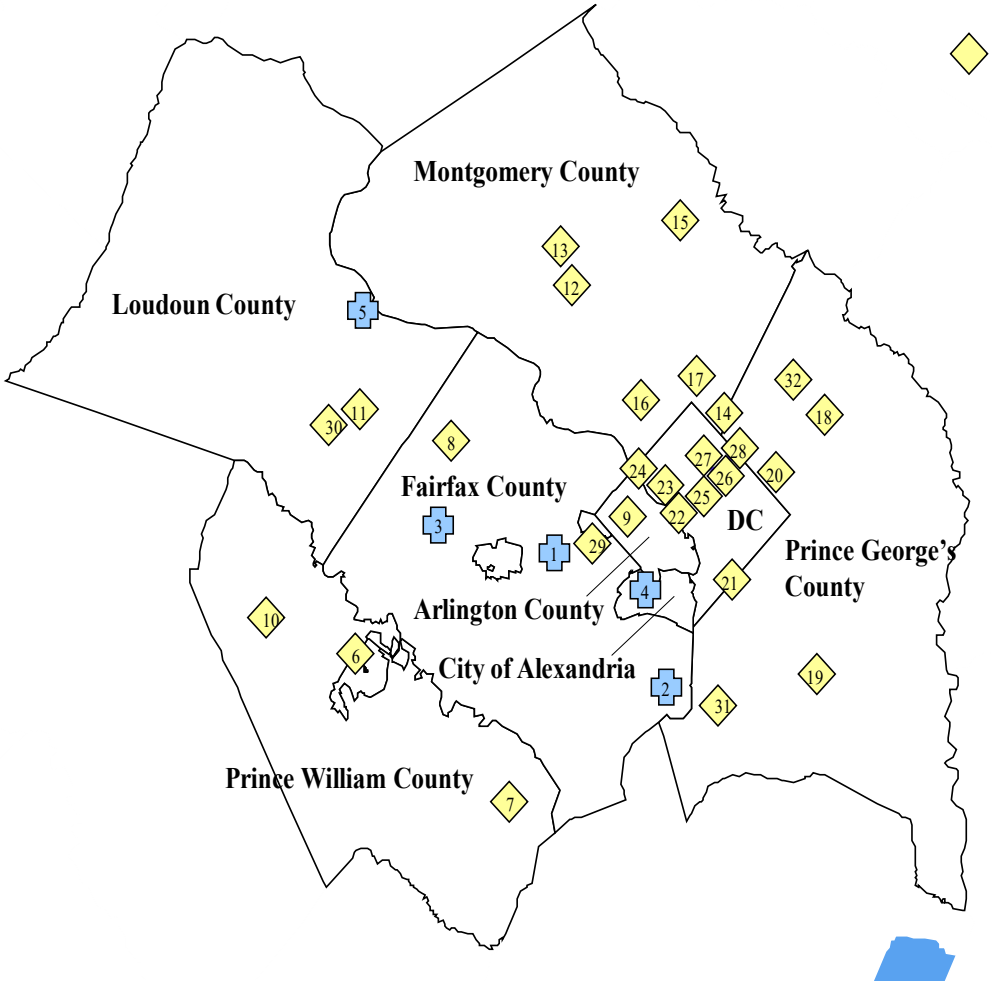
There are at least 25 other hospitals, excluding U.S. Veterans Administration and military hospitals, located in the SSA and TSA. As of December 31, 2017, these hospitals had approximately 6,500 operating beds and provide various levels of acute and specialty care services. The names and bed complements of the largest acute care facilities located in the SSA and TSA are as follows:

Acute Care Facilities within the SSA and TSA

Hospital Name	Hospital System (if applicable)	State	Operating Beds
Fauquier Health		VA	97
Mary Washington Hospital	Mary Washington Healthcare	VA	451
Culpeper Medical Center	Novant Health UVA Health System	VA	70
Spotsylvania Regional Medical Center	HCA Healthcare	VA	133
Stafford Hospital Center	Mary Washington Healthcare	VA	100
Warren Memorial Hospital	Valley Health	VA	60
Winchester Medical Center	Valley Health	VA	455
Children's National Medical Center		DC	313
Howard University Hospital		DC	190
MedStar Georgetown University Hospital	MedStar Health	DC	396
MedStar Washington Hospital Center	MedStar Health	DC	752
Providence Hospital		DC	467
Sibley Memorial Hospital	The Johns Hopkins Hospital & Health System	DC	239
The George Washington University Hospital		DC	365
United Medical Center		DC	210
Jefferson Medical Center	University Healthcare	WV	25
Shady Grove Medical Center	Adventist HealthCare	MD	304
Washington Adventist Hospital	Adventist HealthCare	MD	217
Doctors Community Hospital		MD	190
Fort Washington Medical Center		MD	31
Holy Cross Germantown Hospital	Holy Cross Health	MD	93
Holy Cross Hospital	Holy Cross Health	MD	455
Suburban Hospital	The Johns Hopkins Hospital & Health System	MD	222
MedStar Montgomery Medical Center	MedStar Health	MD	122
MedStar Southern Maryland Hospital Center	MedStar Health	MD	232
UM Laurel Regional Hospital	University of Maryland Medical System	MD	134
UM Prince George's Hospital Center	University of Maryland Medical System	MD	249

Source: American Hospital Directory (accessed May 2018, representing the latest Medicare Cost Report data published as of that date)

Metropolitan Washington Area Hospitals



Inova Hospitals:

1 - Inova Fairfax Hospital
2 - Inova Mount Vernon Hospital
3 - Inova Fair Oaks Hospital
4 - Inova Alexandria Hospital
5 - Inova Loudoun Hospital

Other Hospitals:

6 – Novant/UVA Prince William Medical Center
7 – Sentara Northern Virginia Medical Center
8 – Reston Hospital Center
9 – Virginia Hospital Center
10 – Novant/UVA Haymarket Medical Center
11 – StoneSprings Hospital Center
12 – Shady Grove Medical Center
13 – Holy Cross Germantown Hospital
14 – Suburban Hospital
15 – Holy Cross Hospital
16 – Washington Adventist Hospital
17 – MedStar Montgomery Medical Center
18 – Doctors Community Hospital
19 – MedStar Southern Maryland Hospital Center
20– UM Prince George's Hospital Center
21 – United Medical Center
22– George Washington University Hospital
23 – MedStar Georgetown University Hospital
24 – Sibley Memorial Hospital
25 – Howard University Hospital
26 – Children's National Medical Center
27 – MedStar Washington Hospital Center
28 – Providence Hospital
29 – Dominion Hospital
30– HealthSouth Rehabilitation Hospital of Northern Virginia
31 – Fort Washington Medical Center
32 – UM Laurel Regional Hospital

Legislation to Remove Certificate of Public Need Requirements

Inova operates in Virginia, which maintains a certificate of need program known as the Medical Care Facilities Certificate of Public Need ("**COPN**") statute. The COPN program requires owners and sponsors of identified medical care facility projects to secure a COPN from the State Health Commissioner prior to initiating projects such as general acute care services, perinatal services, diagnostic imaging services, cardiac services, general surgical services, organ transplantation services, medical rehabilitation services, psychiatric/substance abuse services, mental retardation services, lithotripsy services, miscellaneous capital expenditures and nursing facility services. The program seeks to contain health care costs while ensuring financial viability and access to health care for all Virginia at a reasonable cost.

Legislation to remove or reform all or part of the existing COPN statute has repeatedly been introduced and considered in the Virginia General Assembly. To date, only minor reform proposals have been adopted; however, bills to repeal significant portions of the COPN statute are introduced on an annual basis, all of which in recent years have been tabled or continued for future sessions. Future eliminations of, or reforms to, these certificates of public need statutes could lessen barriers to entry for competitors who may not be subject to all the other restrictions that apply to Inova and its affiliates, and the resulting increased competition for healthcare services could adversely affect Inova's financial performance.

AFFILIATIONS, MERGERS AND ACQUISITIONS

As part of its overall strategic planning and development process, the System regularly evaluates and, if deemed beneficial, selectively pursues opportunities to affiliate with other service providers and invests in new facilities, programs or other health care-related entities. Likewise, the System is frequently presented with opportunities from, and conducts discussions with, third parties regarding potential affiliations, partnerships, mergers or acquisitions, including some that could affect Members of the Obligated Group. System management opportunistically pursues such arrangements when there is a perceived strategic or operational benefit that is expected to enhance the System's ability to achieve its strategic objectives. As a result, it is possible that the current organization and assets of the Members of the Obligated Group may change from time to time.

Any such current discussions are preliminary in nature and do not necessarily indicate an intention to expand or contract the System, through partnership, affiliation, merger or acquisition, or to add or withdraw Members of the Obligated Group.

SELECTED OPERATIONAL AND UTILIZATION INFORMATION

The following tables summarize selected utilization statistics for the System Hospitals for the fiscal years ended December 31, 2017, 2016 and 2015, and for the three months ended March 31, 2018 and 2017:

	Three Months Ended March 31,		For the Years Ended December 31,		
	2018	**2017**	**2017**	**2016**	**2015**
Adult Acute Licensed Beds					
Alexandria	318	318	318	318	318
Fairfax	894	876	894	876	833
Fair Oaks	182	182	182	182	182
Mount Vernon	237	237	237	237	237
Loudoun	167	167	167	183	183
Total	1,798	1,780	1,798	1,796	1,753
Adult Admissions					
Alexandria	3,782	3,979	15,562	16,081	16,372
Fairfax	11,608	12,404	48,495	48,212	44,277
Fair Oaks	2,956	3,190	12,765	12,182	13,129
Mount Vernon	2,135	2,278	8,505	9,222	8,851
Loudoun	3,024	3,341	12,915	13,229	12,637
Total	23,505	25,192	98,242	98,926	95,266
Observation Cases					
Alexandria	1,924	1,788	7,488	7,365	6,025
Fairfax	5,171	4,941	19,539	19,398	18,136
Fair Oaks	1,351	1,310	5,392	5,559	4,435
Mount Vernon	885	597	2,518	2,382	2,326
Loudoun	1,337	1,541	6,072	7,526	5,680
Total	10,668	10,177	41,009	42,230	36,602
Adult Patient Days					
Alexandria	15,675	15,965	61,250	65,791	70,910
Fairfax	55,493	60,702	231,084	232,066	214,252
Fair Oaks	9,506	9,767	38,976	37,458	40,286
Mount Vernon	13,370	13,514	51,302	54,092	52,740
Loudoun	11,142	12,335	46,513	47,649	44,191
Total	105,186	112,283	429,125	437,056	422,379
Adult Average Length of Stay					
Alexandria	4.14	4.01	3.94	4.09	4.33
Fairfax	4.78	4.89	4.77	4.81	4.84
Fair Oaks	3.22	3.06	3.05	3.07	3.07
Mount Vernon	6.26	5.93	6.03	5.87	5.96
Loudoun	3.68	3.69	3.60	3.60	3.50
Total	4.48	4.46	4.37	4.42	4.43

	Three Months Ended March 31,		For the Years Ended December 31,		
	2018	**2017**	**2017**	**2016**	**2015**
Adult Occupancy Percentage					
Alexandria	54.8%	55.8%	52.8%	56.5%	61.1%
Fairfax	69.0%	77.0%	70.8%	72.4%	70.5%
Fair Oaks	58.0%	59.6%	58.7%	56.2%	60.6%
Mount Vernon	62.7%	63.4%	59.3%	62.4%	61.0%
Loudoun	74.1%	74.9%	69.6%	71.1%	66.2%
Total	65.0%	69.5%	64.8%	66.5%	66.0%
Emergency Department Visits					
Alexandria	24,741	24,541	96,207	99,213	100,433
Fairfax	39,015	38,302	151,480	148,233	143,480
Fair Oaks	12,174	12,255	49,173	49,474	51,192
Mount Vernon	12,124	11,663	46,516	45,229	42,457
Loudoun	18,046	19,676	77,353	77,383	71,416
Total	106,100	106,437	420,729	419,532	408,978
Inpatient Surgeries	5,501	5,864	23,124	22,661	22,224
Outpatient Surgeries	10,776	11,695	45,707	45,954	46,462
Outpatient Visits	107,968	106,728	436,839	427,483	406,072
Assisted Living Facilities:					
Resident Days	28,635	31,026	123,885	131,337	128,099
Occupancy Percentage	77.9%	85.0%	84.8%	94.1%	92.6%

THIRD-PARTY REIMBURSEMENT AND SOURCES OF REVENUES

Payments on behalf of certain patients are made to IHCS, Loudoun Hospital Corporation and to other health care providers in the System by managed care organizations, including health maintenance organizations, preferred provider organizations, and other organizations through contractual arrangements, by the federal government under the Medicare Program, by individuals, by the Commonwealth of Virginia under Medicaid and State and Local Hospitalization ("**SLH**") Programs, and by commercial insurance carriers. The following summarizes percentages of the gross inpatient and outpatient revenue for each of the System Hospitals by payor category for the fiscal years ended December 31, 2017, 2016 and 2015, and for the three months ended March 31, 2018 and 2017:

	Three Months Ended March 31,		For the Years Ended December 31,		
	2018	**2017**	**2017**	**2016**	**2015**
Managed Care, Commercial, & Other					
Alexandria	47.4%	48.9%	49.5%	48.7%	48.7%
Fairfax	51.2%	51.7%	52.5%	52.3%	51.7%
Fair Oaks	57.5%	58.2%	59.4%	59.6%	60.0%
Mount Vernon	43.2%	41.8%	42.3%	41.7%	42.2%
Loudoun	55.3%	55.8%	56.4%	55.9%	56.8%
Total	51.2%	51.7%	52.4%	52.1%	52.0%
Medicare					
Alexandria	33.1%	32.0%	31.4%	32.0%	33.3%
Fairfax	29.8%	30.2%	28.8%	29.2%	29.6%
Fair Oaks	29.8%	29.8%	28.4%	28.2%	28.6%
Mount Vernon	40.6%	43.2%	42.0%	43.0%	43.3%
Loudoun	30.9%	30.0%	29.3%	29.6%	29.2%
Total	31.3%	31.4%	30.2%	30.7%	31.2%
Medicaid					
Alexandria	10.9%	10.7%	10.1%	10.1%	9.1%
Fairfax	11.5%	12.0%	12.0%	11.7%	11.3%
Fair Oaks	6.9%	7.2%	6.7%	6.5%	6.2%
Mount Vernon	6.7%	7.2%	7.2%	7.3%	6.6%
Loudoun	7.6%	7.9%	7.7%	7.7%	6.8%
Total	10.1%	10.4%	10.2%	10.1%	9.4%
Self Pay and Charity					
Alexandria	8.7%	8.4%	9.0%	9.2%	8.9%
Fairfax	7.4%	6.2%	6.8%	6.8%	7.4%
Fair Oaks	5.8%	4.8%	5.4%	5.7%	5.2%
Mount Vernon	9.5%	7.7%	8.5%	8.0%	7.9%
Loudoun	6.1%	6.3%	6.7%	6.9%	7.2%
Total	7.4%	6.5%	7.2%	7.1%	7.4%
TOTALS:	100.0%	100.0%	100.0%	100.0%	100.0%

The System's contracts with private third party payors vary in term and provide generally for extension under existing provisions if a new agreement has not been negotiated by the stated termination date, and the System is, therefore, involved in the negotiation of new agreements on an ongoing basis. System management does not anticipate the termination of, or any changes to, existing agreements that would have a material adverse effect on the System's operations, results of operations or financial condition; however, it cannot guarantee that result. See "BONDHOLDERS' RISKS – Patient Service Revenues" and "Private Health Plans and Commercial Insurance" in the front part of this Official Statement.

SELECTED FINANCIAL INFORMATION

Consolidated Statements of Operations

The Consolidated Statements of Operations of the System set forth below for the fiscal years ended December 31, 2017, 2016 and 2015, and for the three months ended March 31, 2018 and 2017 include the revenues and expenses of the System Parent and the System Affiliates. The Obligated Group accounted for at least 86.9% of total operating revenues and 87.2% of total operating expenses of the System for each of the three months ended March 31, 2018 and the fiscal years ended December 31, 2017, 2016 and 2015. The following summary of consolidated revenues and expenses of the System should be read in conjunction with the audited consolidated financial statements of the System and related notes and other financial information relating to the Obligated Group incorporated herein by reference as described in the front part of the Official Statement under the heading "**FINANCIAL STATEMENTS**".

Consolidated Statements of Operations
Inova Health System
(Dollars in Thousands)

	Three Months Ended March 31, [1]		For the Years Ended December 31,		
	2018 Unaudited	2017 Unaudited[2]	2017 Audited	2016 Audited	2015 Audited
Net patient service revenue	$ 794,212	$ 779,941	$ 3,106,005	$ 2,929,635	$ 2,662,690
Premium Revenue	3,114	54,327	190,392	209,488	198,350
Other Operating Revenue	32,578	32,254	132,694	116,401	111,086
TOTAL OPERATING REVENUES	829,904	866,522	3,429,091	3,255,524	2,972,126
Operating Expenses:					
Salaries and benefits	415,576	402,194	1,640,192	1,517,961	1,328,687
Other	298,380	301,254	1,218,018	1,190,934	1,070,234
Medical claims	1,987	39,129	118,853	147,105	143,571
Depreciation and amortization	56,437	54,964	224,808	216,595	179,565
Interest	12,353	13,448	52,394	52,053	28,637
TOTAL OPERATING EXPENSES	784,733	810,989	3,254,265	3,124,648	2,750,694
OPERATING INCOME BEFORE IMPAIRMENT, PENSION SETTLEMENT, AND OTHER GAIN	45,171	55,533	174,826	130,876	221,432
Impairment, pension settlement and other gain	-	-	13,474	(112,900)	-
OPERATING INCOME	45,171	55,533	188,300	17,976	221,432
Investment income and other, net	24,963	191,410	674,755	265,020	(24,242)
EXCESS REVENUE OVER EXPENSES	70,134	246,943	863,055	282,996	197,190
Less: Noncontrolling interest[3]	(3,320)	(3,339)	(13,971)	-	-
EXCESS REVENUE OVER EXPENSES, ATTRIBUTABLE TO IHS	$ 66,814	$ 243,604	$ 849,084	$ 282,996	$ 197,190

1. On January 1, 2018, the System adopted, using the full retrospective approach, ASU 2014-09, *Revenue from Contracts with Customers*, which is described in more detail below under "MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION –Adoption of New Revenue Recognition Standard. The application of the full retrospective approach resulted in the reclassification to net patient service revenue of $36.3 million that was presented as a provision for bad debts for the three months ended March 31, 2017, and the removal of the net patient service revenue less provision for bad debts caption. This reclassification did not have a material impact on the consolidated financial statements. The information set forth in the table above for the Fiscal Years ended December 31, 2017, 2016 and 2015 do not reflect this reclassification.
2. As restated.
3. In 2017, amounts attributable to noncontrolling interests of $17.8 million were reclassified from other noncurrent obligations to unrestricted net assets.

Consolidated Balance Sheets

The Consolidated Balance Sheets set forth below present the financial position of the System as of December 31, 2017, 2016 and 2015, and March 31, 2018. The Obligated Group accounted for at least 97.8% of the total assets and 99.0% of the unrestricted net assets of the System as of March 31, 2018 and December 31, 2017, 2016 and 2015. The following summary of Consolidated Balance Sheets of the System should be read in conjunction with the audited consolidated financial statements of the System and related notes and other financial information relating to the Obligated Group incorporated herein by reference as described in the front part of the Official Statement under the heading "**FINANCIAL STATEMENTS**".

Consolidated Balance Sheets
Inova Health System
(Dollars in Thousands)

	As of March 31,	As of December 31,		
	2018 Unaudited	2017 Audited	2016 Audited	2015 Audited
Assets				
Cash and cash equivalents	$ 208,851	$ 232,528	$ 284,076	$ 246,932
Assets whose use is limited	5,202,407	5,183,903	4,479,549	4,180,755
Property and equipment, net	2,254,686	2,182,062	1,989,253	1,963,873
Other assets	686,532	647,257	581,508	631,619
Total Assets	$ 8,352,476	$ 8,245,750	$ 7,334,386	$ 7,023,179
Liabilities and Net Assets				
Current liabilities	$ 752,776	$ 728,679	$ 686,930	$ 713,704
Long-term debt, less current maturities	1,313,536	1,319,778	1,342,349	1,313,337
Financing Obligation	184,494	184,423	183,410	181,968
Other liabilities	93,059	88,145	98,501	113,848
Total Liabilities	2,343,865	2,321,025	2,311,190	2,322,857
Net Assets				
Unrestricted	5,811,092	5,744,855	4,891,147	4,584,661
Temporarily restricted	133,612	116,236	94,819	78,708
Permanently restricted	43,976	44,212	37,230	36,953
Total Net Assets, Attributable to the System	5,988,680	5,905,303	5,023,196	4,700,322
Noncontrolling interest [1]	19,931	19,422	-	-
Total Net Assets	6,008,611	5,924,725	5,023,196	4,700,322
Total Liabilities and Net Assets	$ 8,352,476	$ 8,245,750	$ 7,334,386	$ 7,023,179

1. In 2017, amounts attributable to noncontrolling interests of $17.8 million were reclassified from other noncurrent obligations to unrestricted net assets.

Liquidity and Capitalization

Cash and Investments. The following table sets forth the System's liquidity position as of December 31, 2017, 2016, 2015, and as of March 31, 2018, in terms of operating cash, board-designated funds for capital improvements and long term investments (dollars in thousands). Trustee-held bond funds, self-insurance assets and donor-restricted funds are excluded. All investments are shown at fair value.

	As of March 31,	As of December 31,		
	2018 Unaudited	2017 Audited	2016 Audited	2015 Audited
Cash and cash equivalents	$ 208,851	$ 232,528	$ 284,076	$ 246,932
Assets whose use is limited by Board for plant replacement, equipment, construction projects and liquidity	4,929,581	4,906,185	4,226,402	3,885,158
Total Cash and Investments	$ 5,138,432	$ 5,138,713	$ 4,510,478	$ 4,132,090
Operating expenses	$ 784,733	$ 3,254,265	$ 3,124,648	$ 2,750,694
Depreciation and amortization expense	(56,437)	(224,808)	(216,595)	(179,565)
Total Cash Expenses	$ 728,296	$ 3,029,457	$ 2,908,053	$ 2,571,129
Days Cash on Hand [1]	635	619	568	587

1. Total Cash and Investments divided by Total Cash Expenses multiplied by 90 as of March 31, 2018, 365 as of December 31, 2017 and 2015, and 366 as of December 31, 2016.

Liquidity Analysis. The following table sets forth detail concerning the nature of the System's liquid assets as of March 31, 2018, in relation to potential demands upon those assets to meet short-term debt requirements (dollars in thousands).

	As of March 31, 2018 Unaudited
Daily Liquidity	
Money Market Funds (SEC 2a-7 compliant and Aaa-rated by Moody's)	$ 284,953
Checking and deposit accounts at P-1 rated bank	126,108
US Treasuries & Agencies with less than 3-year maturity	155,210
US Treasuries & Agencies with greater than 3-year maturity	173,561
Other invested cash	100,325
Subtotal Daily Liquidity	$ 840,157
Weekly Liquidity	
Fixed Income	$ 407,132
Equities	942,463
Other holdings with weekly liquidity	77,083
Subtotal Weekly Liquidity	$ 1,426,678
Total Sources of Liquidity	$ 2,266,835
PRO FORMA DEBT SUBJECT TO TENDERS WITHIN TWELVE MONTHS	
VRDBs with Self-Liquidity	$ 199,330
Commercial Paper Notes	100,000
Total Debt Subject to Tenders Within Twelve Months	$ 299,330

Long-Term Debt. The following table sets forth the outstanding Long-Term Indebtedness secured by Obligations issued under the Master Indenture as of March 31, 2018. Assuming the issuance of the Series 2018 Bonds in aggregate par amount of $456,860,000, the application of the proceeds thereof as described under "**PLAN OF FINANCE**" in the front part of the Official Statement and payments made with respect to other Long-Term Indebtedness since March 31, 2018, the aggregate par amount of Long-Term Indebtedness secured by the Master Indenture will be $1,725,285,000 on the date of issuance of the Series 2018 Bonds. The names of financial institutions providing credit support (a letter of credit ("**LOC**")), or liquidity support (a standby bond purchase agreement ("**SBPA**")), for the related bonds, together with the expiration date of the related facility are set forth in the following table. In the case of a series of bonds placed directly with a bank and bearing interest at a bank rate, the name of the holder is set forth together with the date upon which the bonds mature or are currently subject to mandatory tender by the bank.

Series	Par Amount Outstanding (000's)[1]	Underlying Structure	Credit/Liquidity Enhancement Provider or Obligation Holder	Expiration or Mandatory Tender Date
1988A-D	$ 11,700	Weekly VRDBs	Northern Trust LOC	6/18/2019[2]
1993A	45,115	Fixed Rate	None	N/A
2000	30,300	Weekly VRDBs	BB&T SBPA	12/31/2018[2,5]
2005A-1	54,865	Direct Placement FRN	TD Bank (Holder)	9/30/2023[3]
2005A-2	54,865	Direct Placement FRN	BB&T (Holder)	10/15/2025[3]
2005C-1	9,305	Weekly VRDBs	Northern Trust LOC	6/18/2019[2, 5]
2005C-2	9,305	Weekly VRDBs	Northern Trust LOC	6/18/2019[2, 5]
2010A-2	95,000	Direct Placement FRN		9/1/2024[3]
2012A	268,765	Fixed Rate	None	N/A
2012B	60,000	Fixed Rate	None	N/A
2012D	70,395	Fixed Rate	None	N/A
2013	73,530	Fixed Rate Direct Placement	TD Bank (Holder)	12/1/2023[4]
2014A	200,000	Fixed Rate	None	N/A
2016A	111,880	Fixed Rate	None	N/A
2016B	31,295	Fixed Rate	None	N/A
2016C	99,330	Weekly VRDBs	None / Self-Liquidity	N/A
2017	179,285	Fixed Rate Direct Placement	United Bank (Holder)	5/15/2019[3,5]
Total	**$ 1,404,935[6]**			

1. Amounts shown are those used for the historic covenant calculations in this Appendix A and are as of March 31, 2018 for each series of bonds.
2. Expiration date.
3. Mandatory tender date.
4. Maturity date.
5. Anticipated to be refunded with proceeds of the Series 2018 Bonds, see "PLAN OF FINANCE" in the front part of this Official Statement.
6. In addition to the long-term indebtedness shown in this table, the System has outstanding $100 million in commercial paper.

Liquidity and credit facility providers hold Obligations secured by the Master Indenture for the payment of which the Members of the Obligated Group are jointly and severally liable. The financial and operating covenants made by the Obligated Group under the Master Indenture are incorporated into the respective agreements with those providers. The Obligated Group has not provided any such covenants the satisfaction of which is expected to be materially more burdensome or less likely to be achieved than the covenants made under the Master Indenture. In certain cases, the Long-Term Debt Service Coverage Ratio is required to be maintained at a level of at least 1.00 in order to avoid the occurrence of an event of default under the respective agreement.

See Note 10 in the 2017 Audit incorporated by reference into this Official Statement for details concerning certain terms of the outstanding Long-Term Indebtedness listed above and additional Long-Term Indebtedness for which Members of the Obligated Group are individually liable.

Historic and Pro Forma Debt to Capitalization Ratio for the System. The following table sets forth the System's historical debt to capitalization ratios as of December 31, 2017, 2016, 2015, and as of March 31, 2018 (dollars in thousands):

	As of March 31	As of December 31,		
	2018 Unaudited	2017 Audited	2016 Audited	2015 Audited
Long-term debt	$ 1,254,290	$ 1,259,092	$ 1,277,235	$ 1,278,970
Financing obligation	184,494	184,423	183,410	181,968
Net original issue premium	65,204	66,751	72,771	41,686
Net deferred financing costs	(5,958)	(6,065)	(7,657)	(7,319)
Bonds subject to tender within twelve months	129,255	129,255	129,630	169,986
Current portion of long-term debt	29,948	29,978	27,159	32,565
Total long-term debt	1,657,233	1,663,434	1,682,548	1,697,856
Unrestricted net assets	5,811,092	5,744,855	4,891,147	4,584,661
Total Capitalization	$ 7,468,325	$ 7,408,289	$ 6,573,695	$ 6,282,517
Percent of long-term Debt to Total Capitalization (Debt to Capitalization Ratio)	22.2%	22.5%	25.6%	27.0%
Proforma percent of long-term Debt to Total Capitalization (Debt to Capitalization Ratio)	24.8%	25.1%		

Historic and Estimated Pro Forma Long-Term Debt Service Coverage for the System. The following table sets forth the Long-Term Debt Service Coverage Ratio for the years ended December 31, 2017, 2016 and 2015, and for the three months ended March 31, 2018 and 2017, in each case using Income Available for Debt Service and actual Debt Service Requirements for the respective Historic Test Period (as defined in the Master Indenture). See "Definitions of Certain Terms and Certain Provisions of Principal Documents – Certain Provisions of the Master Indenture." The following table also sets forth a pro-forma Long-Term Debt Service Coverage Ratio computed using Income Available for Debt Service and Debt Service Requirements (excluding the Refunded Bonds) for the Historic Test Period of twelve months ended December 31, 2017, and the three months ended March 31, 2018, and Debt Service Requirements on the Series 2018 Bonds for the fiscal year ending December 31, 2019, the first full fiscal year in which a full year of interest accrued on the Series 2018 Bonds will be payable. (See "**ESTIMATED DEBT SERVICE REQUIREMENTS**" in the front part of this Official Statement).

	Twelve Months Ended March 31,		For the Year Ended December 31,		
	2018 Unaudited[1]	2017 Unaudited[1]	2017 Audited	2016 Audited	2015 Audited
Excess of revenue over expenses	$ 672,294	$ 466,941	$ 849,084	$ 282,996	$ 197,190
Add back:					
Depreciation and amortization	226,281	222,761	224,808	216,595	179,565
Interest on long-term indebtedness	51,299	52,208	52,394	52,053	48,637
(Gain)/loss on disposition of business line	(13,474)	1,471	(13,474)	-	(1,471)
Loss on settlement of defined benefit pension plan and recognized actuarial loss	-	57,375	-	64,494	7,944
Loss on impairment of goodwill and intangible asset	3,154		3,154	48,406	-
Loss on extinguishment of debt & swap terminations	10,787	21,667	12,601	19,853	-
(Gain)/loss on change in fair value of swaps	(1,541)	6,758	1,150	(2,532)	(6,504)
(Gain)/loss on trading portfolio	109,584	(242,043)	44,149	(846)	119,685
Income Available for Debt Service	$1,058,384	$587,138	$1,173,866	$681,019	$545,046
Long-term Debt Service Requirement	$87,946	$83,264	$86,385	$84,638	$94,726
Long-term Debt Service Coverage Ratio	12.0	7.1	13.6	8.0	5.8
Pro-forma Long-term Debt Service Requirement	$111,103		$110,310		
Pro-forma Long-term Debt Service Coverage Ratio	9.53		10.64		

[1] Amounts for the three month periods ended March 31, 2018 and 2017 are calculated on a rolling 12-month basis.

Introduction

The following discussion and analysis provides information that System management believes is relevant to an assessment and understanding of the System's results of operations and financial position. This analysis should be read in conjunction with the System financial statements for the three months ended March 31, 2018 and 2017, and the years ended December 31, 2017, 2016 and 2015.

The following discussion and analysis focuses on the System as a whole, which management believes provides a fair description and analysis in all material respects, of the Obligated Group's results of operations and financial condition, insofar as the Obligated Group represented at least (i) 86.9% of total operating revenues and 87.2% of total operating expenses of the System for each of the fiscal year ended December 31, 2017, 2016 and 2015 and the three months ended March 31, 2018 and 2017 and (ii) 98.0% of total assets and 99.1% of the unrestricted net assets of the System as of March 31, 2018 and December 31, 2017, respectively.

Results of Operations for the Years ended December 31, 2017, 2016 and 2015

Operating Revenues. Total operating revenues for 2017 were $3.4 billion, up 5.3% over 2016. Net patient service revenue increased 6.0% primarily due to strong acute and ambulatory volumes in select areas:

- Hospital inpatient surgical cases: +2.0%
- Outpatient visits: +2.2%
- Rehabilitation treatments: +29.7%
- Urgent care center visits: +25.4%
- Ambulatory surgery center cases: +11.1%

Ambulatory and non-acute care patient volumes were strong due to the addition of new sites and increased patient visits for existing sites. Revenue cycle optimization initiatives have contributed to stronger top line yield in both hospital and ambulatory settings. Premium revenue of $190.4 million was 9.1% lower than the prior year resulting from the sale of INTotal on October 31, 2017. See the discussion below.

The System and Aetna each have a 50% ownership interest in Innovation Health (Innovation), a commercial health insurance plan with approximately 200,000 covered lives in the northern Virginia market. The System accounts for its interest in Innovation under the equity method whereby 50% of Innovation's net income/(loss) is recorded as Other Operating Revenue in the System's Statement of Operations. In 2017, Innovation recorded losses associated with the Health Insurance Exchange and on January 1, 2018 exited all public health insurance exchange products. Innovation's other insurance products were profitable. Innovation recognized a $33.4 million net operating loss for 2017. The System's share of Innovation's 2017 net operating loss was $16.7 million.

In October 2017, the System completed the sale of all of the non-monetary assets of its wholly owned subsidiary, INTotal Health, to United Healthcare Insurance Company. The sales price included $12.0 million in cash and an estimated $20.4 million of additional consideration payable in the fourth quarter of 2018. A $13.5 million gain was recorded in connection with the sale, which is included in the non-operating section of the income statement.

Total operating revenues for the System for the year ended December 31, 2016 were $3.3 billion, up 9.5% over the comparable period in 2015. The revenue increase was driven by growth of traditional fee for service health services including: 3.8% in acute admissions; 15.4% in observation cases; 4.6% in deliveries; and 2.6% in emergency admissions. Much of the growth in acute care services is attributable to expansion and the opening of the new Women's Hospital and Children's Hospital on the Inova Fairfax Medical Campus. This renovated

campus provides private accommodations and expanded capacity in certain services. Freestanding ambulatory surgery cases rose by 5.2% over prior year.

Operating Expenses. Total operating expenses for the year ended December 31, 2017 were $3.3 billion, an increase of 4.1% over 2016. Salaries and benefits increased $122.2 million, or 8.1%, from 2016 to 2017, primarily due to increased staffing associated with higher patient acuity, additional nursing supervisors and clinical training and fellowship programs. The System continued to incur high costs associated with temporary labor and premium pay in specialty areas. Medical supply costs increased $28.3 million, or 9.1%, due to increased surgical volume and patient acuity. Depreciation and amortization expense increased $8.2 million, or 3.8% in 2017, primarily as a result of the new hospital construction projects coming on line.

Total operating expenses for the year ended December 31, 2016 were $3.1 billion, an increase of 13.6% over 2015. Salaries and benefits increased $189.3 million, or 14.2%, primarily due to increased staffing associated with higher patient activity and substantial growth in the number of employed physicians. Premium labor costs required to fully staff inpatient units contributed to the growth in salaries. Interest and Depreciation expenses were $60.4 million or 29.0% higher in 2016, primarily as a result of the new hospital construction projects coming on line in 2015. Other operating expenses in 2016 increased by $237.1 million, or 19.5%, primarily due to general volumes and higher inpatient surgeries, which result in higher supply costs.

Operating Income before Impairment, Pension Settlement and Other Gain. Operating income for the System was $174.8 million, or 5.1% of total operating revenues, for the year ended December 31, 2017, as compared to $130.9 million, or 4.0% of total operating revenues, in 2016 and $221.4 million, or 7.5% of total operating revenues in 2015. Excluding losses in the two business lines (Health Insurance Exchange and Medicaid Health Plan) that the System no longer participates in (effective January 2018), operating income through December 31, 2017 would have been $195.1 million. The System's operating income before the loss on settlement of the defined benefit pension plan and loss on impairment of goodwill and intangible assets was $130.8 million, or 4.0% of total operating revenues, for the year ended December 31, 2016, as compared to $221.4 million income, or 7.5% of total operating revenues, in 2015.

One-time Charges: In order to reduce business risk and achieve long-term cost savings, the System entered into two transactions that resulted in sizable non-cash accounting losses in 2016:

- $18.0 million accounting loss related to refunding of $259 million of tax-exempt debt (see *Debt Structure and Liability Management* section herein).
- $64.5 million accounting loss on termination of the System's defined benefit pension plan, which was fully liquidated in December 2016 (see *Pension Plan Termination* section herein)

In addition, the System recognized a one-time accounting charge for $48.4 million related to the impairment of goodwill and intangible assets for INTotal, the System's Medicaid health plan (see *Impairment on Goodwill and Intangible Assets* section herein).

Investment Performance and Non-Operating Activity. The following table shows the components of the *Investment income and other, net* line from the Consolidated Statements of Operations for the years ended December 31, 2017, 2016 and 2015 (dollars in thousands):

	For the Years Ended December 31,		
	2017 Audited	**2016 Audited**	**2015 Audited**
Interest and other income, net	$ 41,477	$ 64,866	$ 64,896
Gains on fair market value of interest rate swaps	4,246	1,681	6,504
(Loss)/gain on trading portfolio	(44,149)	846	(119,685)
Loss on termination of swap	(1,814)	(1,853)	-
Loss on extinguishment of debt	(10,787)	(18,000)	-
Realized gains	688,811	226,066	32,702
Change in the noncontrolling interest	-	(12,914)	(11,173)
Other	(3,029)	4,328	2,514
Investment gain (loss) and other, net	$ 674,755	$ 265,020	$ (24,242)

For the year ended December 31, 2017, investment returns benefited from the sharp rise in global equity markets were strong throughout 2017 across most asset classes and exceeded benchmarks. Investment returns on the System's Strategic Fund were 16.6% for the year. Total non-operating revenue, which includes most investment returns, was $674.7 million resulting in a net margin of 20.7% for the year.

Financial Position as of December 31, 2017 and 2016

Current Assets and Liquidity. The System's balance sheet remains strong, with significant unrestricted cash and investments at December 31, 2017 and 2016 of $5.1 billion and $4.5 billion, respectively, of which $2.8 billion and $2.2 billion represent investments that could not be liquidated within 3 days.

Investments. The following table summarizes the asset allocation for the Strategic Fund and the Capital Fund, which together comprised the Board designated funds as of December 31, 2017 and 2016 (dollars in thousands):

	As of March 31,		As of December 31,			
	2018	**%**	**2017**	**%**	**2016**	**%**
Strategic Fund						
Cash and cash equivalents	$ 367,629	7.5%	$ 439,915	9.0%	$ 324,644	7.7%
Fixed income	646,768	13.1%	653,789	13.3%	663,715	15.7%
Public equity	2,729,080	55.4%	2,607,564	53.1%	2,036,491	48.2%
Growth hedge fund	335,159	6.8%	266,268	5.4%	184,754	4.4%
Private equity	128,778	2.6%	107,693	2.2%	66,308	1.6%
Diversifying hedge fund	486,320	9.9%	508,709	10.4%	610,895	14.5%
Real assets	69,345	1.4%	154,828	3.2%	149,610	3.5%
	4,763,079	96.6%	4,738,766	96.6%	4,036,417	95.5%
Capital Fund	166,502	3.4%	167,419	3.4%	189,985	4.5%
Total	$ 4,929,581	100.0%	$ 4,906,185	100.0%	$ 4,226,402	100.0%

Fixed income securities are primarily investment-grade U.S. bonds with maturities ranging from one year to 30 years. Public equity securities are typically exchange traded U.S. and non-U.S. stocks. Hedge funds include strategies with moderate to low correlation with more traditional equity and fixed income sectors. Private equity includes early stage venture capital and buyout funds. Real assets include private real estate, commodities, and inflation-protected securities.

The System maintains a separate portfolio comprised of limited maturity, high quality bonds (Capital Fund). This fund was established to ensure that the System would have sufficient liquidity to complete critical construction projects in the event of a major financial market disruption.

Property, Plant, and Equipment. Capital expenditures were $380.1 million for the year ended December 31, 2017 including $122.7 million related to major hospital expansion and renovation projects at the Inova Fairfax Medical Campus, Loudoun Hospital and the ICPH campus, $99.0 million for the new Inova Schar Cancer Institute, located on the ICPH campus, $82.3 million related to information technology strategic and infrastructure projects, and $76.1 million related to equipment purchases.

Capital expenditures were $237.7 million for the year ended December 31, 2016 including $76.1 million related to major hospital expansion and renovation projects, $20.5 million for the ICPH campus, $38.5 million related to Information Technology strategic and infrastructure projects, and $102.6 million related to equipment purchases. The major hospital projects include capitalization of the new women's and children's hospital at Inova Fairfax Medical Campus which opened in January 2016.

All planned capital expenditures are regularly evaluated based upon business need, economic conditions and the System's financial position. System management currently anticipates that capital expenditures will be financed with a combination of operating cash flow, existing cash reserves, donations, and tax-exempt borrowing. The actual undertaking of any construction project or equipment purchase program contemplated by the System is dependent upon a number of factors, including receipt of appropriate Certificates of Public Need from the Virginia Department of Health and subject to changes in the methods and requirements pertaining to the delivery of necessary health care services.

Debt Structure and Liability Management. At December 31, 2017, total long-term debt outstanding, including financing obligations, was $1.8 billion, or 23.6% of capitalization. At December 31, 2016, total long-term debt outstanding, including financing obligations, was $1.7 billion, or 26.8% of capitalization. The System's capital structure is diversified to mitigate interest rate risk by utilizing different modes and durations of long-term debt as well as interest rate swaps. At December 31, 2017, the System underlying and effective fixed rate debt as a percent of total long term debt was 74.1% and 82.6% respectively, resulting in an all-in interest cost of 2.9%.

The System maintains a self-liquidity taxable commercial paper ("CP") program with $100.0 million outstanding of short term debt having maturity dates from 1 to 270 days. As of December 31, 2017 and 2016, the amount of CP outstanding was $100 million, which is included in notes payable and other liabilities in the current liabilities section of the balance sheet.

On December 27, 2017, the Virginia Small Business Financing Authority issued $179.3 million of Series 2017 bonds for the benefit of the Obligated Group. The Series 2017 Bonds bear an initial fixed rate of 1.55% per annum. The Series 2017 bonds were issued to advance refund the remaining 2009A Bonds and the 2009C Bonds. A $10.8 million accounting loss was recognized on early extinguishment of debt related to this transaction, which is in included in the non-operating section of the income statement.

On May 11, 2016, the Industrial Development Authority of Fairfax County, Virginia ("Authority") issued $243 million of Series 2016 Bonds to advance refund $119.5 million of Series 2009A Bonds and currently refund all of Inova's *Window* VRDB's.

On October 1, 2015, the System took possession of certain property under a ground lease agreement with a large multinational corporation. The 117 acre site with approximately 1.2 million square feet of office space has been named Inova Center for Personalized Health. This campus will house the Inova Dwight and Martha Schar Cancer Institute, a new regional destination cancer center for cancer care and research. The System plans to use the remaining space for medical services, research and consolidation of office space while also exploring uses for the additional development rights on the site. The net present value of the lease payments is $184.4 million which includes $180.0 million put option by the lessor to sell the property during the first 5 years of the lease. See Note 14 of the 2017 Audit.

As of December 31, 2017 and 2016, the System maintains unsecured lines of credit with three large commercial banks with a combined available principal amount of $237.5 million. There were no amounts outstanding on these credit lines as of December 31, 2017 and 2016.

Pension Plan Termination. Effective January 1, 2015, the System implemented a "hard freeze" on its Cash Balance Pension Plan (the "Plan") for all employees in favor of enhancing the matching benefit under its existing 401(k) plan. Through a series of transactions, the System terminated the Plan in the fourth quarter of 2016 and as of December 31, 2016 no longer has any employee retirement income obligations. A one-time, non-cash charge of $64.5 million was recognized upon Plan termination in 2016.

Impairment on Goodwill and Intangible Assets. Inova purchased INTotal Health, a Medicaid health plan, on December 1, 2012. Approximately $68.6 million of the purchase price was allocated to goodwill and other intangible assets. The initial valuation assumed certain growth characteristics at the time including the anticipation of expanded Medicaid eligibility in Virginia. The Commonwealth of Virginia has not expanded Medicaid eligibility as allowed under the Affordable Care Act. Additionally, in the spring of 2016, the Commonwealth announced that it was aggregating certain special needs populations into a new statewide Medicaid insurance program. The Commonwealth sought proposals from health plans seeking to insure these populations in exchange for a monthly premium. INTotal was not selected as one of the special needs plans, which management projected could have resulted in an annual premium reduction of up to $40 million annually.

The System performs an annual assessment of its goodwill and indefinite lived intangible assets, which involves a comparison of the estimated fair value of these items to their asset carrying value. As a result of the market changes described above, the revised forecasted amounts caused the estimated fair value of INTotal to drop below its carrying value as of October 1, 2016. As a result, a one-time impairment loss of $48.4 million was recognized by INTotal for goodwill and each of its intangible assets in 2016. The amount of impairment losses was determined based on the difference between the carrying value of goodwill and intangible assets when compared to the implied fair value of goodwill and estimated fair value intangible assets.

Other Financial Information

The following are selected financial indicators for the System as of and for the years ended December 31, 2017, 2016 and 2015:

	For the Years Ended December 31,		
Financial Indicator	**2017**	**2016**	**2015**
Operating margin[1]	5.1%	4.0%	7.5%
Operating cash flow margin[2]	13.2%	12.3%	14.5%
Net margin[3]	20.7%	8.0%	6.7%
Net days in accounts receivable[4]	38.8	38.1	38.0
Days in unrestricted cash[5]	619.1	567.7	586.6
Unrestricted cash to debt[6]	2.9x	2.5x	2.3x
Debt service coverage ratio[7]	12.8x	8.4x	5.8x

1. Operating income excluding impairment, pension settlement, and other gain divided by operating revenue
2. Operating income excluding impairment, pension settlement, and other gains, plus interest expense, plus depreciation and amortization expense divided by total operating revenue
3. Excess revenues over expenses divided by total operating revenue plus investment income and other, net
4. Net Patient Receivables divided by three-month average daily net patient service revenue
5. Cash and short-term investments plus unrestricted cash reserves plus unrestricted long-term investments divided by average daily operating expenses excluding depreciation and amortization expense
6. Cash and short-term investments plus unrestricted cash reserves plus unrestricted long-term investments divided by debt current portion plus debt-long-term portion
7. Income Available for Debt Service divided by long-term debt service requirement

Results of Operations as of and for the three months ended March 31, 2018 and 2017

Operating Revenues. Total operating revenues for the System for the three months ended March 31, 2018 were $829.9 million, a 4.2% reduction from prior year, reflecting a $51.2 million decrease in premium revenue as a result of the sale of INTotal in October 2017.

Net Patient Service Revenue increased 1.8% principally due to commercial rate increases. This was partially offset by some payor mix erosion and softer volumes in the acute hospitals in virtually all categories including inpatient admissions, ED visits, deliveries and surgical services.

Operating Expenses. Total operating expense for the three months ended March 31, 2018 were $784.7 million, a decrease of 3.2% over the comparable period in 2017. This change was principally driven by a $37.1 million decrease in medical claims resulting from the sale of INTotal in October 2017. Excluding INTotal medical claims, operating expenses increased 1.4%. Salaries and benefits increased $13.4 million, or 3.3%, primarily due to merit and market based pay adjustments and increased staffing to support bedside caregivers. The System continued to incur high costs associated with temporary labor and premium pay in specialty areas.

Operating Income was $45.2 million, or 5.4% of total operating revenues, for the three months ended March 31, 2018, as compared to $55.5 million, or 6.4% of total operating revenues, in 2017. The decrease in the operating margin was caused principally by decreased patient activity in the hospital based settings.

The population health division experienced an improvement its overall operating income from a $5 million loss in 2017 to a $1 million loss in 2018. This was driven primarily by the sale of INTotal in October 2017 and profitability improvement in Innovation Health as a result of exiting the public health insurance exchange effective January 1, 2018.

Investment Income and Other, net. Investment returns experienced a significant decrease when compared to 2017 as a result of recent market declines. Investment returns on Inova's Strategic Fund were -0.5% through March, which exceeded benchmark. Total investment income and other, net, was $25.0 million resulting in a net margin of 7.8% for the quarter compared with 23.1% for the same period in 2017.

	Three Months Ended March 31,	
	2018 Unaudited	**2017 Unaudited**
Interest and other income, net	$ 6,976	$ 2,977
Gains on fair market value of interest rate swaps	5,327	5,298
(Loss)/gain on trading portfolio	(22,162)	43,273
Loss on termination of swap	-	(1,814)
Loss on extinguishment of debt	-	-
Realized gains	32,779	141,663
Change in the noncontrolling interest	-	(3,339)
Other	2,043	13
Investment gain (loss) and other, net	$ 24,963	$ 188,071

Financial Position as of March 31, 2018

Current Assets and Liquidity. The System's balance sheet remains strong, with significant unrestricted cash and investments at March 31, 2018 of $5.2 billion, of which $2.8 billion represents investments that cannot be liquidated within three days. Operating cash flow of $113.0 million exceeded prior year by $31.1 million, or 37.9%.

Investments. The following table summarizes the asset allocation for the Strategic Fund and the Capital Fund, which together comprised the Board designated funds as of March 31, 2018 (dollars in thousands):

	Amount	**%**
Strategic Fund		
Cash and cash equivalents	$ 367,629	7.5%
Fixed income	646,768	13.1%
Public equity	2,729,080	55.4%
Growth hedge fund	335,159	6.8%
Private equity	128,778	2.6%
Diversifying hedge fund	486,320	9.9%
Real assets	69,345	1.4%
	4,763,079	96.6%
Capital Fund	166,502	3.4%
Total	$4,929,581	100.0%

Property, Plant, and Equipment. Capital expenditures were $129.0 million for the three months ended March 31, 2018 including $53.2 million related to major hospital expansion and renovation projects at the Inova Fairfax Medical Campus, Loudoun Hospital and the ICPH campus, $28.4 million for the new Inova Schar Cancer Institute and Proton Therapy, $24.5 million related to information technology strategic and infrastructure projects, and $22.9 million related to equipment purchases.

Debt Structure and Liability Management. At March 31, 2018, total long-term debt outstanding, including financing obligations, was $1.8 billion, or 23.3% of capitalization. The System's capital structure is diversified to mitigate interest rate risk by utilizing different modes and durations of long-term debt as well as interest rate swaps. At March 31, 2018, the System's underlying and effective fixed rate debt as a percent of total long term debt was 74.0% and 82.5% respectively, resulting in an all-in interest cost of 2.9%.

The System maintains a self-liquidity taxable commercial paper ("**CP**") program with $100.0 million outstanding of short term debt having maturity dates from one to 270 days. The outstanding CP is included in notes payable and other liabilities in the current liabilities section of the balance sheet.

Adoption of New Revenue Recognition Standard

On January 1, 2018, the System adopted, using the full retrospective approach, ASU 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 provides for a single comprehensive principles-based standard for the recognition of revenue across all industries through the application of a five-step model. The new standard changes the healthcare industry specific guidance under ASU 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*. The most significant change from the adoption of the new standard relates to the System's estimation for the allowance for doubtful accounts. Under the previous standards, the System's estimate for amounts not expected to be collected based upon historical experience, were reflected as provision for bad debts and deducted from net patient service revenue to arrive at net patient service revenue less provision for bad debts. Under the new standard, those amounts will continue to be recognized as a reduction to net patient service revenue, however, not reflected separately as provision for bad debts, and accordingly the caption net patient service revenue less provision for bad debts will no longer be presented on the consolidated statement of operations and changes in net assets. Subsequent changes in the estimate of collectability due to a change in the financial status of a payor, for example a bankruptcy, will be recognized as bad debt expense in operating expenses. The application of the full retrospective approach resulted in the reclassification to net patient service revenue of $36.3 million that was presented as a provision for bad debts for the three months ended March 31, 2017, and the removal of the net patient service revenue less provision for bad debts caption. This reclassification did not have a material impact on the consolidated financial statements.

Other Financial Information

The following are selected financial indicators for the System as of and for the three months ended March 31, 2018 and 2017:

	For the Three Months Ended March 31,	
Financial Indicator	**2018**	**2017**
Operating margin[1]	5.4%	6.4%
Operating cash flow margin[2]	13.7%	14.3%
Net margin[3]	7.8%	23.1%
Net days in accounts receivable[4]	37.5	35.9
Days in unrestricted cash[5]	635.0	557.5
Unrestricted cash to debt[6]	2.9x	2.6x
Debt service coverage ratio[7]	11.6x	12.9x

1 Operating income divided by operating revenue
2 Operating income plus interest expense, plus depreciation and amortization expense divided by total operating revenue
3 Excess revenues over expenses divided by total operating revenue plus investment income and other, net
4 Net Patient Receivables divided by three-month average daily net patient service revenue
5 Cash and short-term investments plus unrestricted cash reserves plus unrestricted long-term investments divided by average daily operating expenses excluding depreciation and amortization expense
6 Cash and short-term investments plus unrestricted cash reserves plus unrestricted long-term investments divided by debt-current portion plus debt-long-term portion
7 Income Available for Debt Service divided by long-term debt service requirement

COUNTY LEASE AGREEMENT

A portion of the land upon which Fairfax Hospital is located, the land on which Mount Vernon Hospital is located, and related buildings and equipment, are leased to IHCS by the Board of Supervisors of Fairfax County, Virginia (the "**County**"), under a lease agreement (the "**County Lease**"). Under the County Lease, the property and equipment leased from the County are recorded as leasehold interests at the cost to construct or acquire. Upon termination of the County Lease, such property, including leasehold improvements and equipment will revert to the County, subject to all related long-term liabilities of IHCS incurred to finance the construction and acquisition of such property, buildings and equipment. The term of the County Lease was extended to 2109 by an amendment executed by the County and IHCS in December 2010. See "BONDHOLDERS' RISKS – Other Industry and Investment Risks – County Lease" in the forepart of the Official Statement.

The County Lease also requires IHCS to set aside funds in an amount at least equal to the depreciation expense on the related leasehold interests. Such funds may be expended by IHCS for major repairs or alterations, construction of or additions to buildings, or the purchase or replacement of equipment. The System Parent's Board of Trustees has also designated additional funds for the purpose of plant expansion.

The terms of the County Lease outline an indigent care policy to assure all individuals in the County have access to medically necessary care. Patients' payment obligations under the policy are determined using a sliding income scale based on the federal poverty guidelines. During the term of the County Lease, IHCS has agreed to notify the County of any intent to incur additional debt in excess of $1 million. IHCS has also agreed to notify the County of any intent to enter into contractual agreements for the management or operation of Fairfax Hospital or Mount Vernon Hospital by persons other than the System, or any intent to change hospital rates.

For additional information regarding the County Lease, see Note 13 in in the 2017 Audit incorporated by reference into this Official Statement.

MALPRACTICE AND OTHER INSURANCE

System Insurance Program

The System maintains coverage for professional and general liability through claims-made policies issued by InovaCap, LLC ("**InovaCap**"). InovaCap is a wholly-owned captive insurance company domiciled in Vermont and is not a member of the Obligated Group. Because InovaCap is a wholly-owned subsidiary of IHCS, its assets, liabilities, revenues and expenses are fully consolidated in the System's financial statements and the interest of IHCS in InovaCap is included in the Obligated Group's financial statements.

Virginia law imposes a medical malpractice damage limit of $2.3 million per claim. That limit is scheduled to increase annually by $50,000 until it reaches $3.0 million in 2031.

InovaCap retains professional liability insurance of $2.3 million per claim and $19 million in annual aggregate (which aggregate is for professional liability and general liability combined). Additional risk is reinsured in umbrella forms through Lloyds of London, other European insurance companies, Zurich North America, and CNA, together providing limits of $50 million per claim, and $50 million in the aggregate, in excess of the InovaCap retention.

As of December 31, 2017, InovaCap carried a liability of $30.2 million related to the System's known claims, and held cash and investment for future payment of the System's claims of approximately $127.6 million. In addition, IHCS accrued a liability for incurred but not reported claims totaling $9.4 million as of December 31, 2017.

PENDING LITIGATION AND OTHER CONTINGENCIES

The System is subject to various legal commitments and contingencies arising in the ordinary course of business. There is no litigation or proceedings to the knowledge of System management that is pending or threatened against any Member of the Obligated Group except litigation or proceedings in which the estimated probable ultimate recoveries and the costs and expenses of defense, in the opinion of System management, (i) will be entirely within applicable commercial insurance policy limits (subject to applicable deductibles) or are not in excess of the total available reserves held under applicable self-insurance programs, or (ii) will not have a material adverse effect on the operations or financial condition of the Obligated Group, taken as a whole.

In addition, the System, like all major health systems and health care providers, periodically may be subject to investigations or audits by federal, state and local agencies involving compliance with a variety of laws and regulations. See "BONDHOLDERS' RISKS" in the front part of this Official Statement. These investigations seek to determine compliance with, among other things, laws and regulations relating to Medicare and Medicaid reimbursement, including billing practices for certain services. Violation of such laws could result in substantial monetary fines, civil and/or criminal penalties and exclusion from participation in Medicare, Medicaid or similar programs. In the opinion of management, there are no such current investigations or audits which, if determined adversely to the System, would have a material adverse effect on the financial position or operations of the System.

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APPENDIX B

FORM OF AGREEMENT TO PROVIDE CONTINUING DISCLOSURE

THIS AGREEMENT TO PROVIDE CONTINUING DISCLOSURE, dated July 31, 2018 (this "Disclosure Agreement"), is made by Inova Health System Foundation ("Inova"), on behalf of itself, Inova Health Care Services and Loudoun Hospital Center, as the current members of the Obligated Group (as defined below).

Inova, in consideration of the mutual covenants herein contained and other good and lawful consideration, hereby agrees for the sole and exclusive benefit of the Holders as follows:

Section 1. Definitions.

Capitalized terms used but not defined herein as follows shall have the meaning ascribed to them in the Master Indenture.

"Annual Financial Statements" shall mean those annual audited financial statements required to be delivered by Inova to the Master Trustee pursuant to Section 407(b) of the Master Indenture.

"Annual Information" shall mean the information specified in Section 3.

"Authority" shall mean the Industrial Development Authority of Fairfax County, Virginia, a political subdivision of the Commonwealth of Virginia.

"Bond Trustee" shall mean U.S. Bank National Association, a national banking association organized and existing under the laws of the United States of America and having a corporate trust office in Richmond, Virginia.

"Bonds" shall mean the $206,860,000 Industrial Development Authority of Fairfax County, Virginia, Health Care Revenue Bonds (Inova Health System Project), Series 2018A.

"EMMA" shall mean the Electronic Municipal Market Access system as described in Exchange Act Release No. 59062 and maintained by the MSRB for purposes of Rule 15c2-12 and any other system designated by the MSRB or the Securities and Exchange Commission for purposes of Rule 15c2-12.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"Holder" shall mean any registered owner of Bonds and, if registered in the name of Cede & Co., through The Depository Trust Company, New York, New York ("DTC"), any Beneficial Owner (as such term is used by DTC to define a holder other than a nominee) of the Bonds, unless Rule 15c2-12, or an authoritative interpretation thereof by the Securities and Exchange Commission or its staff, does not require this Disclosure Agreement to be for the benefit of such Beneficial Owners.

"Indenture" shall mean the Trust Agreement, dated as of July 1, 2018, by and between the Authority and the Bond Trustee, pursuant to which the Bonds were issued.

"Master Indenture" shall mean the Amended and Restated Master Trust Indenture, dated as of May 1, 2012, by and among the members of the Obligated Group and the Master Trustee, including any amendments or supplements thereto.

"Master Trustee" shall mean U.S. Bank National Association, as trustee under the Master Indenture, and any successors and assigns thereunder.

"MSRB" shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(l) of the Exchange Act.

"Obligated Group" shall mean Obligated Group as defined in Section 101 of the Master Indenture.

"Obligated Person" shall mean an "obligated person" with respect to the Bonds within the meaning of Rule 15c2-12.

"Official Statement" shall mean the Official Statement, dated July 18, 2018, relating to the Bonds.

"Person" means Person as defined in Section 101 of the Master Indenture.

"Quarterly Information" shall mean the information specified in Section 4.

"Rule 15c2-12" shall mean Rule 15c2-12 under the Exchange Act, as the same may be amended through the date of this Disclosure Agreement.

Section 2. Obligations to Provide Continuing Disclosure.

(i) Obligations of Inova.

(a) Inova hereby undertakes, for the benefit of Holders of the Bonds, to provide, no later than 150 days after the end of each of its fiscal years, commencing with the fiscal year ending December 31, 2018, for delivery to EMMA, the Annual Information relating to such fiscal year, together with Annual Financial Statements, when and if available, accompanied by identifying information as prescribed by the MSRB; provided, that if Annual Financial Statements are not then available, unaudited financial statements shall be provided and such Annual Financial Statements shall be delivered to EMMA when they become available.

(b) Inova hereby undertakes, for the benefit of Holders of the Bonds, to provide, no later than 60 days after the end of each of its first three fiscal quarters, commencing with the fiscal quarter ending September 30, 2018, for delivery to EMMA, the Quarterly Information relating to such fiscal quarter, accompanied by identifying information as prescribed by the MSRB.

(c) In addition, Inova shall, on a timely basis and in any event within 10 business days of the occurrence thereof, file with EMMA notice of the occurrence of any of the events listed below with respect to the Bonds (the "Listed Events"):

(1) principal and interest payment delinquencies;

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

(3) unscheduled draws on debt service reserves reflecting financial difficulties;

(4) unscheduled draws on credit enhancements reflecting financial difficulties;

(5) substitution of credit or liquidity providers, or their failure to perform;

(6) (A) 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 (B) 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;

(7) modifications to rights of bondholders, if material;

(8) (A) bond calls, if material and (B) tender offers;

(9) defeasances;

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

(11) rating changes;

(12) bankruptcy, insolvency, receivership or similar event of any Obligated Person;

(13) the consummation of a merger, consolidation or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of an Obligated Person, 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

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

(d) Inova shall promptly file notice with EMMA of any failure to file the Annual Report by the date required in Section 2(i)(a) or any failure to file the Quarterly Report by the date required in Section 2(i)(b).

(ii) Other Information. Nothing herein shall be deemed to prevent Inova from disseminating any other information in addition to that required hereby in the manner set forth herein or in any other manner. If Inova should disseminate any such additional information, then Inova shall have no obligation to update such information or include it in any future materials disseminated hereunder.

Section 3. Annual Information.

(i) Specified Information. The Annual Information shall consist of the following:

(a) The Annual Financial Statements; and

(b) The following operating data and financial information:

(1) utilization data of the type included in the Official Statement in "Appendix A – SELECTED OPERATIONAL AND UTILIZATION INFORMATION";

(2) information of the type included in the Official Statement in "Appendix A – THIRD-PARTY REIMBURSEMENT AND SOURCES OF REVENUES"; and

(3) a summary of annual revenue and expenses and a summary balance sheet and a summary of liquidity, capitalization and debt service coverage of the type included in the Official Statement in "Appendix A – SELECTED FINANCIAL INFORMATION," provided, however, that the information set forth under "Liquidity and Capitalization – *Liquidity Analysis*" shall be updated only as long as the Obligated Group has outstanding any bonds that are supported only by the Obligated Group's own liquidity.

(ii) Cross Reference. All or any portion of the Annual Information may be incorporated in the Annual Information by cross reference to any other documents that have been filed with EMMA, and, if the document is an official statement, the MSRB.

(iii) Informational Categories. The requirements contained in this Disclosure Agreement under Section 3(i) are intended to set forth a general description of the type of financial information and operating data to be provided; such descriptions are not intended to state more than general categories of financial information and operating data; and where the provisions of Section 3(i) call for information that no longer can be generated because

the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided.

Section 4. Quarterly Information.

(i) Specified Information. The Quarterly Information shall consist of the following operating data and financial information:

(1) utilization data of the type included in the Official Statement in "Appendix A – SELECTED OPERATIONAL AND UTILIZATION INFORMATION";

(2) information of the type included in the Official Statement in "Appendix A – THIRD-PARTY REIMBURSEMENT AND SOURCES OF REVENUES";

(3) a summary of liquidity of the type included in the Official Statement in "Appendix A – SELECTED FINANCIAL INFORMATION," provided, however, that the information set forth under "Liquidity and Capitalization – *Liquidity Analysis*" shall be updated only as long as the Obligated Group has outstanding any bonds that are supported only by the Obligated Group's own liquidity; and

(4) a summary of year-to-date revenue and expenses and summary balance sheet of the type included in the Official Statement in "Appendix A – SELECTED FINANCIAL INFORMATION," for the Credit Group Members or, at the option of the Obligated Group, for the System, provided that, if the total revenues of the Credit Group Members are less than 85% of the System Revenues, then, any summary of System financial information delivered for such period shall include a consolidating schedule from which the financial information relating solely to the Credit Group Members may be derived.

(ii) Cross Reference. All or any portion of the Quarterly Information may be incorporated in the Quarterly Information by cross reference to any other documents that have been filed with EMMA, and, if the document is an official statement, the MSRB.

(iii) Informational Categories. The requirements contained in this Disclosure Agreement under Section 4(i) are intended to set forth a general description of the type of financial information and operating data to be provided; such descriptions are not intended to state more than general categories of financial information and operating data; and, where the provisions of Section 4(i) call for information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided.

Section 5. Remedies.

If Inova should fail to comply with any provision of this Disclosure Agreement, then any Holder of Bonds (including Beneficial Owners), may enforce, for the equal benefit and protection of all Holders similarly situated, this Disclosure Agreement against Inova and may compel Inova to perform and carry out its duties under this Disclosure Agreement; provided, that the sole and exclusive remedy for breach of this Disclosure Agreement shall be an action to compel specific performance of the obligations of Inova hereunder, and no Person shall be entitled to recover monetary damages hereunder under any circumstances. Failure by Inova to perform its obligations hereunder shall not constitute an Event of Default under the Master Indenture, the Indenture or any other agreement executed and delivered in connection with the issuance of the Bonds.

Section 6. Parties in Interest.

This Disclosure Agreement is executed and delivered solely for the benefit of the Holders of the Bonds. No other Person (other than the Holders) shall have any right to enforce the provisions hereof or any other rights hereunder.

Section 7. Amendments.

Without the consent of any Holders of Bonds, Inova at any time and from time to time may amend or change this Disclosure Agreement for any of the following purposes:

(i) for any purpose for which, and subject to the conditions pursuant to which, amendments may be made under Rule 15c2-12, as amended or modified from time to time, or any formal authoritative interpretations thereof by the Securities and Exchange Commission or its staff;

(ii) to add or change a dissemination agent for the information required to be provided hereby and to make any necessary or desirable provisions with respect thereto;

(iii) to evidence the succession of another Person to Inova, and the assumption by any such successor of the covenants of Inova hereunder;

(iv) to add to the covenants of Inova for the benefit of the Holders, or to surrender any right or power herein conferred upon Inova; or

(v) for any other purpose, if (a) the amendment is made in connection with a change in circumstances that arise from a change in legal requirements, change in law, or change in the identity or nature, or status of Inova or the Obligated Group or any type of business or affairs conducted by Inova or the Obligated Group; (b) the undertakings set forth herein, as amended, would have complied with the requirements of Rule 15c2-12 at the time of the primary offering of the Bonds, after taking into account any amendments to, or formal authoritative interpretations by the Securities and Exchange Commission of, Rule 15c2-12, as well as any change in circumstances; and (c) the amendment does not materially impair the interests of the Holders.

Annual Information for any fiscal year containing any amended operating data or financial information for such fiscal year and Quarterly Information for any fiscal quarter containing any amended operating data or financial information for such fiscal quarter shall explain, in narrative form, the reasons for such amendment and the impact of the change on the type of operating data or financial information in the Annual Information being provided for such fiscal year and in the Quarterly Information being provided for such fiscal quarter, respectively. If a change in accounting principles is included in any such amendment, such Annual Information and Quarterly Information shall present a comparison between the financial statements or information prepared on the basis of the amended accounting principles and those prepared on the basis of the former accounting principles for the fiscal year or fiscal quarter, respectively, in which such change is made. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the Obligated Group to meet its obligations. To the extent reasonably feasible, the comparison also shall be quantitative. A notice of the change in accounting principles shall be sent to EMMA.

Section 8. Dissemination Agent.

Inova reserves the right, from time to time, to appoint or engage a dissemination agent to assist it in carrying out its obligations under this Disclosure Agreement, and discharge any such dissemination agent, with or without appointing a successor dissemination agent.

Section 9. Termination.

This Disclosure Agreement shall remain in full force and effect until such time as all principal and interest on the Bonds shall have been paid in full or the Bonds shall have otherwise been paid or defeased pursuant to the Indenture; provided, that if Rule 15c2-12 (or successor provision) shall be amended, modified or changed so that all or any part of the information currently required to be provided thereunder shall no longer be required to be provided thereunder, then such information shall no longer be required to be provided hereunder; and provided further, that if and to the extent Rule 15c2-12 (or successor provision), or any provision thereof, shall be declared by a court of competent and final jurisdiction to be, in whole or in part, invalid, unconstitutional, null and void, or otherwise

inapplicable to the Bonds, then the information required to be provided hereunder, insofar as it was required to be provided by a provision of Rule 15c2-12 so declared, shall no longer be required to be provided hereunder.

Section 10. Governing Law.

THIS DISCLOSURE AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE COMMONWEALTH OF VIRGINIA DETERMINED WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAW.

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IN WITNESS WHEREOF, the undersigned has duly authorized, executed and delivered this Disclosure Agreement as of the date first above written.

INOVA HEALTH SYSTEM FOUNDATION,
on behalf of itself, Inova Health Care Services and
Loudoun Hospital Center

By: _____

Richard C. Magenheimer

Chief Financial Officer

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DEFINITIONS OF CERTAIN TERMS AND CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS

Brief descriptions of the Master Indenture, the Trust Agreement and the Loan Agreement are included in this Appendix C. Such descriptions do not purport to be comprehensive or definitive; all references herein to the Master Indenture, the Trust Agreement and the Loan Agreement are qualified in their entirety by reference to each such document, copies of which are available for review at the offices of U.S. Bank National Association, as Bond Trustee.

CERTAIN PROVISIONS OF THE MASTER INDENTURE

Inova will issue Obligation No. 67 under the Master Indenture, as supplemented by the related Supplemental Indenture for Obligation No. 67. The Holders of Obligation No. 67 are deemed under the Master Indenture to be the Holders of the Obligation securing the related Bonds. Section 702 of the Master Indenture provides that the Master Indenture may be amended with the consent of the Holders of not less than 51% in aggregate principal amount of the Obligations then Outstanding under the Master Indenture.

By their purchase and acceptance of the Bonds, the original purchasers thereof shall consent to and approve, and shall be deemed to have consented to and approved, a new Section 704 to be added to the Master Indenture, to read as follows:

"Section 704. Document Substitution. (a) This Master Indenture may be amended or supplemented as provided in Sections 701 and 702 of this Master Indenture.

(b) In addition, the Obligated Group and the Master Trustee, may, without the consent of any of the Holders of any Obligations or any Related Bonds, but only upon the delivery of the items set forth in paragraph (c) below, enter into one or more supplements, amendments, restatements, replacements or substitutions to this Master Indenture, to modify, amend, restate, supplement, replace, substitute, change or remove any covenant, agreement, term or provision of this Master Indenture, in whole or in part, including, but not limited to, an amendment, restatement or substitution of this Master Indenture, in whole to relate to all Related Bonds, or in part to relate to a portion of the Related Bonds, including but not limited to a series or subseries of the Related Bonds secured by payment obligations of the Obligated Group in order to effect (i) the affiliation of the Obligated Group Agent, the Obligated Group, or any Members of the Obligated Group with any of the foregoing or with another entity or entities in order to create a new or modified credit group or structure or in order to provide for the inclusion of the Obligated Group Agent, the Obligated Group, or any Members of the Obligated Group in another obligated group, combined group or other unified credit group or structure, (ii) the release or discharge of any collateral securing the Related Bonds, including, but not limited to, the release or discharge of (A) any or all Obligations, in whole or in part, issued pursuant to this Master Indenture to secure the Related Bonds and (B) the Obligated Group Agent, the Obligated Group, or any Members of the Obligated Group from any or all liability (whether direct or indirect) with respect to the Related Bonds or a portion thereof, any Related Loan Agreement, any Related Bond Indenture, the Obligations, or this Master Indenture or any portion of any thereof, in consideration for the issuance of a note or notes to secure the Related Bonds or portion of the Related Bonds that are to become an obligation of the new affiliated entities or the new obligated group, combined group or other unified credit group, which note or notes would constitute obligations of the new affiliated entities or the members of the new obligated group, combined group or other unified credit group, and (iii) the replacement of all or a portion of the financial and operating covenants and related definitions set forth in this Master Indenture with those of the new affiliated entities or the new

obligated group, combined group or other unified credit group, set forth in the new agreement or master indenture (such transaction is referred to collectively herein as the "Substitution Transaction").

(c) If all amounts due or to become due on the Related Bonds have not been fully paid to the Holders thereof, at or prior to the implementation of the Substitution Transaction there shall be delivered to the Master Trustee: (i) an Opinion of Bond Counsel to the effect that under then existing law the implementation of the Substitution Transaction and the execution of the amendments, supplements, restatements, replacements or substitutions contemplated in this Section, in and of themselves, would not adversely affect the validity of the Related Bonds or the exclusion from federal income taxation of interest payable on the Related Bonds, and (ii) an Opinion of Counsel to the new affiliated entities or the new obligated group, combined group or other unified credit group to the effect that (1) the note or notes of the new affiliated entities or the new obligated group, combined group or other unified credit group to be delivered in connection with the implementation of the Substitution Transaction constitute legal, valid and binding obligations of the new affiliated entities or the new obligated group, combined group or other unified credit group enforceable in accordance with their terms, except to the extent that the enforceability of such note or notes may be limited by any applicable bankruptcy, insolvency, liquidation, rehabilitation or other similar laws or enactment affecting the enforcement of creditors' rights, and such other customary exceptions for similar transactions, and (2) the issuance of the note or notes will not cause the Related Bonds or such note or notes to become subject to the registration requirements pursuant to the Securities Act of 1933, as amended.

(d) Upon the implementation of the Substitution Transaction, and concurrently therewith, the Master Trustee shall, at the option and direction of the Obligated Group Agent, release, if any, file or record, or allow to be released, filed or recorded, any releases, discharges or termination statements that may be applicable thereto.

(e) Notwithstanding any other provisions of this Section 704, in no event may the implementation of the Substitution Transaction result in a change described in clause (i), (ii), (iii) of (iv) of Section 702(a) hereof without the receipt of the applicable level of consents required under such clauses.

(f) In addition, upon the implementation of the Substitution Transaction, the Obligated Group Representative shall direct the Master Trustee to give written notice thereof, by first-class mail, to the Holders of the Obligations then Outstanding."

The following in this Appendix C under "Definitions of Certain Terms and Summary of Certain Provisions of Principal Documents – Certain Provisions of The Master Indenture**"** is a summary of certain provisions of the Master Indenture. This discussion does not purport to be complete and is subject in all respects to the provisions of, and is qualified in its entirety by reference to, the Master Indenture, a copy of which is available for inspection at the Richmond, Virginia, designated corporate trust office of U.S. Bank National Association, as Master Trustee. Words or terms which are capitalized unless defined below or elsewhere herein or in the Official Statement to which this Appendix C is attached, have the meanings assigned to them in the Master Indenture.

Definitions of Certain Terms

"Affiliate" means a corporation, partnership, joint venture, association, limited liability company, business trust or similar entity organized under the laws of the United States of America or any state thereof, which is directly or indirectly controlled by Inova, by any other Affiliate or by any Person

that directly or indirectly controls Inova or directly or indirectly controls any other Affiliate; provided, however, that the term "Affiliate" shall not include Inova. For purposes of this definition, control means the power to direct the management and policies of a Person through the ownership of not less than a majority of its voting securities or the right to designate or elect not less than a majority of the members of its board of directors or other governing board or body by contract or otherwise.

"Ancillary Obligation" means each Obligation issued to evidence or secure a conditional or contingent financial obligation (other than Indebtedness or obligations under Derivative Agreements) of an Obligated Group Member, which may include fees and charges payable with respect to such obligation, which Obligation is designated as an Ancillary Obligation in a Supplemental Master Indenture, including without limitation, a reimbursement agreement, standby bond purchase agreement or agreement with a guarantor or insurer of Indebtedness issued to the provider of such an instrument.

"Balloon Indebtedness" means Long-Term Indebtedness as to which 20% or more of the then Outstanding aggregate principal amount is stated to be payable in any Fiscal Year after the Fiscal Year for which a computation is being made (whether by its terms or at the option of the holder), after taking into account any prepayment of that Indebtedness required to be made prior to that Fiscal Year; provided that Indebtedness that would constitute Balloon Indebtedness solely by reason of a holder's option to require an Obligated Group Member to pay or purchase all or any portion thereof will constitute Balloon Indebtedness only if and to the extent designated as Balloon Indebtedness in an Officer's Certificate delivered to the Master Trustee, which designation may be changed from time to time.

"Bondholder," "holder of the Bonds" or "owner of the Bonds" means the registered owner of any Related Bond.

"Bond Index" means the historical average, in the most recent five (5) full calendar years, of the SIFMA Index.

"Book Value," when used with respect to Property, means the aggregate value of such Property, net of accumulated depreciation and amortization, as reflected in the most recent Credit Group Financial Statements or System Financial Statements, as applicable; provided that such aggregate value will be calculated in such a manner so that no portion of the value of any Property is included more than once.

"Capitalized Lease" means any lease of real or personal property as to which rental payments are required to be capitalized on the balance sheet of the lessee in accordance with GAAP.

"Capitalized Rentals" means the liability that would be reflected on a Person's balance sheet in accordance with GAAP with respect to a Capitalized Lease.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, including the United States Treasury Regulations, including temporary and proposed regulations, relating to such section that are applicable to the Related Bonds or the use of the proceeds thereof.

"Completion Indebtedness" means Indebtedness incurred to finance the completion of the construction, furnishing and equipping of facilities, which Indebtedness was originally incurred as Permitted Indebtedness under the Master Indenture, to the extent necessary to provide facilities of the type, quality and scope contemplated at the time that original Indebtedness was incurred, subject to changes in the plans and specifications for the facilities made in accordance with any limitations imposed on the making of such changes at the time of, and as a condition to, the incurrence of that original

Indebtedness. Completion Indebtedness may also include financing of debt service reserve funds and costs related to its incurrence.

"Consultant" means a professional consulting, financial advisory, accounting, investment banking or commercial banking firm selected by the Obligated Group Agent and not unacceptable to the Master Trustee, which is not, and no member, stockholder, director, officer or employee of which is, an officer or employee of any Member of the Credit Group or any Affiliate thereof, having the skill and experience necessary to render the particular report required and having a favorable and recognized reputation for such skill and experience, which firm does not control any Member of the Credit Group or any Affiliate thereof and is not controlled by or under common control with any Member of the Credit Group or any Affiliate thereof.

"Controlling Member" means the Obligated Group Member designated by the Obligated Group Agent to establish and maintain control over a Designated Affiliate.

"Counsel" means an attorney duly admitted to practice law before the highest court of any state of the United States and, without limitation, may include legal counsel for any Credit Group Member or for the Master Trustee.

"Credit Group" or "Credit Group Members" or "Members of the Credit Group" means all Obligated Group Members and all Designated Affiliates.

"Credit Group Financial Statements" means (i) any special purpose financial statements delivered in accordance with the provision of the Master Indenture described in clause (i) of the second paragraph under the caption "Certain Provisions of the Master Indenture – Financial Statements" herein, or (ii) the financial information relating solely to the Credit Group as shown on the consolidating schedule contained in any System Financial Statements delivered in accordance with the provision of the Master Indenture described in clause (ii) of the second paragraph under the caption "Certain Provisions of the Master Indenture – Financial Statements" herein.

"Cross-Default Indebtedness" means Indebtedness of a Member of the Credit Group, other than Non-Recourse Indebtedness, Subordinated Indebtedness and Indebtedness evidenced or secured by an Obligation.

"Cross-Default Threshold" means the greater of (i) 2% of Operating Revenues, or (ii) 10% of Current Assets, as shown on or derived from the then latest available Credit Group Financial Statements or System Financial Statements, as applicable.

"Current Assets" means cash and cash equivalent deposits, marketable securities, accounts receivable, accrued interest receivable and any other assets of a Person ordinarily considered current assets under GAAP.

"Current Value" means the estimated fair market value of Property, which fair market value will be as determined either:

(a) by an Officer's Certificate delivered to the Master Trustee accompanied by an appraisal of the portion of such Property that (i) is real property made within 5 years prior to the date of determination by a "Member of the Appraisal Institute" and (ii) is not real property made within 5 years prior to the date of determination by any expert qualified in relation to the subject matter, in either case adjusted for the period, not in excess of 5 years, from the date of the last such appraisal for changes in the implicit price

deflator for the gross national product of the United States as reported by the United States Department of Commerce or its successor agency, or if such index is no longer published, such other index certified to be comparable and appropriate in such Officer's Certificate;

(b) by an Officer's Certificate delivered to the Master Trustee accompanied by written evidence of a bona-fide offer for the purchase of such Property made on an arm's-length basis within 6 months prior to the date of determination; or

(c) if the estimated fair market value assigned to such Property does not exceed the greater of (i) $50,000,000 or (ii) 2.5% of the Credit Group's cash and equivalents, as shown on the most recent Credit Group Financial Statements or System Financial Statements, as applicable, by an Officer's Certificate delivered to the Master Trustee setting forth a determination of such estimated fair market value, which determination shall be made in good faith and shall be described in such Officer's Certificate.

"Debt Obligation" means the Obligations issued to evidence or secure payment of, or payments required to be made with respect to (including the purchase price of), Indebtedness of a Member of the Obligated Group, including but not limited to a Permitted Guaranty of Indebtedness, which Obligation is designated as a Debt Obligation in a Supplemental Master Indenture.

"Debt Service Requirements" means, with respect to the period of time for which calculated, the aggregate of the payments required to be made during such period, without duplication, in respect of principal (whether at maturity, as a result of mandatory sinking fund redemption, mandatory prepayment or otherwise) and interest on Outstanding Long-Term Indebtedness of the Credit Group; provided that:

(a) principal of and interest on Indebtedness shall be excluded from the determination of Debt Service Requirements to the extent that (i) Escrowed Amounts are irrevocably committed and sufficient, together with any earnings to accrue thereon, as determined in an Officer's Certificate delivered to the Master Trustee, to pay that principal and interest or (ii) interest on the Indebtedness has been funded by that Indebtedness and is available to pay that interest as set forth in an Officer's Certificate delivered to the Master Trustee;

(b) in the case of any Guaranty, the principal of and interest and any premium on the guaranteed Indebtedness shall be included in the calculation of Debt Service Requirements only if and to the extent that it would be included if treated as a Permitted Guaranty proposed to be made in accordance with the provision of the Master Indenture described in subparagraph (9) of the second paragraph under the caption "Certain Provisions of the Master Indenture – Permitted Indebtedness" herein;

(c) in the case of Derivative Indebtedness, and subject to the provisions of the Master Indenture when computing projected (but not historic) Debt Service Requirements, if the related Derivative Agreement constitutes an "effective hedge" under GAAP during such period of time, an amount equal to interest payable on the Derivative Indebtedness, plus any Derivative Agreement Payments payable to the counterparty and minus any Derivative Agreement Receipts receivable from the counterparty under the associated Derivative Agreement, must be included in the calculation of Debt Service Requirements; and

(d) principal of and interest on Indebtedness shall be excluded from the determination of Debt Service Requirements to the extent that such interest and/or principal is payable from Debt Service Subsidies.

"Derivative Agreement" means any type of contract or arrangement that the Credit Group Member entering into such contract or arrangement determines is to be used, or is intended to be used, to manage or reduce the cost of Indebtedness or to convert any element of Indebtedness from one form to another, whether or not an "effective hedge" under GAAP, including, without limitation, (i) any contract known as or referred to or which performs the function of an interest rate swap agreement, currency swap agreement, forward payment conversion agreement or futures contract; (ii) any contract providing for payments based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices; (iii) any contract to exchange cash flows or payments or series of payments; or (iv) any type of contract called, or designed to perform the function of, rate maintenance agreements, interest rate floors or caps, options, puts or calls or to hedge or minimize any type of financial risk, including, without limitation, payment, currency, rate or other financial risk.

"Derivative Agreement Counterparty" means, with respect to a Derivative Agreement, the Person that is identified in such agreement as the counterparty to, or contracting party with, the Member of the Credit Group that is a party to such agreement.

"Derivative Agreement Payments" means regularly scheduled payments required to be made to a Derivative Agreement Counterparty by a Credit Group Member pursuant to a Derivative Agreement.

"Derivative Agreement Receipts" means regularly scheduled payments required to be made to a Credit Group Member by a Derivative Agreement Counterparty pursuant to a Derivative Agreement.

"Derivative Agreement Termination Payments" means any payments, which are not regularly scheduled and that are required to be made to a Derivative Agreement Counterparty by a Credit Group Member pursuant to, and in connection with the termination, modification or novation of, a Derivative Agreement.

"Derivative Agreement Termination Receipts" means any payments, which are not regularly scheduled and that are required to be made to a Credit Group Member by a Derivative Agreement Counterparty pursuant to, and in connection with the termination, modification or novation of, a Derivative Agreement.

"Derivative Indebtedness" means Indebtedness, or any portion thereof, with respect to which a Credit Group Member has entered into a Derivative Agreement.

"Designated Affiliate" means any Person that is designated as a Designated Affiliate in accordance with the applicable provisions of the Master Indenture summarized under the caption "Admission and Withdrawal from Obligated Group; Designated Affiliates; General Covenants of the Obligated Group – Designated Affiliates", unless and until the status of any such Person as a Designated Affiliate is terminated in accordance with those provisions of the Master Indenture. There are no Designated Affiliates at this time, nor do the Members of the Obligated Group have any present intention to cause or permit any entity to become a Designated Affiliate.

"Discount Indebtedness" means Indebtedness sold to the original purchaser thereof (other than any underwriter or other similar intermediary) at a discount in excess of 2% from the par amount of such Indebtedness.

"Escrow Securities" means, with respect to any Obligation, Indebtedness or Related Bond, the securities permitted to be used under the instrument or proceedings pursuant to which the Obligation, Indebtedness or Related Bond was issued or incurred, to cause such Obligation, Indebtedness or Related Bond to be no longer Outstanding thereunder.

"Escrowed Amounts" means amounts irrevocably deposited in escrow to pay principal of or interest on Long-Term Indebtedness or Related Bonds and interest earned on amounts irrevocably deposited in escrow to the extent that interest is required to be applied to pay principal of or interest on Long-Term Indebtedness or Related Bonds.

"Event of Default" means any one or more of those events described under the caption "Certain Provisions of the Master Indenture – Defaults and Remedies – Events of Default" herein.

"Financial Statement Filing Deadline" means the 150th day following the end of each Fiscal Year, commencing with the 150th day following the Fiscal Year ending December 31, 2011.

"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 period designated from time to time in an Officer's Certificate delivered to the Master Trustee as the Credit Group's fiscal year for the purpose of any calculation or determination to be made under the Master Indenture with respect to the Credit Group; provided that, for the purpose of making any historical calculation or determination, where the financial information of an entity is required by GAAP to be combined or consolidated with that of the Credit Group and the fiscal year of that entity does not coincide with the Fiscal Year of the Credit Group, the financial information of that entity for its fiscal year ended within the Credit Group's Fiscal Year is to be utilized. References herein to a fiscal year of a specific entity shall be to that entity's actual fiscal year.

"Future Test Period" means each of the two full Fiscal Years immediately following the computation then being made, or, if such computation is then being made in connection with the provision of funds for capital improvements or expenditures, each of the two full Fiscal Years immediately following the estimated date of completion of the capital improvements or expenditures then being financed.

"GAAP" means accounting principles generally accepted in the United States of America, consistently applied.

"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.

"Governmental Restrictions" means federal, state or other applicable governmental laws or regulations placing restrictions and limitations on (i) the fees and charges that may be fixed, charged and collected by any Credit Group Member or (ii) the amount or timing of the receipt by a Credit Group Member of revenues derived from fees and charges.

"Guaranty" means the guaranty by a Person, in any manner and whether directly or indirectly, of the Indebtedness of a Primary Obligor, including without limitation, an agreement of such Person, contingent or otherwise, (i) to purchase the Indebtedness or any security therefor, (ii) to advance or supply funds for payment of the Indebtedness, or (iii) to support in any other manner the capacity of the Primary Obligor to pay make payments with respect to the Indebtedness, including without limitation, to maintain the Primary Obligor's working capital, or to purchase Property of or services from the Primary Obligor.

"Hedging Obligation" means a Derivative Agreement, or a separate Obligation issued to evidence or secure a Derivative Agreement, including Derivative Agreement Payments or Derivative Agreement Termination Payments, or any combination thereof, which Obligation is designated as a Hedging Obligation in a Supplemental Master Indenture.

"Historic Test Period" means, at the option of the Obligated Group Agent, either (i) any twelve (12) consecutive calendar months out of the most recent period of eighteen (18) full calendar months, (ii) the most recent period of twelve (12) full consecutive calendar months for which Credit Group Financial Statements or System Financial Statements, as applicable, are available, or (iii) the most recent Fiscal Year of the Credit Group.

"Income Available for Debt Service" means, with respect to the Credit Group for any period and as determined in accordance with GAAP and shown on the Credit Group Financial Statements or System Financial Statements, as applicable, its excess of revenues over expenses, plus depreciation, amortization and interest expense on Long-Term Indebtedness (which reflects Derivative Agreement Payments made and any Derivative Agreement Receipts received pursuant to a Derivative Agreement that constitutes an "effective hedge" under GAAP during such period), and further adjusted so as to disregard the following items (by adding losses and expenses to, and deducting gains and revenues from, excess of revenues over expenses if and to the extent those items were taken into account in determining excess of revenues over expenses):

(a) any gain or loss resulting from either the extinguishment of Indebtedness or the sale, exchange or other disposition of capital assets not made in the ordinary course of business;

(b) the net proceeds of insurance (other than business interruption insurance) and condemnation awards;

(c) any earnings from the investment of Escrowed Amounts to the extent that such earnings are required to be applied, and any earnings from the investment of funded interest that is available to be applied, to pay principal of or interest on Long-Term Indebtedness that is excluded from the determination of Debt Service Requirements (or on Related Bonds secured by such Long-Term Indebtedness) in accordance with paragraph (a) of the definition of Debt Service Requirements;

(d) any extraordinary or nonrecurring gains or losses;

(e) any unrealized gains or losses resulting from the periodic valuation of investments;

(f) any other than temporary impairment loss;

(g) any nonrecurring items (not otherwise specifically addressed) that do not involve the receipt, expenditure or transfer of cash or other assets;

(h) any gains or losses resulting from the termination or modification of any Derivative Agreement, including any Derivative Agreement Termination Payments or Derivative Agreement Termination Receipts made or received pursuant to a Derivative Agreement;

(i) any unrealized gains or losses on, or related to, including marking-to-market, any Derivative Agreement;

(j) any gains or losses resulting from discontinued operations or any reappraisal, revaluation or write-down of any asset, and any loss or expense resulting from adjustments to prior periods;

(k) any revenues or expenses resulting from a forgiveness of, or the establishment of reserves against, Indebtedness;

(l) any gains or losses, revenues or expenses, or changes in assets or liabilities, that represent the cumulative effect of accounting changes attributable primarily either to changes in GAAP or the Credit Group's adoption of different accounting methods permitted under GAAP;

(m) any gains or losses, revenues or expenses, or changes in assets or liabilities, that result from any pension plan curtailment, termination or restructuring; and

(n) any gains or losses or revenues or expenses attributable to transactions between any Credit Group Member and any other Credit Group Member;

provided, however, at the option of the Obligated Group Agent, net realized gains and losses from the sale of investments may be included in the computation of Income Available for Debt Service on the basis of the average annual amount of those gains and losses for the three Fiscal Years preceding the computation date, rather than including the actual amount of net realized gains and losses from the sale of investments for the period for which a computation is being made.

Income Available for Debt Service may also include, as determined from time to time by the Obligated Group Agent, Income Available for Debt Service of any Affiliate that has Outstanding Indebtedness (such terms being applicable as if such Person were a Member of the Obligated Group), secured by a Permitted Guaranty, but only to the extent, whichever is less, (i) that such Permitted Guaranty is counted toward Debt Service Requirements described in subparagraph (9) under the second paragraph of the caption "Certain Provisions of the Master Indenture – Permitted Indebtedness" herein (i.e., either 20% or 100% of such Person's Income Available for Debt Service), and (ii) of the aggregate amount of principal and interest included in Debt Service Requirements with respect to the Outstanding Indebtedness secured by the Permitted Guaranty.

"Indebtedness" means, for any Person, without duplication:

(a) indebtedness incurred or assumed by such Person for borrowed money;

(b) Capitalized Rentals attributable to leases of Property by such Person that would have constituted Capital Leases under GAAP as in effect on December 31, 2010,

together with Capitalized Rentals attributable to leases of property described in clause (vi) below in this definition if the Officer's Certificate described therein is delivered to the Master Trustee;

(c) all installment and conditional sales obligations incurred or assumed by such Person; and

(d) all Guaranties by such Person (weighted, with respect to Permitted Guarantees, as described in subparagraph (9) of the second paragraph under the caption "Certain Provisions of the Master Indenture – Permitted Indebtedness" herein).

Indebtedness shall not include:

(i) Indebtedness of any Credit Group Member to another Credit Group Member;

(ii) any Guaranty by any Credit Group Member of Indebtedness of any other Credit Group Member;

(iii) the joint and several liability of any Credit Group Member on Indebtedness issued by another Credit Group Member;

(iv) any Derivative Agreement (or Hedging Obligation issued with respect thereto), and any Ancillary Obligation;

(v) accounts or trade payables or accruals, current salaries or other benefits, current or future obligations to make pension contributions, pay insurance premiums or similar obligations, physician income guarantees, obligations to repay money deposited by patients or as security for, or as a prepayment of, the cost of patient care, or rights of residents of life care, elderly housing or similar facilities to endowment or similar funds deposited by them or on their behalf;

(vi) Capitalized Rentals attributable to leases of Property by such Person that would not have constituted Capital Leases under GAAP as in effect on December 31, 2010, unless an Officer's Certificate is delivered to the Master Trustee electing that those Capitalized Rentals are to be treated as Indebtedness; or

(vii) financial obligations under an agreement with a Person securing, or pursuant to which an instrument is issued by a Person to secure, payment of principal of or interest on Indebtedness or the purchase price of Indebtedness subject to tender at the option of its holder, except to the extent that amounts have been drawn on such agreement or instrument to pay principal of or interest on or the purchase price of the Indebtedness and have not been reimbursed to such Person at the time of determination.

"Inova" means Inova Health System Foundation and its legal successors.

"IHCS" means Inova Health Care Services and its legal successors.

"Lien" means any mortgage, deed of trust, lease or pledge of, security interest in or lien, charge, restriction or encumbrance on any Property of the Person involved.

"Long-Term," when used in connection with Indebtedness, means all Indebtedness that is not Short-Term.

"Long-Term Debt Service Coverage Ratio" means, for any period of time, the ratio determined by dividing (i) Income Available for Debt Service, by (ii) Debt Service Requirements, in each case for the applicable period.

"Loudoun Hospital Corporation" means Loudoun Hospital Center and its legal successors.

"Master Indenture" means the Amended and Restated Master Trust Indenture, dated as of May 1, 2012, among the Members of the Obligated Group, those currently being Inova, IHCS and Loudoun Hospital Corporation, and the Master Trustee, as it may be further amended or supplemented from time to time in accordance with its terms.

"Master Trustee" means U.S. Bank National Association, or any successor trustee under the Master Indenture.

"Maximum Annual Debt Service" means, at the time of computation, the greatest Debt Service Requirements on Long-Term Indebtedness of the Credit Group for the then current or any future Fiscal Year; provided that in calculating Maximum Annual Debt Service, Debt Service Requirements with respect to Balloon Indebtedness, Variable Rate Indebtedness, Discount Indebtedness or Derivative Indebtedness will be determined in accordance with the provisions of the Master Indenture described in "Certain Provisions of the Master Indenture – Computation of Debt Service Requirements in Connection with Certain Types of Indebtedness" herein.

"No Adverse Effect Opinion" means an Opinion of Bond Counsel to the effect that the occurrence of a circumstance or event, or the failure to occur of a circumstance or event contemplated by the Master Indenture to occur, did not or will not, as applicable, adversely affect the exclusion of interest payable on any Related Bonds from the gross income of the holders thereof for federal or state income tax purposes.

"Non-Recourse Indebtedness" means any Indebtedness the liability for which is secured solely by Property, Plant and Equipment (and any income therefrom or proceeds thereof), the cost of the acquisition or improvement of which Property, Plant and Equipment is to be, or was, financed, in whole or in part, with the proceeds of that Indebtedness, without recourse, directly or indirectly, to any other Property or to the general credit of any Credit Group Member.

"Obligated Group" means, currently, Inova, IHCS and Loudoun Hospital Corporation, together thereafter with any Person that fulfills the requirements for entry into the Obligated Group set forth in the Master Indenture described herein under the caption "Admission and Withdrawal from Obligated Group; Designated Affiliates; General Covenants of Credit Group – Entrance into the Obligated Group" but excluding from the Obligated Group any Person the status of which as a Member of the Obligated Group has ceased pursuant to the applicable provisions of the Master Indenture described herein under the caption "Admission and Withdrawal from Obligated Group; Designated Affiliates; General Covenants of Credit Group – Cessation of Status as a Member of the Obligated Group."

"Obligated Group Agent" means Inova or such other Member of the Obligated Group (or Person that is not a Member of the Obligated Group) as may be designated from time to time pursuant to written notice to the Master Trustee, executed by an authorized officer of Inova or, if Inova is no longer a Member of the Obligated Group, of each Member of the Obligated Group.

"Obligated Group Members" or "Members of the Obligated Group" means, currently, Inova, IHCS, and Loudoun Hospital Corporation, together thereafter with, any Person that becomes a Member of the Obligated Group in accordance with the applicable provisions of the Master Indenture summarized herein under the caption "Admission and Withdrawal from Obligated Group; Designated Affiliates; General Covenants of Credit Group – Entrance into the Obligated Group", but excluding from the Obligated Group any Person that withdraws from the Obligated Group in accordance with the applicable provisions of the Master Indenture summarized under the caption "Admission and Withdrawal from Obligated Group; Designated Affiliates; General Covenants of Credit Group – Cessation of Status as a Member of the Obligated Group. "

"Obligations" means any Obligation issued pursuant to the Master Indenture, in all cases constituting a joint and several obligation of each Obligated Group Member, and constituting an Ancillary Obligation, a Debt Obligation or a Hedging Obligation, or a combination thereof, which may be in any form set forth in the applicable Supplemental Master Indenture, including, but not limited to, bonds, loan agreements, notes, contracts, and installment sale, reimbursement, revolving credit and standby bond purchase agreements, which has been authenticated by the Master Trustee.

"Obligation holder," "holder of the Obligation" 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 the Obligation is issued for establishing its ownership, in which case such alternative provision shall control.

"Officer's Certificate" means a certificate signed, in the case of a certificate delivered by or on behalf of the Obligated Group, by the President, the Chief Executive Officer, the Chief Financial Officer, or any Vice-President or other authorized officer of the Obligated Group Agent.

"Operating Revenues" means the total operating revenues of the Credit Group less applicable deductions from operating revenues, as determined in accordance with GAAP consistently applied and as shown on the most recent Credit Group Financial Statements or System Financial Statements, as applicable.

"Opinion of Bond Counsel" means an opinion of Counsel nationally recognized as having expertise in connection with the exclusion of interest on obligations of states and local governmental units from the gross income of the holders thereof for federal income tax purposes and the validity of those obligations.

"Opinion of Counsel" means an opinion in writing signed by a Counsel.

"Outstanding" means, in the case of any Obligations, any Indebtedness, or any Related Bonds, all Obligations, all Indebtedness or all Related Bonds, as the case may be, except:

(a) Obligations, Indebtedness or Related Bonds canceled after purchase in the open market or after payment at or prepayment or redemption prior to maturity;

(b) Obligations, Indebtedness or Related Bonds for the payment or redemption of which cash or Escrow Securities, or a combination thereof, have been deposited with the Master Trustee, the lender or a trustee or fiduciary for such lender, or the Related Bond Trustee, as applicable (whether upon or prior to their maturity or redemption date or dates); provided that if such Obligations, Indebtedness or Related Bonds are to be prepaid or redeemed prior to their maturity, notice of prepayment or redemption has been given or irrevocable arrangements satisfactory to the Master

Trustee, the lender or a trustee or fiduciary for such lender, or the Related Bond Trustee, as applicable, has been made therefor, or waiver of such notice satisfactory in form to the Person entitled to such notice has been filed with that Person;

(c) Obligations, Indebtedness or Related Bonds in lieu of which other instruments or securities have been authenticated and delivered; and

(d) For the purpose of all consents, approvals, waivers and notices required to be obtained or given under the Master Indenture, any relevant loan document relating to Indebtedness, or any Related Bond Indenture, as applicable, Obligations, Indebtedness or Related Bonds held or owned by a Member of the Credit Group.

Any Obligation or other Indebtedness securing Related Bonds will be deemed Outstanding only if such Related Bonds are Outstanding.

"Permitted Disposition" means any disposition of Property permitted by the provisions of the Master Indenture described under the caption "Certain Provisions of the Master Indenture – Permitted Dispositions of Property" herein.

"Permitted Encumbrance" means any Lien on Property permitted by the provisions of the Master Indenture described under the caption "Certain Provisions of the Master Indenture – Permitted Encumbrances" herein.

"Permitted Guaranty" means any Guaranty permitted under the Master Indenture described in subparagraph (9) of the second paragraph under the caption "Certain Provisions of the Master Indenture – Permitted Indebtedness" herein.

"Permitted Indebtedness" means any Indebtedness permitted under the provisions of the Master Indenture described under the caption "Certain Provisions of the Master Indenture – Permitted Indebtedness" herein.

"Permitted Reorganization" means any consolidation, merger or reorganization permitted under the provisions of the Master Indenture described under the caption "Certain Provisions of the Master Indenture – Permitted Reorganizations" herein.

"Person" means any natural person, firm, joint venture, joint operating agreement, association, partnership, business trust, corporation, limited liability company, public body, agency, political subdivision or other similar entity.

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

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

"Property, Plant and Equipment" means all Property that is classified as property, plant and equipment under GAAP.

"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.

"Related Bonds" means (a) any revenue bonds or similar obligations issued by a state, commonwealth or territory of the United States or a municipal corporation, county 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 its behalf, the proceeds of which are loaned or otherwise made available to an Obligated Group Member in consideration, whether in whole or in part, of the execution, authentication and delivery of an Obligation or Obligations to or upon the order of such governmental issuer and (b) any revenue or general obligation bonds issued by any Obligated Group Member or any other Person in consideration, whether in whole or in part, of the execution, authentication and delivery of an Obligation or Obligations to the holder of such bonds or the Related Bond Trustee.

"Related Event of Default" means the occurrence of an event of default by an Obligated Group Member under any instrument to which an Obligated Group Member is a party and as to which an Obligation has been issued to evidence or secure its obligations thereunder, including without limitation, an event of default under a Related Loan Document, a mortgage, a financing lease, a reimbursement agreement, a standby bond purchase agreement or an agreement with a guarantor or insurer of Indebtedness.

"Related Issuer" means the issuer of a series of Related Bonds.

"Related Loan Document" means the document or documents (including without limitation any loan agreement, lease, sublease or conditional or installment sales contract) pursuant to which proceeds of Related Bonds are loaned, advanced or otherwise made available to or for the benefit of an Obligated Group Member (or any Property financed or refinanced with such proceeds is leased, sublet or sold to an Obligated Group Member).

"Reorganization Transaction" means a transaction by which a Member of the Obligated Group merges into, or consolidates with, one or more Persons that are not Members of the Obligated Group, or allows one or more of such Persons to merge into such Member, or by which a Member of the Obligated Group sells or conveys all or substantially all of its Property to any Person that is not a Member of the Obligated Group.

"Required Payment" means any amount required to be paid under or upon an Obligation, whether at maturity, by acceleration, upon proceeding for redemption or otherwise, including without limitation, principal, interest, premium, Derivative Agreement Payments, Derivative Agreement Termination Payments, amounts due under a reimbursement agreement, standby bond purchase agreement, or similar ancillary agreement, and the purchase price of Related Bonds tendered or deemed tendered for purchase pursuant to the terms of a Related Bond Indenture.

"Short-Term" means Indebtedness having an original maturity less than or equal to one year, not renewable at the debtor's option, and not subject to a binding commitment to refinance or other arrangement to provide for payment of such Indebtedness over a term greater than one year beyond the date of original issuance.

"SIFMA" means the Securities Industry and Financial Markets Association, any successor thereto, or any Person acting in cooperation with or under the sponsorship of SIFMA and acceptable to the Obligated Group Agent.

"SIFMA Index" means, on any date, a rate determined on the basis of the seven-day high grade market index of tax-exempt variable rate demand obligations (the SIFMA Municipal Swap Index), as produced by Municipal Market Data and published or made available by SIFMA, and effective from such date, or any comparable successor index selected by the Obligated Group Agent.

"Subordinated Indebtedness" means all Indebtedness, the payment of which is specifically subordinated to payments due and payable from time to time on all Obligations, or the principal of and interest on which would not be paid (whether by the terms of such Indebtedness or by agreement of the obligee) when Required Payments on Obligations are in default or while bankruptcy, insolvency, receivership or other similar proceedings are pending.

"Supplemental Master Indenture" means an indenture amending or supplementing the Master Indenture entered into in accordance with the provisions of the Master Indenture described under the caption "Supplemental Master Indentures" herein.

"System" means the group of Persons comprised of all Credit Group Members and all of their Affiliates.

"System Financial Statements" means the consolidated financial statements prepared in accordance with GAAP, including financial information of the Credit Group Members and of any Affiliate the financial information of which is required by GAAP to be consolidated with the financial information of the Credit Group Members.

"System Revenues" means the total revenues reported in the System Financial Statements.

"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, is exempt from federal income taxation under Section 501(a) of the Code, and 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.

"Transaction Test" means the receipt by the Master Trustee of any one of the following:

(a) an Officer's Certificate demonstrating that the ratio determined by dividing (i) Income Available for Debt Service for the Historic Test Period, by (ii) Maximum Annual Debt Service (including any proposed additional Long-Term Indebtedness to be incurred, but excluding any Long-Term Indebtedness to be refunded with the proceeds of such Long-Term Indebtedness, and assuming that the proposed transaction had occurred at the beginning of the Historic Test Period) is not less than 1.10; or

(b) an Officer's Certificate demonstrating (i) that the Long-Term Debt Service Coverage Ratio for the Historic Test Period was not less than 1.10 (including any proposed additional Long-Term Indebtedness to be incurred, but excluding any Long-Term Indebtedness to be refunded with the proceeds of such Long-Term Indebtedness, and assuming that the proposed transaction had occurred at the beginning of the Historic Test Period), and (ii) that the ratio determined by dividing (A) projected Income Available for Debt Service for the Future Test Period, by (B) Maximum Annual Debt Service (including any proposed Long-Term Indebtedness to be incurred, but excluding any Long-Term Indebtedness to be refunded with the proceeds of such Long-Term

Indebtedness, and assuming that the proposed transaction has occurred), is projected to be not less than 1.10 or, if less, is projected to be greater than such ratio would be if the proposed transaction did not occur; or

(c) an Officer's Certificate demonstrating that the ratio determined by dividing (i) projected Income Available for Debt Service for the Future Test Period, by (ii) Maximum Annual Debt Service (including any proposed additional Long-Term Indebtedness to be incurred, but excluding any Long-Term Indebtedness to be refunded with the proceeds of such Long-Term Indebtedness, and assuming that the proposed transaction has occurred), is projected to be not less than 1.30.

"Variable Rate Indebtedness" means Indebtedness that bears interest at a variable, adjustable or floating rate.

Issuance of Obligations and Security Therefor

Issuance of Obligations. Each Member of the Obligated Group may issue Obligations from time to time as provided in the Master Indenture.

Security for Obligations. Each Member of the Obligated Group is jointly and severally liable for all Required Payments on each and every Obligation. Each Obligation is a joint and several obligation of each Member of the Obligated Group, and all Obligations issued and outstanding under the Master Indenture are general obligations of the Members of the Obligated Group. Except as otherwise specifically provided in the Master Indenture, each Obligation is equally and ratably secured by the Master Indenture.

The obligations secured by an Obligation issued pursuant to the Master Indenture, including without limitation, Related Bonds, are not required to be secured or payable from the same sources, Property or instruments as any other Obligation issued under the Master Indenture. Any one or more series of Obligations issued under the Master Indenture, (a) may be secured and payable from sources or by Property and instruments not applicable to any one or more other series of Obligations or (b) may not be secured or payable from sources or by Property or instruments applicable to one or more other series of Obligations, including without limitation, letters or lines of credit, guarantees or insurance, and security interests in a debt service reserve or debt service or similar funds and other Liens on Property of the Credit Group; provided that that Lien must constitute a Permitted Encumbrance.

Permitted Indebtedness

The Members of the Obligated Group covenant in the Master Indenture to not incur additional Indebtedness, directly, indirectly or contingently, except for Permitted Indebtedness. Each Controlling Member of the Obligated Group covenants to not permit its Designated Affiliates to incur additional Indebtedness, directly, indirectly or contingently, except for Permitted Indebtedness.

The following Indebtedness constitutes Permitted Indebtedness under the Master Indenture and may be incurred by a Member of the Obligated Group or a Designated Affiliate:

(1) Long-Term Indebtedness, if prior to its incurrence and except as hereinafter described, an Officer's Certificate is delivered to the Master Trustee to the effect that, after giving effect to the incurrence of such Indebtedness, the Transaction Test will be satisfied;

(2) Long-Term Indebtedness, if prior to its incurrence and except as hereinafter described, an Officer's Certificate is delivered to the Master Trustee to the effect that the total principal amount of the Long-Term Indebtedness to be incurred at such time, when added to the aggregate principal amount of all other Outstanding Long-Term Indebtedness theretofore incurred as described in this subparagraph (2), will not exceed 35% of Operating Revenues for the Historic Test Period. Any Outstanding Long-Term Indebtedness or portion thereof that was originally incurred as described in this subparagraph (2) may be deemed to have been incurred as described in a different subparagraph of this second paragraph of this caption if at any time subsequent to the incurrence of that Outstanding Indebtedness or portion thereof an Officer's Certificate is delivered to the Master Trustee to the effect that such Outstanding Indebtedness or portion thereof could at the time of such reclassification satisfy the provisions described in that other subparagraph, and, thereupon, the Outstanding Long-Term Indebtedness deemed to have been incurred as described in this subparagraph (b)(2) shall be reduced by that amount deemed to have been incurred under such other specific subparagraph;

(3) Completion Indebtedness, if prior to the incurrence of such Completion Indebtedness there is delivered to the Master Trustee an Officer's Certificate (i) to the effect that the net proceeds of such proposed Completion Indebtedness are needed for the completion of the construction or equipping of the facilities in question; (ii) to the effect that the net proceeds of the original Indebtedness incurred for the construction and equipping of those facilities were, when incurred, expected to be sufficient, together with other funds then expected to be available, to pay the projected costs; (iii) describing why such Completion Indebtedness is necessary; and (iv) certifying as to the amount needed for the completion of the facilities in question;

(4) Long-Term Indebtedness incurred for the purpose of refunding any Outstanding Indebtedness, if, prior to the incurrence of such Long-Term Indebtedness, there is delivered to the Master Trustee an Officer's Certificate to the effect that either (i) such refunding will not increase Maximum Annual Debt Service (calculated for the period during which the Indebtedness to be refunded would have been Outstanding but for such proposed refunding) by more than 15% or (ii) such refunding will result in a present value savings in the Debt Service Requirements as compared to that of the Outstanding Indebtedness being refunded; provided, however, the rolling-over of Indebtedness in the form of commercial paper shall be permitted, without limitation and without the need for the delivery of any Officer's Certificate;

(5) Short-Term Indebtedness, provided that (i) immediately after the incurrence of such Indebtedness, the aggregate Outstanding principal amount of all Short-Term Indebtedness does not exceed 25% of Operating Revenues for the Historic Test Period, or (ii) if the Short-Term Indebtedness were treated as Balloon Indebtedness, it could be incurred as Long-Term Indebtedness as described in subparagraph (1) or (2) of this second paragraph under this caption;

(6) Non-Recourse Indebtedness, without limitation;

(7) Subordinated Indebtedness, without limitation;

(8) Balloon Indebtedness, provided that, after giving effect to the provisions described in "Certain Provisions of the Master Indenture – Computation of Debt Service Requirements in Connection with Certain Types of Indebtedness" herein, such Balloon Indebtedness could then be incurred under the provisions of subparagraph (1) or (2) of this second paragraph of this caption;

(9) Permitted Guarantees:

(i) if such Guaranty could then be incurred by the Obligated Group as Long-Term Indebtedness under subparagraph (1) or (2), as Short-Term Indebtedness under subparagraph (5), or as Balloon Indebtedness under subparagraph (8), provided that in each case for purposes of any computations described under this subparagraph (9)(i), and also for purposes of calculating the Debt Service Requirements with respect to a Guaranty, (A) the aggregate annual principal and interest payments on, and the principal amount of, any indebtedness of a Person that is the subject of a Guaranty hereunder and which would, if such obligation were incurred by a Member of the Credit Group, constitute Long-Term Indebtedness, shall be deemed equivalent 20% of the actual Debt Service Requirements on, and principal amount of, such indebtedness of the Primary Obligor (assuming the definitions of the Master Indenture apply to such indebtedness); provided, however, that if the Primary Obligor on the indebtedness that is guaranteed pursuant to a Guaranty has had, in the prior fiscal year of such Primary Obligor, a Long-Term Debt Service Coverage Ratio of not less than 2.00 to 1 (assuming the definitions of the Master Indenture apply to such Primary Obligor), then the aggregate annual principal and interest payments on, and the principal amount of, any such indebtedness of the Primary Obligor shall be deemed equivalent to 0% of the actual Debt Service Requirements on, and the principal amount of, such indebtedness of the Primary Obligor; and (B) the Debt Service Requirements on, and principal amount of, any Long-Term Indebtedness represented by a Guaranty shall be deemed equivalent to 100% of the actual Debt Service Requirements on, and principal amount of, such indebtedness of the Primary Obligor, if a payment has been made by a Member of the Credit Group on such Guaranty within 1 year prior to the date of any computation to be made as described under this subparagraph (9)(i) (assuming the definitions of the Master Indenture apply to such indebtedness); or

(ii) if such Guaranty is of Indebtedness of another Member of the Credit Group, which Indebtedness has been or could be incurred as Permitted Indebtedness as described under this second paragraph under this caption;

(10) Financial obligations under a letter of credit reimbursement agreement, a standby bond purchase agreement or other similar agreement entered into by any Member of the Credit Group and a financial institution providing either liquidity or credit support with respect to Indebtedness incurred as Permitted Indebtedness;

(11) Indebtedness in the form of a borrowing from another Member of the Credit Group;

(12) Indebtedness in the form of any other financial obligation to another Member of the Credit Group;

(13) Indebtedness incurred on an interim basis with respect to any construction project for the payment of which money is available in the construction fund for such project;

(14) Indebtedness incurred in the ordinary course of business;

(15) Indebtedness in the form of a guaranty or confirmation of liability of an Affiliate incurred directly or indirectly with respect to a self-insurance or captive insurance program benefiting any Member of the Credit Group;

(16) Indebtedness representing any recourse obligation associated with any sale or assignment of accounts receivable, but in no event in an amount in excess of the lesser of (i) the monetary consideration received from any such sale or assignment; or (ii) 20% of the total amount of accounts receivable of the Credit Group as of the end of the Historic Test Period; or

(17) any Indebtedness representing any financial obligation that is not generally treated as indebtedness under GAAP, such as an obligation to make contributions to employee benefit plans, social security alternative plans, self insurance programs, captive insurance companies and unemployment insurance liabilities;

provided that, an Officer's Certificate demonstrating compliance with subparagraph (1) or (2) above is not required to be delivered to the Master Trustee prior to the incurrence of Long-Term Indebtedness under either of such paragraphs if (i) the incurrence of such Long-Term Indebtedness would comply with the financial test set forth in either such paragraph and (ii) the amount of Long-Term Indebtedness proposed to be incurred, together with all Outstanding Long-Term Indebtedness incurred on the basis of compliance with either such subparagraph, but as to which an Officer's Certificate demonstrating compliance therewith has not been delivered to the Master Trustee, does not exceed 2% of Operating Revenues for the Historic Test Period; provided further, however, that the Obligated Group Agent (x) may deliver an Officer's Certificate to the Master Trustee at any time demonstrating that the Long-Term Indebtedness so incurred was incurred in compliance within the financial test set forth in either subparagraph (1) or (2) and, thereafter, that the Long-Term Indebtedness will be deemed to have been incurred in compliance with subparagraph (1) or (2), as applicable, and the amount of Long-Term Indebtedness deemed to have been incurred pursuant to the foregoing proviso will be reduced by the amount of that Long-Term Indebtedness, and (y) if and to the extent any Long-Term Indebtedness is incurred on the basis of compliance with the foregoing proviso, the Officer's Certificate required to be delivered to the Master Trustee pursuant to the provisions of the Master Indenture described in the third paragraph under the caption "Certain Provisions of the Master Indenture – Financial Statements" herein is required to identify any Long-Term Indebtedness incurred on such basis in the prior Fiscal Year and demonstrate that the Long-Term Indebtedness so incurred was incurred in compliance within the financial test described in either subparagraph (1) or (2) above.

Computation of Debt Service Requirements in Connection with Certain Types of Indebtedness

For purposes of the computation of projected (but not historic) Debt Service Requirements, Balloon Indebtedness will, at the election of the Obligated Group Agent, be deemed to be Indebtedness that is payable over (a) 30 years from the date of the incurrence of such Indebtedness (or, if the term thereof exceeds 30 years, over a period equal to such term), bearing interest at a rate derived from the Bond Index, as determined by an Officer's Certificate, (b) the remaining term to maturity of such Indebtedness, bearing interest at a rate derived from the Bond Index, as determined by an Officer's Certificate, or (c) the term of refinancing if such Indebtedness is subject to a binding commitment for the refinancing of such Indebtedness, bearing interest at a rate specified in, or determined by reference to, such refinancing commitment, as determined by an Officer's Certificate, and in each case with level annual debt service.

For purposes of the computation of projected (but not historic) Debt Service Requirements for periods when the actual interest rate cannot be determined, Variable Rate Indebtedness will be deemed Indebtedness maturing in accordance with its terms, bearing interest at a rate derived from the Bond Index, all as determined by an Officer's Certificate.

For purposes of the computation of Debt Service Requirements, whether historic or projected, the amount of principal represented by Discount Indebtedness will, at the election of the

Obligated Group Agent, be deemed to be the accreted value of such Indebtedness computed on the basis of a constant yield to maturity.

For the purpose of computing projected (but not historic) Debt Service Requirements with respect to Derivative Indebtedness, Derivative Agreement Payments or Derivative Agreement Receipts to be determined pursuant to a variable rate formula for any period ending subsequent to the computation date will be calculated on the basis of the Bond Index, as determined by an Officer's Certificate delivered to the Master Trustee; provided that the Derivative Agreement Counterparty is not in default of its payment obligations under the Derivative Agreement as of the computation date. If the Derivative Agreement Counterparty is in default in such payment obligations, the Derivative Agreement will not be taken into account in determining the Debt Service Requirements with respect to the Derivative Indebtedness.

Long-Term Debt Service Coverage Ratio

The Obligated Group is required to calculate Income Available for Debt Service and the Long-Term Debt Service Coverage Ratio for each Fiscal Year. If in any Fiscal Year the Long-Term Debt Service Coverage Ratio is less than 1.00 to 1, the Obligated Group Agent is required under the Master Indenture to retain a Consultant in a timely manner but not later than 90 days after the date on which the Obligated Group Agent determines that such Long-Term Debt Service Coverage Ratio is less than 1.00 to 1, to prepare a report and make recommendations with respect to the rates, fees and charges for services and products provided by the Credit Group Members and the Credit Group Members' methods of operation, together with any other factors affecting their financial condition or performance, in order to increase the Long-Term Debt Service Coverage Ratio to at least 1.00 to 1. Any Consultant retained will be required to submit its report and recommendations within 60 days after being retained. The Consultant's report is not required to be prepared more frequently than once every two Fiscal Years.

A copy of the Consultant's report and recommendations is required under the Master Indenture to be filed with the Obligated Group Agent and the Master Trustee. The Members of the Obligated Group are required to follow, and each Controlling Member, to the extent permitted by law, are required to cause each Designated Affiliate to follow, each recommendation of the Consultant applicable to it to the extent feasible (as determined in the reasonable judgment of the Governing Body of such Member) and permitted by law, charter, by-laws or contract.

The Obligated Group Agent will not be required to retain a Consultant to make recommendations if there is filed with the Master Trustee a written report of a Consultant which contains an opinion of such Consultant to the effect that (a) applicable Governmental Restrictions have prevented the Credit Group from generating Income Available for Debt Service during such Fiscal Year in an amount sufficient to produce a Long-Term Debt Service Coverage Ratio of 1.00 to 1 or higher; and (b) the fees and rates charged by the Credit Group Members are such that, in the opinion of the Consultant, the Credit Group Members have generated the maximum amount of Income Available for Debt Service reasonably practicable given such applicable Governmental Restrictions.

Permitted Dispositions of Property

The Members of the Obligated Group covenant in the Master Indenture to not sell, lease, remove, release from the provisions of the Master Indenture, transfer, assign, convey or otherwise dispose of any Property of the Members of the Obligated Group, except for Permitted Dispositions. Each Controlling Member of the Obligated Group covenants to not permit its Designated Affiliates to sell, lease, remove, release from provisions of the Master Indenture, transfer, assign, convey or otherwise dispose of any Property of such Designated Affiliates, except for Permitted Indebtedness.

The following constitutes Permitted Dispositions under the Master Indenture and may be sold, leased, removed from the provisions of the Master Indenture, transferred, assigned, conveyed or otherwise disposed of by a Member of the Obligated Group or a Designated Affiliate:

(1) the disposition of Property if the Book Value or the Current Value (as selected by the Obligated Group Agent) of such Property disposed of in any one Fiscal Year as described in this subparagraph (1) is not in excess of 10% of the Book Value or the Current Value (as applicable) of all Property as of the end of the Historic Test Period;

(2) the disposition of Property if the Book Value or the Current Value (as selected by the Obligated Group Agent) of such Property disposed of in any one Fiscal Year exceeds 10% of the Book Value or the Current Value (as applicable) of all Property as of the end of the Historic Test Period;

provided that an Officer's Certificate is delivered to the Master Trustee demonstrating that the Transaction Test shall have been met for, and giving effect to, such proposed Permitted Disposition;

(3) the disposition of real property that is unused or surplus;

(4) the disposition of Property in connection with any proposed or potential condemnation or taking for public or quasi-public use of the Property or any portion thereof;

(5) the disposition of Property that has, or within the next succeeding 24 calendar months is reasonably expected by the Obligated Group Agent to, become inadequate, obsolete, worn out, unsuitable, unprofitable, undesirable or unnecessary and the disposition thereof will not impair the structural soundness, efficiency or economic value of the remaining Property of the Credit Group;

(6) the disposition of Property in the ordinary course of business;

(7) the disposition of Property, Plant and Equipment (other than Current Assets) that does not constitute part of the primary health care facilities of the Obligated Group;

(8) the disposition of Property if any Member of the Credit Group receives fair market value therefor, or such disposition represents a loan made in writing by a Member of the Credit Group, bears interest at a reasonable rate and there is, in the good faith judgment of a Member of the Credit Group, a reasonable expectation of repayment;

(9) the sale, assignment or other disposition of accounts receivable in an aggregate amount not in excess of 35% of the accounts receivable of the Credit Group at the end of the immediately preceding Fiscal Year; provided that the transaction is commercially reasonable and for consideration deemed fair and adequate as set forth in an Officer's Certificate delivered to the Master Trustee;

(10) the disposition of Property to another Member of the Credit Group; or

(11) the disposition of Property in connection with a Permitted Reorganization.

Permitted Reorganizations

Each Member of the Obligated Group agrees in the Master Indenture to not enter into a Reorganization Transaction unless:

(i) In the event that the successor entity is not the Obligated Group Member, the successor entity succeeding to such Obligated Group Member, including without limitation, any purchaser of all or substantially all of the Property of such Obligated Group Member (a "Successor Entity") is (A) a corporation or other legal entity organized and existing under the laws of the United States of America or a state thereof, and (B) executes and delivers to the Master Trustee an appropriate instrument, satisfactory to the Master Trustee, containing the unconditional and irrevocable agreement of such Successor Entity to assume, jointly and severally, the due and punctual payment of all Required Payments payable under all Obligations and the due and punctual performance and observance of all of the covenants and agreements in the Master Indenture required to be kept and performed by such Member of the Obligated Group;

(ii) The Obligated Group Agent delivers an Officer's Certificate to the Master Trustee to the effect that, immediately after such Reorganization Transaction, no Event of Default will exist and no event will have occurred that, with the passage of time or the giving of notice, or both, would become an Event of Default;

(iii) If any Related Bonds remain Outstanding, a No Adverse Effect Opinion with respect to the consummation of such Reorganization Transaction is delivered to the Master Trustee; and

(iv) The Obligated Group Agent delivers an Officer's Certificate to the Master Trustee demonstrating that after giving effect to the proposed Reorganization Transaction, the Transaction Test will be met.

In case of any such Reorganization Transaction and assumption by a Successor Entity, such Successor Entity shall succeed to and be substituted for its predecessor or transferor, with the same effect as if it had been named under the Master Indenture as a Member of the Obligated Group, and the Member of the Obligated Group party to such transaction shall thereupon be relieved of any further obligation or liabilities under the Master Indenture or upon the Obligations, and such Obligated Group Member, as the predecessor, non-surviving or transferor corporation, may thereupon or at any time thereafter be dissolved, wound up or liquidated. Any such Successor Entity thereupon may cause to be signed, and may issue in its own name, Obligations under the Master Indenture. All Obligations so issued by such Successor Entity hereunder 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 under the Master Indenture by such prior Member of the Obligated Group without any such Reorganization Transaction having occurred.

Except as may be expressly provided in any Supplemental Master Indenture, (i) the ability of any Designated Affiliate to merge into, or consolidate with, one or more corporations, or allow one or more corporations to merge into it, or sell or convey all or substantially all of its Property to any Person, is not limited by the provisions of the Master Indenture, and (ii) any Member of the Credit Group is permitted, without limitation, to merge into, or consolidate with, any other Member of the Credit Group, or to sell or convey all or substantially all of its Property to any other Member of the Credit Group.

Financial Statements

Each Member of the Obligated Group covenants in the Master Indenture that it will keep or cause to be kept, and each Controlling Member covenants in the Master Indenture that it will cause its Designated Affiliates to keep or cause to be kept, in accordance with GAAP consistently applied, except as may be disclosed in the notes to the audited financial statements to which reference is made below, proper books of records and accounts in which full, true and correct entries will be made of all dealings or transactions of or in relation to their respective business and affairs.

The Obligated Group Agent covenants and agrees that it will furnish to the Master Trustee, as soon as practicable, but in no event later than the Financial Statement Filing Deadline, financial statements that include financial information of all Credit Group Members. Such financial statements:

(i) may consist of (1) System Financial Statements, or (2) special purpose financial statements including only Credit Group Members;

(ii) are required to be audited by a firm of nationally recognized independent certified public accountants selected by the Obligated Group Agent, as having been prepared in accordance with GAAP (except, in the case of special purpose financial statements, for required consolidations);

(iii) are required to include a consolidated or combined balance sheet, statement of operations and changes in net assets; and

(iv) if the total revenues of the Credit Group Members are less than 85% of the System Revenues for any Fiscal Year and if System Financial Statements are delivered pursuant to subparagraph (i) above, the System Financial Statements delivered for that Fiscal Year shall include a consolidating schedule from which the financial information relating solely to the Credit Group Members may be derived.

At the time of the delivery of the Credit Group Financial Statements or the System Financial Statements, as applicable, the Obligated Group Agent is required to furnish to the Master Trustee a certificate of the chief financial officer of the Obligated Group Agent stating that (i) as of the end of the Fiscal Year for which those financial statements are delivered, no Event of Default existed, and, to the best of that officer's knowledge, no circumstance existed, or event had occurred and was continuing, that with notice or the lapse of time, or both, would have constituted an Event of Default, or specifying the nature of any such Event of Default, circumstance or event, and the actions taken or proposed to be taken by the Members of the Credit Group to address it, and (ii) as of the date of the certificate, no Event of Default exists, and, to the best of that officer's knowledge, no circumstance exists, or event has occurred and is continuing, that with notice or the lapse of time, or both, would constitute an Event of Default, or specifying the nature of any such Event of Default, circumstance or event and the actions taken or proposed to be taken by the Members of the Credit Group to address it.

The Master Trustee has no duty to review, verify or analyze such financial statements and is required to hold such financial statements solely as a repository for the benefit of the holders of the Obligations. The Master Trustee will not be deemed to have notice of any information contained in such financial statements or Event of Default which may be disclosed therein in any manner.

For any and all purposes of the Master Indenture (other than for the delivery of financial statements to the Master Trustee as described in the paragraphs above under this caption **"Financial Statements"**), including but not limited to computations or calculations of financial levels and ratios, and the application of any other quantitative financial tests or provisions, the Obligated Group, at the option of the Obligated Group Agent, may, unless the context specifically requires otherwise, utilize financial and other information either (i) as shown on the most recent Credit Group Financial Statements or (ii), so long as the Obligated Group is responsible for at least 85% of the System Revenues in the most recent System Financial Statements, as shown on the most recent System Financial Statements. If any computation or calculation is to be made on the basis described in clause (ii) of the preceding sentence, any reference in the related provision of the Master Indenture to the Credit Group Financial Statements will be deemed to be a reference to the System Financial Statements.

Admission and Withdrawal from Obligated Group; Designated Affiliates; General Covenants of Credit Group

Entrance into the Obligated Group. A Person may become a Member of the Obligated Group if:

(a) The Person is a corporation or other legal entity;

(b) The Person executes and delivers to the Master Trustee a Supplemental Master Indenture that has been executed by the Master Trustee and by the Obligated Group Agent on behalf of each then current Member of the Obligated Group, in which that Person (i) agrees to become a Member of the Obligated Group and to comply with all of the provisions of the Master Indenture, and (ii) unconditionally and irrevocably agrees, joint and severally (subject to that Person's right to withdraw from the Obligated Group) to make all Required Payments upon each Obligation at the times and in the amounts provided therein;

(c) The Obligated Group Agent has approved the admission of that Person into the Obligated Group;

(d) The Master Trustee has received (1) an Officer's Certificate demonstrating that, immediately after such Person becomes a Member of the Obligated Group, no Event of Default will exist and no event will have occurred that, with the passage of time or the giving of notice, or both, would become an Event of Default, (2) an Opinion of Counsel to the effect that the Supplemental Master Indenture described in paragraph (b) above has been duly authorized, executed and delivered and constitutes a legal, valid and binding agreement of such Person, subject to customary exceptions for bankruptcy, insolvency, arrangement, fraudulent conveyance or transfer, reorganization, moratorium and other laws relating to or affecting creditors' rights, the application of general principles of equity, and the exercise of judicial discretion, and (3) if any Related Bonds remain Outstanding, a No Adverse Effect Opinion with respect to the addition of such Person to the Obligated Group; and

(e) The Obligated Group Agent has delivered an Officer's Certificate to the Master Trustee demonstrating that the Transaction Test will be met, after giving effect to the proposed transaction.

Each successor, assignee, surviving, resulting or transferee corporation or other legal entity of a Member of the Obligated Group is required to agree to become, and satisfy the above-described conditions to becoming, a Member of the Obligated Group prior to any such succession, assignment or other change in such Member's corporate status.

Cessation of Status as a Member of the Obligated Group. Each Member of the Obligated Group covenants in the Master Indenture that it will not take any action, corporate or otherwise, that would cause it to cease to be a Member of the Obligated Group unless:

(a) If the Member of the Obligated Group proposing to withdraw from the Obligated Group is a party to any Related Loan Documents with respect to Related Bonds that are to remain Outstanding after that Member's withdrawal, another Member of the Obligated Group has issued a Debt Obligation under the Master Indenture evidencing or assuming the obligation of the Obligated Group in respect of such Related Bonds;

(b) Prior to the cessation of such status, there is delivered to the Master Trustee:

(i) a No Adverse Effect Opinion with respect to the cessation by that Person of its status as a Member of the Obligated Group;

(ii) an Officer's Certificate demonstrating that the Transaction Test will be met, after giving effect to the proposed transaction;

(iii) the Obligated Group Agent's consent in writing to the withdrawal of such Person as a Member of the Obligated Group; and

(iv) an Officer's Certificate to the effect that, immediately after any such cessation, no Event of Default will exist under the Master Indenture and no event will have occurred that, with the passage of time or the giving of notice, or both, would become an Event of Default.

Covenants of the Obligated Group with respect to Required Payments. Each Member of the Obligated Group unconditionally and irrevocably covenants and agrees in the Master Indenture, jointly and severally, but subject to the right of such Member to withdraw from the Obligated Group pursuant to the Master Indenture, that it will pay promptly all Required Payments under or upon every Outstanding Obligation, at the place, on the dates and in the manner provided in the Master Indenture, in the Supplemental Master Indenture providing for the issuance of the related Obligations and in those Obligations.

Designated Affiliates. Any Person may be designated by the Obligated Group Agent as a Designated Affiliate by the delivery to the Master Trustee of an Officer's Certificate demonstrating compliance with the Transaction Test (giving effect to such designation) and designating a Member of the Obligated Group as the Controlling Member of such Designated Affiliate. With respect to each Person that is a Designated Affiliate, and for so long as that Person is a Designated Affiliate, the Obligated Group Agent or Controlling Member of that Designated Affiliate is required under the Master Indenture, to the extent permitted by law, to either (i) maintain, directly or indirectly, control of the Designated Affiliate, including the power to direct the management, policies, disposition of assets and actions of the Designated Affiliate to the extent required to cause the Designated 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 maintain in effect such agreements as the Obligated Group Agent or Controlling Member, in its sole judgment, deems sufficient for it to be able to cause the Designated Affiliate to comply with the terms and conditions of the Master Indenture applicable to it. A Person will cease to be a Designated Affiliate upon the delivery by the Obligated Group Agent to the Master Trustee of an Officer's Certificate declaring that such Person no longer shall be a Designated Affiliate and demonstrating compliance with the Transaction Test (giving effect to the withdrawal). Upon delivery of that Officer's Certificate, such Person will no longer be subject to any of the covenants applicable to a Designated Affiliate under the Master Indenture. Notwithstanding anything to the contrary herein, no Person can cease to be a Designated Affiliate if any Outstanding Related Bonds have been issued for the benefit of such Person unless a No Adverse Effect Opinion is delivered to the Master Trustee with respect to the cessation by such Person of its status as a Designated Affiliate.

Each Controlling Member is required under the Master Indenture (subject to contractual or organizational limitations and to the extent permitted by law) to pay, loan or otherwise transfer to a Member of the Obligated Group such amounts necessary to permit the Obligated Group to duly and punctually pay the Required Payments due upon or under all Obligations Outstanding on the dates, at the times and at the places and in the manner provided in such Obligations, the applicable Supplemental

Master Indenture and the Master Indenture, when and as the same become due and payable, whether at maturity, upon call for redemption, by acceleration of maturity or otherwise.

Each Controlling Member covenants in the Master Indenture that it will, to the extent permitted by law, cause each of its Designated Affiliates to comply with the terms and conditions of the Master Indenture applicable to such Designated Affiliate, and of any Related Loan Document to which such Designated Affiliate is a party.

General Covenants of the Credit Group. Each Member of the Obligated Group covenants under the Master Indenture and each Controlling Member covenants under the Master Indenture to cause, to the extent permitted by law, each of its Designated Affiliates to:

(a) Maintain its corporate or other separate legal existence, preserve its rights and licenses that are necessary or desirable in the operation of its business and affairs, 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.

(b) In the case of any Person that is a Tax-Exempt Organization when it becomes a Member of the Obligated Group or a Designated Affiliate, so long as any Related Bonds are Outstanding, not take any action that would result in the alteration of its status as a Tax-Exempt Organization, or that could result in any such Related Bond being declared invalid or affect the exclusion of interest payable on Related Bond from the gross income of the holders thereof for federal or state income tax purposes. Any Credit Group Member, however, may cease to be a not for profit corporation or take actions that would result in the loss of its status as a Tax-Exempt Organization, if prior thereto a No Adverse Effect Opinion with respect thereto is delivered to the Master Trustee.

(c) Comply with all applicable laws of the United States and the several state thereof and all governmental orders, regulations or requirements relative to the conduct of its business and the ownership of its Property.

(d) Promptly pay or satisfy and discharge its Indebtedness and all demands and claims against it when due, other than any thereof (exclusive of Obligations created and Outstanding under the Master Indenture) the validity, amount or collectability of which is being contested in good faith.

(e) Comply at all times with all terms of any Liens existing upon its Property or securing any of its Indebtedness.

(f) Remove any Lien on any of its Property that does not constitute a Permitted Encumbrance under the Master Indenture (see **"**Certain Provisions of the Master Indenture – Permitted Encumbrances**"** herein), pay or otherwise satisfy and discharge its obligations, Indebtedness (other than Obligations), demands and claims against it, and comply with any Lien, law, ordinance, rule, order, decree, decision, regulation or requirement, unless such Credit Group Member contests in good faith the Lien in an appropriate manner that operates during the pendency thereof to prevent collection or realization; provided, that while any such matters are pending, such Credit Group Member will not be required to pay, remove or cause to be discharged the obligation, Indebtedness, demand, claim or Lien unless it agrees to settle such contest and

the Credit Group Member shall save all Obligation holders and the Master Trustee harmless from all losses, judgments, decrees and costs.

(g) Procure and maintain all necessary licenses and permits and maintain accreditation of its health care facilities by The Joint Commission or other applicable recognized accrediting body unless its Governing Body determines in good faith that compliance is not in its best interests and lack thereof would not materially impair its ability to pay Indebtedness when due.

(h) Maintain insurance (which may be self-insurance) with respect to its Property and the operation thereof, and its business, against such casualties, contingencies and risks (including public liability and employee dishonesty) and in amounts not less than is customary in the case of corporations engaged in the same or similar activities and similarly situated and as it determines, in good faith, to be adequate to protect its Property and operations.

Permitted Encumbrances

The Obligated Group Members covenant in the Master Indenture that they will not create or incur or permit to be created or incurred or to exist, and each Controlling Member covenants, to the extent permitted by law, that it will not permit its Designated Affiliates to create, incur or suffer to exist, any Lien on any Property of such Credit Group Member, except for Permitted Encumbrances described below.

The following constitutes Permitted Encumbrances under the Master Indenture:

(1) any Lien on Property acquired by a Member of the Credit Group subject to an existing Lien, if at the time of such acquisition, the aggregate amount payable on any Indebtedness secured by that Property (whether or not assumed by a Member of the Credit Group) does not exceed the Current Value of such Property or, if such Property has been purchased by a Member of the Credit Group, the lesser of the acquisition price or the Current Value of the Property subject to such Lien, as determined in good faith by the Obligated Group Agent;

(2) Any Lien on Property arising in the ordinary course of a Credit Group Member's security lending or investing activities and in accordance with such Credit Group Member's investment policies;

(3) any Lien on Property if the Lien equally and ratably secures all of the Obligations and, if the Obligated Group Agent determines, any other Indebtedness or obligation of any Member of the Credit Group (other than Liens securing Subordinated Indebtedness or Non-Recourse Indebtedness);

(4) any Lien on Property given, granted, bequeathed or devised by the owner thereof existing at the time of such gift, grant, bequest or devise; provided that if such Lien secures Indebtedness, the Indebtedness is not assumed by a Member of the Credit Group and such Lien attaches solely to the Property (including the income therefrom) that is the subject of such gift, grant, bequest or devise;

(5) any Lien on (i) proceeds of Indebtedness (or on income from the investment of such proceeds) pending application to the purposes for which such Indebtedness was incurred, or that secure payment of such Indebtedness, (ii) any rebate fund established pursuant to the Code, or (iii) any depreciation reserve, debt service reserve or interest reserve, debt service fund or any similar fund (whether actually funded or where the funding thereof is contingent) established pursuant to the terms of

any Supplemental Master Indenture, Related Bond Indenture or Related Loan Document in favor of the Master Trustee, a Related Bond Trustee, a Related Issuer or the holder of the Indebtedness issued pursuant to such Supplemental Master Indenture, Related Bond Indenture or Related Loan Document or the provider of any liquidity or credit support for such Related Bond or Indebtedness;

(6) any Lien on Escrow Securities;

(7) any Lien on any Related Bond or any evidence of Indebtedness of any Member of the Credit Group acquired by or on behalf of any Member of the Credit Group by the provider of liquidity or credit support for such Related Bond or Indebtedness;

(8) any Lien on accounts receivable (i) arising as a result of the sale or assignment of such accounts receivable with or without recourse, provided that the principal amount of Indebtedness secured by any such Lien does not exceed, by more than 20%, the cash consideration received by a Credit Group Member pursuant to such sale of accounts receivable; or (ii) to secure Short-Term Indebtedness or other Indebtedness incurred in accordance with the provisions of the Master Indenture described in subparagraph (16) of the second paragraph under the caption "Certain Provisions of the Master Indenture – Permitted Indebtedness";

(9) any Lien on Property in effect on August 23, 2012 or existing at the time any Person becomes a Member of the Credit Group; 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 a Member of the Credit Group not subject to such Lien on such date unless such Lien as so increased, extended, renewed or modified is otherwise a Permitted Encumbrance;

(10) any Lien on Property of a Person existing at the time such Person is merged into or consolidated with a Member of the Obligated Group, or at the time of a sale, lease or other disposition of Property of a Person as an entirety or substantially as an entirety to a Member of the Obligated Group, which becomes part of a Property securing Indebtedness that is assumed by a Member of the Obligated Group 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 of the Obligated Group not subject to such Lien on such date unless such Lien as so increased, extended, renewed or modified is otherwise a Permitted Encumbrance;

(11) any Lien on Property that secures Non-Recourse Indebtedness incurred in accordance with the provisions of the Master Indenture described in subparagraph (6) of the second paragraph under the caption "Certain Provisions of the Master Indenture – Permitted Indebtedness";

(12) any Lien on Property arising out of a Capitalized Lease that constitutes Permitted Indebtedness;

(13) any Lien on Property if the total aggregate Book Value or Current Value (at the option of the Obligated Group Agent) of the Property subject to a Lien established and continued as described in this subparagraph (13) does not exceed the greater of (i) 25% of the combined value of all Property (calculated on the same basis as the value of Property subject to such Lien), or (ii) 15% of total Operating Revenues for the Historic Test Period;

(14) any Lien on Property that may be required from time to time to satisfy any collateralization requirements relating to any Hedging Obligation or Derivative Agreement;

(15) any Lien on Property required by, or resulting from, any lease agreement whereby a Member of the Credit Group leases a hospital or health care facility or facilities from a governmental unit or units, including but not limited to any Lien represented by the Agreement of Lease, dated January 23, 1991, by and between The Board of Supervisors of Fairfax County, Virginia, Inova, and Fairfax Hospital System, Inc., as amended or supplemented.

(16) any Lien on Property in the nature of a purchase money mortgage on Property acquired or constructed and financed, in whole or in part, with proceeds of Indebtedness secured by that Lien if, after giving effect to such Lien, such purchase money mortgage secures an amount not in excess of the cost of the particular asset to which such Lien relates and any related financing charges, so long as such purchase money mortgage constitutes a Lien on fixed assets acquired or constructed by a Member and so long as such Lien secures all or a portion of the related purchase price or construction cost of such assets;

(17) any Lien (i) for taxes, assessments or governmental charges or levies not yet delinquent, or which are being contested in good faith by appropriate proceedings so long as no foreclosure tax sale can occur during such proceedings and, if the amount exceeds 1% of the Book Value or the Current Value (at the option of the Obligated Group Agent) of Property, Plant and Equipment, adequate reserves, in the judgment of the Obligated Group Agent, have been established for the payment of such amounts; (ii) constituting an inchoate lien imposed by law but not yet having attached to any real property or leasehold, such as materialmen's, mechanics', carriers', worker's, employees' and repairmen's liens and other similar liens arising in the ordinary course of the Credit Group Member's business and securing obligations that have not remained unpaid for more than 30 days from the date the same shall have become due, except liens that are being contested in good faith by appropriate proceedings so long as no foreclosure sale can occur during such proceedings and, if the amount exceeds 1% of the Book Value or the Current Value (at the option of the Obligated Group Agent) of Property, Plant and Equipment, adequate reserves, in the judgment of the Obligated Group Agent, have been established for the payment of such amounts; (iii) constituting a pledge of deposits to secure obligations under worker's compensation laws or similar legislation or to secure public or statutory obligations of the Credit Group Member; and (iv) constituting utility, access and other easements and rights of way, mineral rights, encroachments and exceptions that will not interfere with or impair the present or future operations of the Credit Group Member, and minor defects, irregularities, encumbrances, easements, rights of way and clouds on title as normally exist with respect to properties similarly used for hospital or healthcare purposes and that do not materially impair the use of the affected Property;

(18) Any Lien on inventory that does not exceed 25% of the Book Value of all inventory of the Credit Group;

(19) any Lien on Property only if and to the extent that such Property could have been disposed of as a Permitted Disposition in accordance with the provisions of the Master Indenture described under the caption "Certain Provisions of the Master Indenture – Permitted Dispositions of Property";

(20) any Lien on Property arising by reason of good faith deposits with any Member of the Credit Group in connection with leases of real estate, bids or contracts (other than contracts for the payment of money), deposits by any Member of the Credit Group to secure public or statutory obligations, or to secure, or given in lieu of, surety, stay or appeal bonds, and deposits as security for the payment of taxes or assessments or other similar charges;

(21) 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 of the Credit Group to maintain self insurance or to participate in any funds established to cover any insurance risks or in connection with worker's compensation, unemployment insurance, pension or profit sharing plans or other arrangements for social security, or to share in the privileges or benefits required for companies participating in such arrangements;

(22) any Lien in the form of a judgment lien or notice of pending action against any Member of the Credit Group so long as such judgment or pending action is being contested and execution thereon is stayed or while the period for responsive pleadings has not lapsed;

(23) any Lien (i) in the form of rights reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license, permit or provision of law, affecting Property, to (A) terminate such right, power, franchise, grant, license or permit, provided that the exercise of such right would not materially impair the use of such Property or materially and adversely affect the value thereof, or (B) purchase, condemn, appropriate or recapture, or designate a purchaser of, such Property, or (C) control or regulate any Property or use such Property in any manner; (ii) on Property for taxes, assessments, levies, fees, water and sewer rents, and other governmental and similar charges and any liens of mechanics, materialmen, laborers, suppliers or vendors for work or services performed or materials furnished in connection with such Property, which liens have not been perfected or, if such liens have been perfected, are being contested in good faith, and a Member of the Credit Group has posted security for the payment of the obligations secured by such Liens in an amount satisfactory to the Master Trustee; (iii) in the form of easements, rights-of-way, servitudes, restrictions and other minor defects, encumbrances, and irregularities in the title to any Property, which do not materially impair the use of such Property or materially and adversely affect the value thereof; (iv) to the extent that it affects title to any Property, the Master Indenture; and (v) in the form of landlord's Liens;

(24) any Lien representing rights of setoff and banker's liens arising in the ordinary course of business with respect to funds on deposit in a financial institution;

(25) any Lien in the form of rights of tenants, and security interests granted, under leases of Property, Plant and Equipment made by a Credit Group Member in the ordinary course of business;

(26) any Lien on money deposited by patients or others with a Credit Group Member as security for or as prepayment for the cost of patient care;

(27) any Lien due to rights of third-party payors for recoupment of amounts paid to a Credit Group Member; or

(28) any Lien representing statutory rights of the United States of America arising by reason of its making funds available under 42 U.S.C. §291 et seq., or funds made available by the Federal Emergency Management Agency, and similar rights under other federal and state statutes.

Defaults and Remedies

Events of Default. Each of the following events is an "Event of Default" under the Master Indenture:

(a) any failure of the Obligated Group to make any Required Payment due on any Obligation when due and payable, whether at maturity, upon any date fixed for prepayment or by acceleration or otherwise; or

(b) any failure of any Member of the Obligated Group to comply with, observe or perform any other covenant, condition, agreement or provision of the Master Indenture and to remedy such failure within 60 days after written notice thereof to such Member of the Obligated Group and the Obligated Group Agent from the Master Trustee or from 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 of the Obligated Group to remedy such default within such 60-day period will not constitute an Event of Default if, promptly after receipt of such notice, the Obligated Group Member commences and proceeds to complete the cure of such failure with due diligence and dispatch; or

(c) any representation or warranty made by any Member of the Obligated Group in the Master Indenture or in any Supplemental Master Indenture or in any statement or certificate furnished to the Master Trustee or the original purchaser of any Obligation, or furnished by any Member of the Obligated Group pursuant to the Master Indenture or any Supplemental Master Indenture, (i) proves untrue in any material respect as of the date it is made and (ii) is not corrected or brought into compliance within 60 days after written notice thereof to the Obligated Group Agent from the Master Trustee or from the holders of at least 25% in aggregate principal amount of the Outstanding Obligations; or

(d) the occurrence of a Related Event of Default; or

(e) the occurrence of (i) a default by any Credit Group Member in the payment of any principal of or interest or premium on any Cross-Default Indebtedness, as and when due and payable, or within any period of grace with respect thereto, or (ii) an event of default under any instrument securing, or under or pursuant to which there was issued, Cross-Default Indebtedness, which entitles the holder thereof (or any credit or liquidity enhancer exercising the rights of such holder) to declare that Indebtedness due and payable prior to the date on which it would otherwise become due and payable; provided, however, that any such default or event of default with respect to Cross-Default Indebtedness will not constitute an Event of Default under the Master Indenture if (x) the aggregate unpaid principal amount of Cross-Default Indebtedness as to which such a default or event of default exists (excluding any Cross-Default Indebtedness described in clause (y)) does not exceed the Cross-Default Threshold, or (y) within 60 days after the occurrence of such default or event of default (1) the Obligated Group Agent delivers written notice to the Master Trustee to the effect that such Credit Group Member is contesting the payment of such Indebtedness, (2) within the time allowed for service of a responsive pleading if any proceeding to enforce payment of the Indebtedness has been or is commenced, the Credit Group Member commences proceedings in good faith to contest its obligation to pay such Indebtedness, or (3) if a judgment relating to collection of the Indebtedness has been entered against such Credit Group Member, either the execution of the judgment is stayed or sufficient money is escrowed with a bank or trust company for its payment; or

(f) any judgment, writ or warrant of attachment or of any similar process shall be entered or filed against any Member of the Credit Group or against any Property of any Member of the Credit Group by a court having jurisdiction and remains unvacated, unpaid, unbonded, unstayed or uncontested in good faith for a period of 60 days; provided, however, that none of the foregoing will constitute an Event of Default under the Master Indenture 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 the Cross-Default Threshold; or

(g) any Credit Group 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 Credit Group Member, or for the major part of its Property; or

(h) a trustee, custodian or receiver is appointed for any Credit Group Member or for the major part of its Property and is not discharged within 90 days after such appointment; or

(i) 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 Credit Group Member (other than bankruptcy proceedings instituted by any Credit Group Member against third parties), and if instituted against any Credit Group Member are allowed against such Credit Group Member or are consented to or are not dismissed, stayed or otherwise nullified within 90 days after such institution.

Notwithstanding the above, in the event of an occurrence described in clauses (e) through (i) above, if the Obligated Group Member causing such event withdraws as a Member of the Obligated Group in accordance with the provisions of the Master Indenture, or if the designation of the Designated Affiliate causing such event is rescinded in accordance with the provisions of the Master Indenture, in either case within 90 days after the date of such occurrence, such occurrence will not constitute an Event of Default.

Acceleration. If an Event of Default has occurred and is continuing, the Master Trustee may, and if requested by the holders of not less than 25% in aggregate principal amount of all Obligations then Outstanding, is required under the Master Indenture to, by notice in writing delivered to the Obligated Group Agent, declare all Obligations then Outstanding and all Required Payments payable under, or secured by, all Obligations then Outstanding, to be immediately due and payable.

In the event of any such declaration of acceleration, all Required Payments payable under, or secured by, Obligations declared to be accelerated will thereupon become immediately due and payable, subject, however, to the provisions of the Master Indenture with respect to waivers of Events of Default (described in Waiver of Events of Default below).

Remedies. Upon the occurrence of any Event of Default, the Master Trustee may, and upon the written request of the holders of not less than 25% in aggregate principal amount of all Obligations then Outstanding, together with indemnification of the Master Trustee to its satisfaction therefor, is required to, pursue any available remedy including a suit, action or proceeding at law or in

equity to enforce the payment of any Required Payments due and payable under the Outstanding Obligations or under the Master Indenture and may collect such sums in the manner provided by law out of the Property of any Member of the Obligated Group wherever situated, by such suits, actions or proceedings as the Master Trustee, being advised by Counsel, deems to be expedient, including but not limited to:

(i) Enforcement of the right of the holders to collect and enforce the payment of amounts due or becoming due under the Obligations;

(ii) Suit upon all or any part of the Obligations;

(iii) Civil action to require any Person holding moneys, documents or other property pledged to secure payment of amounts due or to become due on the Obligations to account as if it were the trustee of an express trust for the holders;

(iv) Civil action to enjoin any acts or things, which may be unlawful or in violation of the rights of the holders; and

(v) Enforcement of any other right of the holders conferred by law or by the Master Indenture.

The Master Trustee has the right to decline to comply with any such request if the Master Trustee is advised by Counsel that the action so requested may not lawfully be taken or the Master Trustee determines in good faith that such action would be unjustly prejudicial to the holders of the Obligations not parties to such request.

Direction of Proceedings by Holders. The holders of a majority in aggregate principal amount of all Obligations then Outstanding that have become due and payable in accordance with their terms or have been declared due and payable pursuant to the provisions of the Master Indenture described under the caption "Acceleration" 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 all Obligations then Outstanding in the case of any other remedy, 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 must be in accordance with the provisions of law and of the Master Indenture and that the Master Trustee has the right to decline to comply with any such request if the Master Trustee is advised by Counsel that the action so directed may not lawfully be taken or the Master Trustee determines in good faith that such action would be unjustly prejudicial to the holders of the Obligations not parties to such direction.

The foregoing notwithstanding, the holders of a majority in aggregate principal amount of all Obligations then Outstanding, which are entitled to the exclusive benefit of certain security in addition to that intended to secure all or other Obligations, 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 Indentures 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 cannot be otherwise than in accordance with the provisions of law and of the Master Indenture.

Appointment of Receiver. Upon the occurrence of an Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Master Trustee and the holders of Obligations under the Master Indenture, the Master Trustee is entitled, as a matter of right, to the extent permitted by law, to the appointment of a receiver or receivers of the rights and properties pledged under the Master Indenture, if any, and of the revenues, issues, payments and profits thereof, pending such proceedings, with such powers as the court making such appointment confers upon the receiver. Each Member of the Obligated Group consents and agrees under the Master Indenture, and if requested by the Master Trustee, will consent and agree at the time of application by the Master Trustee for appointment of a receiver of its Property, to the extent permitted by law, to the appointment of such receiver of its Property and that such receiver may be given the right, power and authority, to the extent the same may lawfully be given, to take possession of and operate and deal with such Property and the revenues, profits and proceeds therefrom, with like effect as the Member of the Obligated Group could do so, and to borrow money and issue evidences of indebtedness as such receiver.

Application of Money. Subject to the provisions of any Supplemental Master Indenture pursuant to which Outstanding Obligations are secured differently than other Outstanding Obligations in accordance with the provisions of the Master Indenture described under the caption "Certain Provisions of the Master Indenture – Issuance of Obligations and Security Therefor – Security for Obligations" herein and clause (i) under "Certain Provisions of the Master Indenture – Supplemental Master Indentures – Supplemental Master Indentures Not Requiring Consent of Obligation Holders", all money received by the Master Trustee pursuant to any action taken in connection with an Event of Default (except money held for the payment of Obligations called for prepayment or redemption that have become due and payable) is required, after payment of the cost and expenses of the proceedings resulting in the collection of that money and of the fees of, expenses, liabilities and advances incurred or made by the Master Trustee, any Related Issuers and any Related Bond Trustees, be applied as follows:

(a) Unless all Obligations have become or been declared due and payable, all such money is required to be applied to the payment to the Persons entitled thereto of the unpaid Required Payments on the Obligations that have become due (other than Obligations called for redemption or payment, for the payment of which money is held pursuant to the provisions of the Master Indenture), in the order of the scheduled dates of their payment, and, if the amount available is not sufficient to pay in full all Required Payments due on any particular date, then to the payment ratably, according to the amount of Required Payments due on such date, to the Persons entitled thereto without any discrimination or privilege.

(b) If all Obligations have become or been declared due and payable, all such money is required to be applied to the payment of the Required Payments then due and unpaid on the Obligations without preference or priority of any Required Payment over any other Required Payment, or of any Obligation over any other Obligation, ratably, according to the Required Payments due to the Persons entitled thereto without any discrimination or privilege.

(c) If all Obligations have been declared due and payable, and if such declaration has thereafter been rescinded and annulled under the provisions of the Master Indenture, then, subject to the provisions described in paragraph (b) above in the event that all Obligations later become due or are declared to be due and payable, the money shall be applied in accordance with the provisions described in paragraph (a) above.

Whenever money is to be applied by the Master Trustee pursuant to an Event of Default, the Master Trustee is required to apply that money at such times, and from time to time, as the Master

Trustee shall determine, having due regard for the amount of money available for application and the likelihood of additional money becoming available for such application in the future. Whenever the Master Trustee applies that money, it must fix the date upon which such application is to be made and upon such date interest on the amounts to be paid on such date will cease to accrue. The Master Trustee must give notice of the deposit with it of any such money and of the fixing of any such date. It is not required to make payment to the holder of any unpaid Obligation until such Obligation is presented to the Master Trustee for appropriate endorsement or for cancellation if fully paid.

Remedies Vested in Master Trustee. Any suit or proceeding instituted by the Master Trustee will be brought in its name as Master Trustee without the necessity of joining as plaintiffs or defendants any holders of the Obligations, and any recovery of judgment will be for the equal benefit of the holders of the Outstanding Obligations. Upon the occurrence of an Event of Default under the Master Indenture, the Master Trustee, in addition to any other remedies available hereunder or under applicable law, has the right to enforce the covenants of each Controlling Member to cause its Designated Affiliates to comply with the covenants applicable thereto as provided in the Master Indenture.

Rights and Remedies of Obligation Holders. No holder of any Obligation has 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 created under the Master Indenture or for the appointment of a receiver or the exercise of any other remedy under the Master Indenture, unless a default becomes an Event of Default and the holders of 25% or more in aggregate principal amount (i) of all Obligations then Outstanding that have become due and payable in accordance with their terms, or have been declared due and payable pursuant to the provisions of the Master Indenture described under the caption "Acceleration" herein and have not been paid in full, in the case of powers exercised to enforce such payment or (ii) of all Obligations then Outstanding in the case of any other exercise of power, have made written request to the Master Trustee and have offered it reasonable opportunity either to proceed to exercise the powers granted under the Master Indenture or to institute such action, suit or proceeding in its own name, and have offered indemnity to the Master Trustee for its fees and expenses in an amount satisfactory to the Master Trustee in its sole discretion, and unless the Master Trustee thereafter fails or refuses to exercise the powers granted to it 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 hereby 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 hereunder; it being understood and intended that no one or more holders of the Obligations have any right in any manner whatsoever to affect, disturb or prejudice the lien of the Master Indenture by the action of such holders or to enforce any right under the Master Indenture except in the manner herein provided, and that all proceedings at law or in equity must be instituted, had and maintained in the manner provided in the Master Indenture and, unless otherwise provided in a Supplemental Master Indenture, for the equal and proportionate benefit of the holders of all Obligations Outstanding. Nothing in the Master Indenture will affect or impair the right of any holder to enforce the payment of any Required Payments due under any Obligation at and after the maturity or due date thereof, or the obligation of the Members of the Obligated Group to pay any Required Payments due under the Obligations issued under the Master Indenture to the respective holders thereof at the time and place, from the source and in the manner expressed in those Obligations.

Waiver of Events of Default. If, at any time after all Obligations have been declared due and payable, and before any judgment or decree for the payment of the money due has been obtained or entered as hereinafter provided and before the acceleration of any Related Bond, any Member of the Obligated Group pays or deposits with the Master Trustee (in connection with any Event of Default described in (a) under the caption "Events of Default" above), an amount sufficient to pay (i) all matured installments of interest upon all such Obligations and any Required Payments due under all such

Obligations that are due other than by reason of acceleration (with interest on overdue installments of interest and on such principal and any premium and other Required Payments due, at the rate borne by such Obligations to the date of such payment or deposit, to the extent permitted by law) and (ii) the expenses of the Master Trustee, and if any and all Events of Default, other than the nonpayment of any Required Payments due under such Obligations that have become due by acceleration, have been remedied, then and in every such case the Master Trustee is required under the Master Indenture to waive all Events of Default and rescind and annul such declaration and its consequences; but no such waiver or rescission and annulment will extend to or affect any subsequent Event of Default, or impair any right consequent thereon.

No delay or omission of the Master Trustee or of any Obligation holder to exercise any right or power accruing upon any Event of Default will impair any such right or power or will be construed to be a waiver of any such Event of Default or acquiescence therein.

The Master Trustee may waive any Event of Default that, in its opinion, has been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions of the Master Indenture, or before the completion of the enforcement of any other remedy under the Master Indenture.

The Master Trustee is required to waive any Event of Default at the request of the holders of a majority in aggregate principal amount of all Obligations then Outstanding if all payment defaults have been cured (other than any payments due as a result of acceleration).

In case of any waiver by the Master Trustee of an Event of Default under the Master Indenture, the Members of the Obligated Group, the Master Trustee and the Obligation holders will be restored to their former positions and rights under the Master Indenture, respectively, but no such waiver shall extend to any subsequent or other Event of Default or impair any right consequent thereon.

Rights of Possession and Use of Property. So long as each Member of the Obligated Group is in compliance with the terms and provisions of the Master Indenture, each Member of the Obligated Group is permitted to possess, use and enjoy its Property and appurtenances thereto free of claims of the Master Trustee.

Bond Trustee Deemed to be Holder of Obligation No. 67. The Trust Agreement provides that the Bond Trustee is deemed to be the holder of the Obligation No. 67, including without limitation, for the purpose of taking actions, voting and giving consents.

Notice of Default. The Master Trustee is required under the Master Indenture, within 10 days after it has actual knowledge of the occurrence of an Event of Default, to mail, by first class mail, postage prepaid, to all holders of Outstanding Obligations, notice of such Event of Default known to the Master Trustee, unless the Event of Default has been cured before such notice has been given; provided that, except in the case of default in the payment of any Required Payments on any of the Obligations and the Events of Default described in subsections (g), (h) or (i) under the caption "Acceleration" above, the Master Trustee will be protected in withholding such notice if and so long as the board of directors, the executive committee, or a trust committee of directors or any responsible officer of the Master Trustee determines, in good faith, that the withholding of such notice is in the interests of the holders.

Removal and Resignation of Master Trustee

The Master Trustee may resign on its motion or may be removed at any time by an instrument or instruments in writing signed by the holders of not less than a majority in aggregate

principal amount of all Obligations then Outstanding or, if no Event of Default under the Master Indenture has occurred and is continuing, by an instrument in writing signed by the Obligated Group Agent. No such resignation or removal will become effective unless and until a successor Master Trustee (or temporary successor trustee as provided below) has been appointed and has assumed the trusts created by the Master Indenture. Written notice of such resignation or removal must be given to the Members of the Obligated Group and to each holder by first class mail at the address then reflected on the books of the Master Trustee and such resignation or removal will take effect upon the appointment and qualification of a successor Master Trustee. A successor Master Trustee may be appointed at the direction of the Obligated Group Agent or the holders of not less than a majority in aggregate principal amount of all Obligations then Outstanding. In the event a successor Master Trustee has not been appointed and qualified within 60 days of the date notice of resignation is given, the Master Trustee, any Member of the Obligated Group or any holder may apply to any court of competent jurisdiction for the appointment of a temporary successor Master Trustee to act until such time as a successor is appointed as above described.

Any successor to the Master Trustee by merger or consolidation, or any transferee of the corporate trust business of the Master Trustee, will automatically become the successor Master Trustee.

Unless otherwise ordered by a court or regulatory body having competent jurisdiction, or unless required by law, any successor Master Trustee must be a trust company or bank having the powers of a trust company as to trusts, qualified to do and doing trust business in one or more states of the United States of America and having an officially reported combined capital, surplus, undivided profits and reserves aggregating at least $50,000,000, if there is such an institution willing, qualified and able to accept the trust upon reasonable or customary terms.

Every successor Master Trustee howsoever appointed under the Master Indenture must execute, acknowledge and deliver to its predecessor and also to each Member of the Obligated Group an instrument in writing accepting such appointment under the Master Indenture, and, thereupon, such successor Master Trustee, without further action, shall become fully vested with all of the rights, immunities, powers, trusts, duties and obligations of its predecessor, and such predecessor must execute and deliver an instrument transferring to such successor Master Trustee all of the rights, powers and trusts of such predecessor. The predecessor Master Trustee must execute any and all documents necessary or appropriate to convey all interest it may have to the successor Master Trustee. The predecessor Master Trustee must promptly deliver all material records relating to the trust or copies thereof and, on request, communicate all material information it may have obtained concerning the trust to the successor Master Trustee.

Each successor Master Trustee, not later than 10 days after its assumption of the duties under the Master Indenture, will mail a notice of such assumption to each holder of an Obligation.

Supplemental Master Indentures

Supplemental Master Indentures Not Requiring Consent of Obligation Holders. Subject to the limitations of the Master Indenture described under the caption "Certain Provisions of the Master Indenture – Supplemental Master Indentures Requiring Consent of Obligation Holders" below, the Members of the Obligated Group (or the Obligated Group Agent on their behalf to the extent permitted by law) 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 materially and 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 any of them, to add to the covenants of the Members of the Obligated Group for the benefit of the Obligation holders or to surrender any right or power conferred under the Master Indenture upon any Member of the Obligated Group, including, but not limited to, any amendments necessary to establish or maintain any credit ratings applicable to the Obligated Group;

(c) To assign and pledge under the Master Indenture any additional revenues, properties or collateral;

(d) To evidence the succession of another entity to the agreements of a Member of the Obligated Group or the Master Trustee, or the successor to any thereof under the Master Indenture;

(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 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 from the Obligated Group of any Member or the addition to or withdrawal from the Credit Group of any Designated Affiliate;

(i) Subject to the provisions of Master Indenture described under the caption "Certain Provisions of the Master Indenture – Issuance of Obligations and Security Therefor – Security for Obligations" herein, to permit an Obligation to be secured or payable from sources or by Property or instruments that does not secure all Obligations, or all Obligations on the same basis, to permit realization upon any such separate security and provide for the application of the proceeds of that security for the benefit of the holders of the Obligations entitled thereto, and to limit the pledge, and the application of the proceeds, of any such security for the benefit of the holders of any other Obligations;

(j) To modify or eliminate any of the terms of the Master Indenture; provided, however, that such Supplemental Master Indenture must 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

(k) To make any other change that does not, in the judgment of the Master Trustee, materially adversely affect the rights or interests of the holders of the Outstanding Obligations or the rights or interests of the holders of any Related Bonds, including without limitation, any modification, amendment or supplement to the Related

Master Indenture or any Supplemental Master Indenture in such a manner as to establish or maintain exemption of interest on any Related Bonds under a Related Bond Indenture from federal income taxation under applicable provisions of the Code.

Any Supplemental Master Indenture providing for the issuance of Obligations must set forth the date thereof, the date or dates upon which any Required Payments due under such Obligations shall be payable, the other terms and conditions of such Obligations, the form of such Obligations and the conditions precedent to the delivery of such Obligations.

Supplemental Master Indentures Requiring Consent of Obligation Holders. In addition to Supplemental Master Indentures permitted by the provisions of the Master Indenture described under the caption "Certain Provisions of the Master Indenture – Supplemental Master Indentures Not Requiring Consent of Obligation Holders" above, and not otherwise, the holders of not less than 51% in aggregate principal amount of all Obligations Outstanding under the Master Indenture at the time of the execution of such Supplemental Master Indenture or, if less than all of the several series of Outstanding Obligations are affected thereby, the holders of not less than 51% in aggregate principal amount of all such Debt Obligations so affected that are Outstanding at the time of the execution of such Supplemental Master Indenture, have the right, from time to time to consent to and approve the execution by the Members of the Obligated Group and the Master Trustee of such Supplemental Master Indentures as shall be deemed necessary and desirable by the Members of the Obligated Group 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 (a) nothing contained in the Master Indenture permits, or can be construed as permitting, (i) an extension of the stated maturity of or reduction in any Required Payment due under any Obligation, or any extension of the time for making any Required Payment due under any Obligation, without the consent of the holder of such Obligation, (ii) a reduction in the 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 of the Outstanding Obligations that would be affected by the action to be taken, (iii) except as described under the caption "Certain Provisions of the Master Indenture – Issuance of Obligations and Security Therefor – Security for Obligations" herein, permit the preference or priority of any Obligation over any other Obligation, without the consent of the holders of all of the Outstanding Obligations, or (iv) modification of the rights, duties or immunities of the Master Trustee, without the written consent of the Master Trustee, and (b) the execution of a Supplemental Master Indenture affecting less than all of the several series of Outstanding Obligations will be treated, for the purpose of determining the requisite consent to its execution, as if it affects all Outstanding Obligations, until such time as there is no longer Outstanding any Obligation that was issued and Outstanding prior to the August 23, 2012, other than Obligations the holders of which have consented to the execution of the Master Indenture.

If at any time the Obligated Group Agent requests the Master Trustee to enter into a Supplemental Master Indenture pursuant to the provisions of the Master Indenture described under this caption, the Master Trustee will, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of the Supplemental Master Indenture to be mailed by first class mail postage prepaid to each holder of an Obligation or, if fewer than all Obligations are affected thereby, to each holder of an Obligation of the affected series. Such notice will briefly set forth the nature of the proposed Supplemental Master Indenture and state that a copy is on file and available for inspection at the designated corporate trust office of the Master Trustee identified in the notice. The Master Trustee shall not, however, be subject to any liability to any Obligation holder by reason of its failure to mail such notice, and any such failure shall not affect the validity of such Supplemental Master Indenture when consented to and approved in accordance with the provisions of the Master Indenture described under this caption. If the holders of not less than 51% in aggregate principal amount of all Obligations or Obligations of each affected series, as the case may be, which are Outstanding at the time of the execution

of the Supplemental Master Indenture, consent to and approve its execution, no holder of any Obligation will have any right to object to its terms or provisions, or its operation, or in any manner to question the propriety of its execution, or to enjoin or restrain the Master Trustee or the Members of the Obligated Group from executing the Supplemental Master Indenture or taking any action pursuant to its provisions.

For the purpose of obtaining the foregoing consents, the determination of who is deemed the holder of an Obligation held by a Related Bond Trustee will be made in the manner described under the caption "Certain Provisions of the Master Indenture – Defaults and Remedies –Bond Trustee Deemed to be Holder of Obligation No. 67" herein (see also "Certain Provisions of the Master Indenture – Effect of Ancillary Obligations on Calculation of Percentage of Obligations Required for Actions" below.

Effect of Ancillary Obligations on Calculation of Percentage of Obligations Required for Actions, Votes or Consents

Unless otherwise provided in the Related Bond Indenture pursuant to which a series of Related Bonds has been issued, if payment of principal or the purchase price of, or interest on, that series of Related Bonds is secured by a credit or liquidity facility that is in full force and effect and an Ancillary Obligations is held by the credit or liquidity facility provider, the related Debt Obligation held by the Related Bond Trustee will be disregarded under the Master Indenture for the purpose of any action, vote or consent that requires the action, vote or consent of the holders of all Outstanding Obligations and the Ancillary Obligation will be taken into account in an amount equal to the greater of the Outstanding principal amount of the related Debt Obligation or the amount evidenced and secured by the Ancillary Obligation that at the time of calculation is due and unpaid.

Satisfaction of Master Indenture

Defeasance. If the Members of the Obligated Group pay or provide for the payment of the entire indebtedness on all Obligations (including, any Obligations owned by a Member of the Obligated Group) Outstanding in any one or more of the following ways:

(a) by paying or causing to be paid any Required Payments due under 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, money in an amount sufficient to pay or redeem (when redeemable) all Obligations Outstanding (including the payment of any Required Payments due under such Obligations to the maturity or redemption or other final payment date thereof); provided that such money, if invested, must be invested at the direction of the Obligated Group Agent in Escrow Securities, in an amount, without consideration of any income or increment to accrue thereon, sufficient to pay or redeem (when redeemable) and discharge the Required Payments payable on all Obligations Outstanding at or before their respective maturity dates; it being understood that the investment income on such Escrow Securities 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 Securities in such amount as 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 amounts due on all Obligations Outstanding at or before their respective maturity or due dates;

and if the Obligated Group also pays or causes to be paid all other amounts 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 has been given in accordance with the requirements of the Master Indenture or provisions satisfactory to the Master Trustee have been made for the giving of such notice, then and in that case the Master Indenture and the estate and rights granted thereunder shall cease, determine, and become null and void, and thereupon the Master Trustee is required, upon written request of the Obligated Group Agent, and upon receipt by the Master Trustee of an Officer's Certificate and an opinion of 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. Thereafter, the Obligation holders are entitled to payment only out of the money or Escrow Securities deposited with the Master Trustee as aforesaid.

The Obligated Group may at any time surrender to the Master Trustee for cancellation by it any Obligations previously authenticated and delivered that the Obligated Group may have acquired in any manner whatsoever, and such Obligations, upon such surrender and cancellation, will be deemed to be paid and retired.

Provision for Payment of a Particular Series of Obligations or Portion Thereof. If the Obligated Group pays or provides for the payment of all Required Payments on all Obligations of a particular series or a portion of such a series 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, and any other Required Payments due under, 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, money in an amount sufficient to pay or redeem (when redeemable) all Obligations of such series or portion thereof Outstanding (including the payment of any premium and interest payable on, and any other Required Payments due under, such Obligations to the maturity or redemption date), provided that such money, if invested, is to be invested at the direction of the Obligated Group Agent in Escrow Securities 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 Securities 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 Securities in such amount as the Master Trustee determines 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 Required Payments on all Obligations of such series or portion thereof at or before their respective maturity dates;

and if the Obligated Group also pays or causes to be paid all other amounts 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 has been given in accordance with the requirements of the Master Indenture or provisions satisfactory to the Master Trustee have been made for the giving of such notice, then in that case, such Obligations will cease to be entitled to any lien, benefit or security under the Master Indenture.

Satisfaction of Related Bonds. Any Obligation that secures a Related Bond (i) will be deemed paid and will 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"; and (ii) will not be deemed paid and will continue to be entitled to the lien, benefit and security under the Master Indenture unless and until such Related Bond ceases to be entitled to any lien, benefit or security under the Related Bond Indenture pursuant to the provisions thereof.

CERTAIN PROVISIONS OF THE TRUST AGREEMENT

DEFINITIONS

"Act" means the Industrial Development and Revenue Bond Act, Chapter 49, Title 15.2, Code of Virginia of 1950, as amended, or any successor statute.

"Affiliate" means Affiliate as defined in Section 101 of the Master Indenture.

"Agreement" means the Loan Agreement, dated as of July 1, 2018, by and between the Authority and Inova, including all amendments or supplements thereto as therein permitted.

"Authority" means the Industrial Development Authority of Fairfax County, Virginia, a political subdivision of the Commonwealth of Virginia, and any successor thereto.

"Authority Representative" means each of the persons at the time designated to act on behalf of the Authority in a written certificate furnished to the Bond Trustee and Inova, which certificate shall contain the specimen signature(s) of such person(s) and shall be signed on behalf of the Authority by the Chairperson or Vice-Chairperson of the Authority.

"Authorized Group Representative" means each of the persons at the time designated to act on behalf of Inova in a written certificate furnished to the Authority and the Bond Trustee, which certificate shall contain the specimen signature(s) of such person(s) and shall be signed on behalf of Inova by the Chief Executive Officer or Chief Financial Officer of Inova.

"Authorized Denominations" means $5,000 or any integral multiple thereof.

"Beneficial Owner" means any Person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bond (including any Person holding a Bond through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bond for federal income tax purposes.

"Bond Counsel" means any firm of nationally recognized municipal bond attorneys selected by Inova and acceptable to the Authority and experienced in the issuance of municipal bonds and matters relating to the exclusion of the interest thereon from gross income for federal income tax purposes.

"Bond Fund" means the Industrial Development Authority of Fairfax County, Virginia, Health Care Revenue Bonds (Inova Health System Project) Series 2018A Bond Fund created and so designated by Section 5.01 of the Trust Agreement and consisting of the Interest Account and the Sinking Fund Account.

"Bond Register" means the registration books of the Authority kept by the Bond Trustee to evidence the registration and transfer of Bonds.

"Bond Registrar" means the Bond Trustee, as keeper of the Bond Register.

"Bond Trustee" means the bond trustee at the time serving as such under the Trust Agreement whether the original or a successor trustee.

"Bond Year" means the period commencing on May 15 of any year and ending on May 14 of the following year, except that the initial "Bond Year" means the period commencing on the Closing Date and ending on May 14, 2019.

"Bonds" means the $206,860,000 aggregate principal amount of the Authority's Health Care Revenue Bonds (Inova Health System Project), Series 2018A initially authorized to be issued by the Authority pursuant to the terms and conditions of Section 2.07 of the Trust Agreement.

"Business Day" means a day which is not (a) a Saturday, Sunday or legal holiday on which banking institutions in the Commonwealth of Virginia or the State of New York are authorized by law to be closed or (b) a day on which the New York Stock Exchange is closed.

"Closing" or "Closing Date" means the date on which the Trust Agreement becomes legally effective, the same being the date on which the Bonds are delivered against payment therefor.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, and all regulations promulgated thereunder.

"County" means Fairfax County, Virginia, a political subdivision of the State, and the legal successor or successors thereof.

"Defaulted Interest" has the meaning given in Section 2.02(b) of the Trust Agreement.

"Defeasance Obligations" means (A) (i) noncallable, nonprepayable Government Obligations, (ii) evidences of ownership of a proportionate interest in specified Government Obligations, which Government 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, but excluding proprietary zero coupon securities representing interest or principal payments on U.S. Treasury securities such as CATs, TIGRs, ZEBRAs, LIONs, etc., (iii) Defeased Municipal Obligations, and (iv) shares of a money market fund or commingled trust which fund or trust's investments are restricted to Government Obligations and (B) noncallable, nonprepayable direct obligations of (i) Federal National Mortgage Association, (ii) Federal Home Loan Banks, (iii) Federal Financing Bank, (iv) Federal Home Loan Mortgage Corporation, (v) Governmental National Mortgage Association, (vi) Federal Housing Administration, (vii) Farmers Home Administration, and (viii) any other agency or instrumentality of the United States of America.

"Defeased Municipal Obligations" means noncallable obligations of state or local government municipal bond issuers which are rated in the highest Rating Category by S&P and Moody's,

respectively, provision for the payment of the principal of and interest on which shall have been made by deposit with a trustee or escrow agent of (i) noncallable, nonprepayable Government Obligations or (ii) evidences of ownership of a proportionate interest in specified Government Obligations, which Government 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 as custodian, but excluding proprietary zero coupon securities representing interest or principal payments on U.S. Treasury securities such as CATs, TIGRs, ZEBRAs, LIONs, etc., the maturing principal of and interest on such Government Obligations or evidences of ownership, when due and payable, shall provide sufficient money to pay the principal of, redemption premium, if any, and interest on such obligations of state or local government municipal bond issuers.

"Depositary" means one or more banks or trust companies authorized under the laws of the United States of America or the State to engage in the banking or trust business within the State and designated by the Authority, with the approval of the Authorized Group Representative, as a depositary of money under the provisions of the Trust Agreement.

"Designated Corporate Trust Office" means the corporate trust office of the Bond Trustee designated by such party in a writing delivered to the Authority and Inova. Initially, the Designated Corporate Trust Office of the Bond Trustee shall mean the office of the Bond Trustee located at 1021 East Cary Street, Richmond, Virginia 23219. Notwithstanding the foregoing, the Bond Trustee may from time to time establish different Designated Corporate Trust Offices for different purposes. Solely for purposes of the delivery of any Bonds pursuant to any optional, extraordinary or mandatory redemption, the initial Designated Corporate Trust Office shall be the office of the Bond Trustee located at Corporate Trust Services, 111 Fillmore Avenue East, St. Paul, MN 55107-1402 (for deliveries by hand) or Corporate Trust Services, P.O. Box 64111, St. Paul, MN 55164-0111 (for deliveries by mail).

"DTC" means The Depository Trust Company, New York, New York.

"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 Agreement" means the Refunding Escrow Deposit Agreement, dated as of July 1, 2018, by and between Inova and U.S. Bank National Association, as trustee for the Prior Bonds.

"Event of Default" means, with respect to the Trust Agreement, each of the events set forth in Section 8.01 of the Trust Agreement.

"Favorable Opinion of Bond Counsel" means a written opinion of Bond Counsel, addressed to the Authority, Inova and the Bond Trustee, to the effect that the action proposed to be taken is authorized or permitted by the laws of the State and the Trust Agreement and will not adversely affect any exclusion from gross income for federal income tax purposes, or any exemption from State income taxes, of interest on the Bonds.

"Fiscal Year" means the period commencing on the first day of January of any year and ending on the last day of December of such year, unless the Bond Trustee is notified in writing by the Authorized Group Representative of a change in such period, in which case the Fiscal Year shall be the period set forth in such notice.

"Fitch" means Fitch Ratings, a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, and if such corporation shall be dissolved or liquidated

or shall no longer perform the functions of a securities rating agency, "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authorized Group Representative by notice to the Bond Trustee and the Authority.

"Government Obligations" means direct obligations of, or obligations the timely payment of principal of and interest on which are fully and unconditionally guaranteed by, the United States of America.

"Holder" or "Bondholder" means a person in whose name a Bond is registered in the Bond Register.

"Inova" means Inova Health System Foundation, a Virginia nonstock corporation, and its legal successors.

"Inova Health Care" means Inova Health Care Services, a Virginia nonstock corporation, and its legal successors.

"Interest Account" means the Interest Account in the Bond Fund so created and designated by Section 5.01 of the Trust Agreement.

"Interest Payment Date" means each May 15 and November 15, commencing on November 15, 2018, or if any May 15 or November 15 is not a Business Day, the next succeeding Business Day.

"Investment Obligations" means Government Obligations, including obligations the principal and interest of which are guaranteed by the full faith and credit of the United States, and, to the extent from time to time permitted by law, (A) trust receipts evidencing a direct ownership interest in Government Obligations, (B) direct obligations of (i) Federal National Mortgage Association, (ii) Federal Home Loan Banks, (iii) Federal Financing Bank, (iv) Federal Home Loan Mortgage Corporation, (v) Governmental National Mortgage Association, (vi) Federal Housing Administration, (vii) Farmers Home Administration, and (viii) any other agency or instrumentality of the United States of America, (C) certificates of deposit, bankers' acceptances or interest-bearing time deposits that are made with the Bond Trustee or with any member of the Federal Deposit Insurance Corporation, provided that such investments are: (i) fully insured by the Federal Deposit Insurance Corporation; (ii) made with any bank (including the Bond Trustee or any affiliate thereof) having undivided capital and surplus of at least $100,000,000, the debt obligations of which are rated in one of the three highest Rating Categories by at least two nationally recognized Rating Agencies, at the time of purchase; or (iii) continuously secured as to principal, to the extent not insured by the Federal Deposit Insurance Corporation, by items listed in (A) or (B) above, or other marketable securities eligible as security for the deposit of trust funds under applicable regulations of the Comptroller of the Currency of the United States of America, having a market value (exclusive of accrued interest) not less than the amount of such deposit, (D) evidences of ownership of a proportionate interest in specified direct obligations of, or specified obligations the timely payment of the principal of and the interest on which are unconditionally and fully 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, but excluding proprietary zero coupon securities representing interest or principal payments on U.S. Treasury securities such as CATs, TIGRs, ZEBRAs, LIONs, etc., (E) Defeased Municipal Obligations, (F) obligations issued by any state of the United States, or any political subdivision of any such state, or any other municipal debt obligations, including, but not limited to, conduit and other revenue bonds, which are rated at the time of purchase in one of the four highest Rating Categories by at least two nationally recognized Rating Agencies, (G) shares of money market mutual funds or commingled trust funds

invested in Government Obligations or other obligations constituting Investment Obligations, (H) any guaranteed investment contract with a counterparty rated at the time of purchase in one of the four highest Rating Categories by at least two nationally recognized Rating Agencies, (I) commercial paper rated at the time of purchase in the highest Rating Category by at least two nationally recognized Rating Agencies, (J) debt obligations of domestic corporations or trusts rated at the time of purchase in one of the four highest Rating Categories by at least two nationally recognized Rating Agencies, (K) investment agreements of any corporation, which agreement or the corporation's long term debt is rated at the time of purchase by at least two nationally recognized Rating Agencies in one of the four highest Rating Categories, (L) any repurchase agreement with a bank or trust company (including the Bond Trustee and its affiliates) or a recognized securities dealer that is a primary dealer on the Federal Reserve dealer list with capital, surplus and undivided profits in excess of Ten Million Dollars ($10,000,000) for Government Obligations or obligations described in clauses (i) to (viii), inclusive, of (B) above in which the Bond Trustee or its agent shall be given a first security interest and on which no third party shall have a lien and having a fair market value at all times equal to at least one hundred and two percent (102%) of the amount of the repurchase obligation of the bank, trust company or recognized securities dealer; provided, however, that such obligations purchased must be transferred to the Bond Trustee or a third party agent by physical delivery or by an entry made on the records of the issuer of such obligations, in either case, the entity should receive confirmation from the third party that those securities are being held in a safe-keeping account in the name of the entity and such obligations are required to be valued at least as frequently as weekly (the trust or safe-keeping departments of broker-dealers or financial institutions selling investments or pledging collateral or underlying securities, or their custodial agents, are not considered independent third parties for purposes of this statement; and any such investment in a repurchase agreement shall be considered to mature on the date the bank, trust company or primary securities dealer providing the repurchase agreement is obligated to repurchase the Investment Obligations, (M) shares of a money market fund or commingled trust which fund or trust's investments are restricted to Investment Obligations described above, (N) mutual funds, and (O) shares, stocks or other equity investments in United States domiciled corporations. Any investment in obligations described above may be made in the form of an entry made on the records of the issuer of the particular obligation.

"Issuance Account" means the Issuance Account as so created and designated by Section 4.01 of the Trust Agreement.

"Loan" means the Loan as defined in Section 1.01 of the Agreement.

"Loan Repayments" means those payments so designated by and set forth in Section 3.03 of the Agreement.

"Loudoun Hospital" means Loudoun Hospital Center, a Virginia nonstock corporation, and its legal successors.

"Master Indenture" means the Amended and Restated Master Trust Indenture, dated as of May 1, 2012, among Inova, Inova Health Care, and Loudoun Hospital, as the current obligors, and U.S. Bank National Association, as master trustee, including any amendments or supplements thereto.

"Master Trustee" means the Master Trustee under the Master Indenture.

"Maturity Date" shall have the meaning set forth in each Bond and as designated in Section 2.02(a)(ii) of the Trust Agreement.

"Member of the Obligated Group" means a Member of the Obligated Group as defined in Section 101 of the Master Indenture.

"Moody's" means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and their 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 Authorized Group Representative by notice to the Bond Trustee and the Authority.

"Obligated Group" means the Obligated Group as defined in Section 101 of the Master Indenture.

"Obligated Group Documents" means the Agreement, Supplement No. 67, Obligation No. 67 and the Master Indenture.

"Obligation No. 67" means the obligation so designated and issued under the Master Indenture, including Supplement No. 67, and delivered to the Authority pursuant to the Agreement.

"Officer's Certificate" means Officer's Certificate as defined in Section 1.01 of the Agreement.

"Opinion of Counsel" means an opinion in writing signed by an attorney or firm of attorneys who may be counsel for the Authority or the Obligated Group or other counsel.

"Outstanding Bonds" means all Bonds which have been duly authenticated and delivered by the Bond Trustee under the Trust Agreement, except:

(a) Bonds theretofore cancelled by the Bond Trustee or delivered to the Bond Trustee for cancellation;

(b) Bonds for the payment of which money, Defeasance Obligations, or a combination of both, sufficient to pay, on the date when such Bonds are to be paid or redeemed, the principal amount of or the Redemption Price of, and the interest accruing to such date on, the Bonds to be paid or redeemed, has been deposited with the Bond Trustee in trust for the Holders of such Bonds; Defeasance Obligations shall be deemed to be sufficient to pay or redeem Bonds on a specified date if the principal of and the interest on such Defeasance Obligations, when due and without reinvestment, will be sufficient to pay on such date the principal amount of or the Redemption Price of, and the interest accruing on, such Bonds to such date;

(c) Bonds in exchange for or in lieu of which other Bonds have been issued;

(d) Bonds deemed to have been paid in accordance with Section 12.01 of the Trust Agreement; and

(e) for purposes of any direction, consent or waiver under the Trust Agreement, Bonds deemed not to be outstanding pursuant to Section 13.17 of the Trust Agreement.

"Participant" means, with respect to DTC or another Securities Depository, a member of 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 Section 3.01 of the Trust Agreement.

"Permitted Encumbrance" means a Permitted Encumbrance as defined in Section 101 of the Master Indenture.

"Person" means an individual, corporation, limited liability company, joint stock company, firm, association, partnership, joint venture, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

"Prior Bonds" means the Virginia Small Business Financing Authority's Health Care Revenue Bonds (Inova Health System Project), Series 2017, the Authority's outstanding Health Care Revenue Bonds (Inova Health System Project), Series 2005C-1 and Series 2005C-2 and the Authority's outstanding Variable Rate Demand Health Care Revenue Bonds (Inova Health System Project), Series 2000A, all to be current refunded with proceeds of the Bonds."

"Project" means the project to be financed or refinanced with the proceeds of the Bonds, through the refunding of the Prior Bonds, as described in Exhibit X of the Trust Agreement.

"Project Account" means the Industrial Development Authority of Fairfax County, Virginia, Health Care Revenue Bonds (Inova Health System Project) Series 2018A Project Account created and so designated by Section 4.02 of the Trust Agreement.

"Rating Agency" means, as of any date, each of Moody's, if the Bonds are then rated by Moody's, Fitch, if the Bonds are then rated by Fitch, and S&P, if the Bonds are then rated by S&P.

"Rating Category" means a generic securities rating category, without regard, in the case of a long-term rating category, to any refinement or gradation of such long-term rating category by a numerical modifier or otherwise.

"Record Date" means the fifteenth day immediately preceding each Interest Payment Date.

"Redemption Fund" means the Industrial Development Authority of Fairfax County, Virginia, Health Care Revenue Bonds (Inova Health System Project) Series 2018A Redemption Fund created and so designated by Section 5.01 of the Trust Agreement.

"Redemption Price" means, with respect to Bonds or a portion thereof, the principal amount of such Bonds or portion thereof plus the applicable redemption premium, if any, payable upon redemption thereof in the manner contemplated in accordance with its terms and the terms of the Trust Agreement.

"Required Payments under the Agreement" means the payments so designated by and set forth in Section 3.04 of the Agreement.

"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 their assigns, and if S&P 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 Authorized Group Representative by notice to the Bond Trustee and the Authority.

"Securities Act" means the Securities Act of 1933, as amended, and any successor thereto.

"Securities Depository" means DTC or other recognized securities depository selected by the Authority, which maintains a book-entry system in respect of the Bonds and agrees to follow the procedures required to be followed hereunder by a Securities Depository, and shall include any substitute for or successor to the securities depository initially acting as Securities Depository.

"Securities Depository Nominee" means, as to any Securities Depository, such Securities Depository or the nominee of such Securities Depository in whose name there shall be registered on the Bond Register the Bond certificates to be delivered to and immobilized at such Securities Depository during the continuation with such Securities Depository of participation in its book-entry system.

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

"Series Resolution" means the resolution of the Authority providing for the issuance of the Bonds that is required by Section 2.07 of the Trust Agreement to be adopted prior to the issuance of the Bonds.

"Sinking Fund Account" means the Sinking Fund Account in the Bond Fund so created and designated by Section 5.01 of the Trust Agreement.

"Sinking Fund Requirement" means, with respect to the Bonds for any Bond Year, the principal amount fixed or computed as hereinafter provided for the retirement of such Bonds by purchase or redemption on May 15 of the following Bond Year.

The Sinking Fund Requirements for the Bonds shall be as follows:

May 15,	Amount	May 15,	Amount
2045	$34,660,000	2047	37,545,000
2046	36,075,000	2048*	39,080,000

*Maturity

The aggregate amount of such Sinking Fund Requirements for the Bonds, together with the amount due upon the final maturity of the Bonds, shall in the aggregate be equal to the aggregate principal amount of the Bonds. The Sinking Fund Requirements shall begin as provided above and shall end with the May 15 immediately preceding the maturity of the Bonds (such final installment being payable at maturity and not redeemed). Any principal amount of Bonds retired by operation of the Sinking Fund Account by purchase in excess of the total amount of the Sinking Fund Requirement for such Bonds to and including such May 15 shall be credited against and reduce the future Sinking Fund Requirements for the Bonds in such manner as shall be specified in an Officer's Certificate of the Authorized Group Representative filed with the Bond Trustee pursuant to Section 5.04 of the Trust Agreement.

On or before the forty-fifth (45th) day next preceding any May 15 on which Bonds are to be retired pursuant to the Sinking Fund Requirement, the Authority or any Member of the Obligated Group may deliver to the Bond Trustee for cancellation Bonds subject to redemption on such May 15 in any aggregate principal amount desired and receive a credit against amounts required to be transferred from the Sinking Fund Account on account of such Bonds in the amount of one hundred percent (100%) of the principal amount of any such Bonds so purchased. Any principal amount of Bonds purchased by the Bond Trustee and cancelled in excess of the principal amount of such Bonds required to be redeemed on such May 15 shall be credited against and reduce the principal amount of future Sinking Fund Requirements in such manner as shall be specified in an Officer's Certificate of the Authorized Group Representative in substantially the form of the Officer's Certificate filed with the Bond Trustee pursuant to Section 5.04 of the Trust Agreement.

It shall be the duty of the Bond Trustee, on or before the thirtieth (30th) day of April in each Bond Year, to recompute the Sinking Fund Requirement for such Bond Year and all subsequent Bond Years for the Bonds Outstanding, taking into account the reductions for each Bond Year, as directed in the Officer's Certificate of the Authorized Group Representative in substantially the form of the Officer's Certificate filed with the Bond Trustee pursuant to Section 5.04 of the Trust Agreement. The Sinking Fund Requirement for such Bond Year as so recomputed shall continue to be applicable during the balance of such Bond Year and no adjustment shall be made therein by reason of Bonds purchased or redeemed or called for redemption during such Bond Year.

If any Bonds are paid or redeemed by operation of the Redemption Fund, the Bond Trustee shall reduce future Sinking Fund Requirements therefor in such manner as shall be specified in an Officer's Certificate of the Authorized Group Representative in substantially the form of the Officer's Certificate filed with the Bond Trustee pursuant to Section 5.04 of the Trust Agreement.

"Special Record Date" means the date fixed by the Bond Trustee pursuant to Section 2.02 of the Trust Agreement for the payment of Defaulted Interest.

"State" means the Commonwealth of Virginia.

"Supplement No. 67" means Supplemental Indenture for Obligation No. 67, dated as of July 1, 2018, by and between Inova and the Master Trustee.

"Supplement No. 70" means the Supplemental Indenture No. 70, dated as of July 1, 2018, by and between Inova and the Master Trustee.

"Tax Regulatory Agreement" means the Tax Regulatory Agreement executed by and between the Authority and Inova, and delivered at the closing.

"Total Required Payments" means Total Required Payments as defined in Section 1.01 of the Agreement.

"Trust Agreement" means the trust agreement, dated as of July 1, 2018, by and between the Authority and the Bond Trustee, including any trust agreement amendatory of the Trust Agreement or supplemental thereto.

ISSUANCE ACCOUNT AND PROJECT ACCOUNT

Issuance Account. A special account is hereby established with the Bond Trustee and designated Industrial Development Authority of Fairfax County, Virginia, Health Care Revenue Bonds

(Inova Health System Project), Series 2018A Issuance Account. The Bond Trustee shall make the deposit to the Issuance Account required by the provisions of Section 2.07 of the Trust Agreement. (Section 4.01 of the Trust Agreement)

The money in the Issuance Account shall be held by the Bond Trustee in trust and shall be applied to (i) the payment of the expenses incident to issuing the Bonds upon the receipt by the Bond Trustee of a requisition signed by the Authorized Group Representative or (ii) if all of the expenses incident to issuing the Bonds shall have been paid, at the option of Inova, (A) any purpose permitted by the Act which, in the opinion of Bond Counsel, will not cause interest on the Bonds to become includable in the gross income of the owners thereof for federal income tax purposes pursuant to the provisions of the Code or (B) the Project Account, the Interest Account, the Sinking Fund Account or the Redemption Fund. (Section 4.01 of the Trust Agreement)

Project Account. A special account is established under the Trust Agreement with the Bond Trustee and designated Industrial Development Authority of Fairfax County, Virginia, Health Care Revenue Bonds (Inova Health System Project), Series 2018A Project Account. The Bond Trustee shall make the deposit to the Project Account required by the provisions of Section 2.07 of the Trust Agreement.

The money in the Project Account shall be held by the Bond Trustee in trust and shall be applied to (i) the payment of the costs of the Project, or the financing and refinancing thereof, and the issuance of the Bonds, or debt service on the Bonds, including necessary incidental expenses and reimbursement to the Obligated Group for such costs and expenses paid by the Obligated Group in connection therewith, upon the receipt by the Bond Trustee of a requisition signed by the Authorized Group Representative or (ii) if all of the costs of the Project shall have been paid, at the option of Inova, (A) any purpose permitted by the Act which, in the opinion of Bond Counsel, will not cause interest on the Bonds to become includable in the gross income of the owners thereof for federal income tax purposes pursuant to the provisions of the Code; or (B) the Interest Account, the Sinking Fund Account, or the Redemption Fund.

Payments from the Project Account shall be made in accordance with the provisions of this Section. Before any such payment shall be made, Inova shall file with the Bond Trustee a requisition signed by an Authorized Group Representative stating:

(i) the name of the Person to whom each such payment is due,

(ii) the respective amounts to be paid,

(iii) the purpose by general classification for which each obligation to be paid was incurred,

(iv) that obligations in the stated amounts have been incurred by Inova or a Member of the Obligated Group and are presently due and payable, or are properly reimbursable to the Obligated Group, and that each item thereof is a necessary cost of the Project and is a proper charge against the Project Account and has not been previously paid from the Project Account.

Upon receipt of each requisition the Bond Trustee shall pay (or reimburse Inova for its previous payment of) the obligation set forth in such requisition out of money in the Project Account. In making such payments the Bond Trustee may conclusively rely upon such requisitions and the representations contained therein. (Section 4.02 of the Trust Agreement)

REVENUES AND FUNDS

Establishment of Funds. In addition to the Issuance Account and the Project Account established by Article IV of the Trust Agreement, there are hereby established the following funds and accounts:

(a) Industrial Development Authority of Fairfax County, Virginia, Health Care Revenue Bonds (Inova Health System Project), Series 2018A Bond Fund, in which there are established an Interest Account and a Sinking Fund Account; and

(b) Industrial Development Authority of Fairfax County, Virginia, Health Care Revenue Bonds (Inova Health System Project), Series 2018A Redemption Fund.

The money and securities in each of said funds and accounts shall be held in trust and applied as hereinafter provided and, pending such application, the money and securities in each of said funds and accounts shall be subject to a lien and charge in favor of the Holders and for the further security of such Holders. (Section 5.01 of the Trust Agreement)

Funds Received. The Bond Trustee shall deposit all amounts received as Loan Repayments in the following order, subject to credits as provided in Article V of the Trust Agreement:

(i) into the Interest Account, on or before each Interest Payment Date for the Bonds, an amount equal to the interest payable on such Bonds on such Interest Payment Date; and

(ii) into the Sinking Fund Account, on or before May 15, 2045, and on or before each May 15 thereafter in each year in which there is a Sinking Fund Requirement, an amount equal to the principal amount of Bonds to be called by mandatory redemption pursuant to the Sinking Fund Requirement or to be paid at maturity, in either case on such May 15.

If, after giving effect to the credits specified below, any installment of Loan Repayments should be insufficient to enable the Bond Trustee to make the deposits required above, the Bond Trustee shall give Inova notice by electronic means or telephonic notice thereof, promptly confirmed in writing, and request that each future installment of the Loan Repayments be increased as may be necessary to make up any previous deficiency in any of the required payments and to make up any deficiency or loss in any of the above-mentioned accounts and funds.

To the extent that investment earnings are credited to the Interest Account or Sinking Fund Account in accordance with Section 6.02 of the Trust Agreement or amounts are credited thereto as a result of the application of Bond proceeds or a transfer of investment earnings on any other fund or account held by the Bond Trustee, or otherwise, future deposits to such accounts shall be reduced by the amount so credited, and the Loan Repayments due from Inova following the date upon which such amounts are credited shall be reduced by the amounts so credited.

All amounts received by the Bond Trustee as principal of or interest accruing on the Bonds to be redeemed as a result of a prepayment of Obligation No. 67 shall be deposited in the Redemption Fund and Interest Account, respectively, when received. All amounts received by the Bond Trustee as redemption premiums shall be deposited in the Redemption Fund when received.

All amounts received by the Bond Trustee as principal of or interest accruing on Bonds that have been accelerated pursuant to Section 8.02 of the Trust Agreement will be deposited in the Bond Fund and applied in accordance with Section 8.04 of the Trust Agreement. (Section 5.02 of the Trust Agreement)

Application of Money in Interest Account. The Bond Trustee shall, not later than the close of business on each Interest Payment Date, withdraw from the Interest Account and remit by mail to each Holder which is not a Securities Depository Nominee the amount required to pay interest on the Bonds when due and payable.

At such time as will enable the Bond Trustee to make payments of interest on the Bonds in accordance with any existing agreement between the Bond Trustee and any Securities Depository, the Bond Trustee shall withdraw from the Interest Account and remit by wire transfer, in immediately available funds, the amounts required to pay to any Holder which is a Securities Depositary Nominee interest on the Bonds on the next ensuing Interest Payment Date; provided, however, that in no event shall the Bond Trustee be required to make such wire transfer prior to the Business Day next preceding each Interest Payment Date, and provided further that such wire transfer shall be made not later than 10:00 a.m. on each Interest Payment Date.

In the event the balance in the Interest Account on the Business Day next preceding an Interest Payment Date or date upon which Bonds are to be redeemed is insufficient for the payment of interest becoming due on the Bonds on the next ensuing Interest Payment Date or date upon which Bonds are to be redeemed, the Bond Trustee shall notify Inova of the amount of the deficiency. Upon notification, Inova shall immediately deliver to the Bond Trustee an amount sufficient to cure the same. (Section 5.03 of the Trust Agreement)

Application of Money in Sinking Fund Account.

Money held for the credit of the Sinking Fund Account shall be applied during each Bond Year to the retirement of Bonds then Outstanding as follows:

(a) If so requested by the Authorized Group Representative, the Bond Trustee shall endeavor to purchase and cancel Bonds or portions thereof then maturing or subject to redemption by operation of the Sinking Fund Account at the best price obtainable in accordance with the Bond Trustee's reasonable sale procedures, such price not to exceed the Redemption Price provided in Section 3.01(c) of the Trust Agreement which would be payable on the next May 15 to the Holders of such Bonds under the provisions of Article IV of the Trust Agreement if such Bonds or portions were to be called for redemption on such date, plus accrued interest to the date of purchase. The Bond Trustee shall pay the interest accrued on such Bonds or portions thereof to the date of settlement therefor from the Interest Account or from other funds provided by Inova and the purchase price from the Sinking Fund Account, but no such purchase shall be made by the Bond Trustee from money in the Sinking Fund Account within the period of forty-five (45) days immediately preceding the next May 15 on which such Bonds are subject to payment at maturity or redemption. The aggregate purchase prices of such Bonds so purchased shall not exceed the amount deposited in the Sinking Fund Account on account of the upcoming maturity or Sinking Fund Requirement for such Bonds; provided, however, that if in any Bond Year the amount held for the credit of the Sinking Fund Account plus the principal amount of all Bonds purchased during such Bond Year pursuant to the provisions of this paragraph (a) exceed the aggregate payments at maturity and Sinking Fund Requirements for all Bonds then Outstanding for such Bond Year, the Bond Trustee shall endeavor to purchase any Bonds then Outstanding with such excess money; and

(b) The Bond Trustee shall call for redemption on the May 15 immediately following such Bond Year, as provided in Section 3.03 of the Trust Agreement, Bonds or portions thereof then subject to mandatory redemption in a principal amount equal to the Sinking Fund Requirement for the Bonds for the preceding Bond Year, less the principal amount of any such Bonds retired by purchase pursuant to subparagraph (a) of this Section, including any Bonds purchased in excess of the Sinking Fund Requirement for the preceding Bond Year, unless Inova shall file an Officer's Certificate with the Bond Trustee, as hereinafter in this Section provided, directing a different application of such excess. Such redemption shall be made pursuant to the provisions of Article IV of the Trust Agreement. On or prior to each such redemption date, the Bond Trustee shall withdraw from the Interest Account and the Sinking Fund Account the respective amounts required for paying the interest on and the Redemption Price of the Bonds or portions thereof so called for redemption. If such May 15 is the stated Maturity Date of any such Bonds, the Bond Trustee shall not call such Bonds for redemption but shall pay from the Sinking Fund Account the principal of such Bonds when due and payable. Not later than 10:00 a.m. on each such redemption date, the Bond Trustee shall withdraw from the Interest Account and the Sinking Fund Account and set aside the amounts required for paying the interest on and the Redemption Price of the Bonds or portions thereof so called for redemption.

In the event the balance in the Sinking Fund Account on the date a deposit is required to be made pursuant to Section 5.02(ii) of the Trust Agreement is insufficient for the next scheduled payment of principal at maturity or the Sinking Fund Requirement on the Bonds, the Bond Trustee shall notify Inova of the amount of such deficiency. Upon notification, Inova shall immediately deliver to the Bond Trustee an amount sufficient to cure the same.

If, in any Bond Year, by the application of money in the Sinking Fund Account, the Bond Trustee should purchase and cancel Bonds in excess of the aggregate Sinking Fund Requirements for such Bond Year, the Bond Trustee shall file with the Authority and Inova not later than the twentieth (20th) day prior to the next May 15 on which Bonds are to be redeemed a statement identifying the Bonds purchased or delivered during such Bond Year and the amount of such excess. Inova shall thereafter cause an Officer's Certificate to be filed with the Bond Trustee not later than the tenth (10th) day prior to such May 15, setting forth with respect to the amount of such excess the years in which the Sinking Fund Requirements with respect to the Bonds are to be reduced and the amount by which the Sinking Fund Requirements so determined are to be reduced, which determination shall be made at the sole discretion of Inova. In the event no such Officer's Certificate is filed with the Bond Trustee, the Bond Trustee shall apply such excess to the Sinking Fund Requirements with respect to the Bonds in inverse order of maturity.

Upon the retirement of any Bonds, as applicable, by maturity pursuant to the provisions of Section 5.04 of the Trust Agreement, the Bond Trustee shall file with the Authority and Inova a statement identifying such Bonds and setting forth the date of maturity, the amount of such Bonds and the amount paid as interest thereon. The expenses incurred in connection with the maturity of any such Bonds are required to be paid by Inova as part of the Required Payments under the Agreement. (Section 5.04 of the Trust Agreement)

Application of Money in Redemption Fund. Money held for the credit of the Redemption Fund shall be applied to the purchase or redemption of Bonds, as follows:

(a) If requested by the Authorized Group Representative, subject to the provisions of paragraph (c) of Section 5.05 of the Trust Agreement, the Bond Trustee shall endeavor to purchase and cancel Bonds or portions thereof, whether or not such Bonds or portions thereof shall then be subject to redemption, at the price and on the terms specified to the Bond Trustee by the Authorized Group Representative, such price not to exceed the Redemption

Price that would be payable on the next redemption date to the Holder of such Bonds under the provisions of Article III hereof if such Bonds or portions thereof should be called for redemption on such date from the money in the Redemption Fund. The Bond Trustee shall pay the interest accrued on such Bonds or portions thereof to the date of settlement therefor from the Interest Account or from other funds provided by Inova and the purchase price from the Redemption Fund, but no such purchase shall be made by the Bond Trustee from money in the Redemption Fund within the period of forty-five (45) days immediately preceding any Interest Payment Date on which such Bonds are subject to redemption;

(b) Subject to the provisions of paragraph (c) of Section 5.05 of the Trust Agreement, the Bond Trustee shall call for redemption on the redemption date specified by Inova, such amount of Bonds or portions thereof as, with the redemption premium, if any, will exhaust the money then held for the credit of the Redemption Fund as nearly as may be practicable; provided, however, that not less than $5,000 principal amount of Bonds shall be called for redemption at any one time. Such redemption shall be made pursuant to the provisions of Article III hereof. On the Business Day next preceding the redemption date the Bond Trustee shall withdraw from the Interest Account and the Redemption Fund and set aside the respective amounts required for paying the interest on and the Redemption Price of the Bonds or portions thereof so called for redemption; and

(c) Money in the Redemption Fund shall be applied by the Bond Trustee in each Bond Year to the purchase or the redemption of Bonds then Outstanding in accordance with the latest Officer's Certificate filed by Inova with the Bond Trustee designating the Bonds to be purchased or redeemed. In the event no such Officer's Certificate is filed with the Bond Trustee, the Bond Trustee shall apply such money to the purchase or redemption of Bonds in inverse order of maturity.

Upon the retirement of any Bonds by purchase or redemption pursuant to the provisions of Section 5.05 of the Trust Agreement, the Bond Trustee shall file with the Authority and Inova a statement identifying such Bonds and setting forth the date of purchase or redemption, the amount of the purchase price or the Redemption Price of such Bonds and the amount paid as interest thereon. The expenses in connection with the purchase or redemption of any such Bonds are required to be paid by Inova as part of the Required Payments under the Agreement. (Section 5.05 of the Trust Agreement)

Money Held in Trust. All money that the Bond Trustee shall have withdrawn from the Bond Fund or the Redemption Fund or shall have received from any other source and set aside for the purpose of paying any of the Bonds hereby secured, either at the maturity thereof or by purchase or call for redemption or for the purpose of paying any interest or premium on the Bonds hereby secured, shall be held in trust for the respective Holders. Any money that is so set aside or transferred and that remains unclaimed by the Holders for a period of three years after the date on which such Bonds have become payable shall be paid to Inova as the Authorized Group Representative shall direct, and thereafter the Holders shall look only to the Members of the Obligated Group for payment thereof as unsecured creditors to the extent provided by law and all liability of the Bond Trustee with respect to such moneys shall thereupon cease. Inova shall not be liable for any interest on unclaimed money and shall not be regarded as a trustee of such money. (Section 5.06 of the Trust Agreement)

DEPOSITARIES OF MONEY, SECURITY FOR DEPOSITS, INVESTMENT OF FUNDS, AND COVENANT AS TO ARBITRAGE

Security for Deposits. Any and all money received by the Authority under the provisions of the Trust Agreement shall be deposited as received by the Authority with the Bond Trustee (or one or

more other Depositaries as provided in the Trust Agreement) and shall be trust funds under the terms of the Trust Agreement and shall not be subject to any lien or attachment by any creditor of the Authority and Inova. Such money shall be held in trust and applied in accordance with the provisions of the Trust Agreement.

All money deposited with the Bond Trustee or any other Depositary hereunder in excess of the amount guaranteed by the Federal Deposit Insurance Corporation or other federal agency shall be continuously secured, for the benefit of the Authority and the Holders, either (a) by lodging with a bank or trust company chosen by the Bond Trustee or custodian or, if then permitted by law, by setting aside under control of the trust department of the bank holding such deposit, as collateral security, Government Obligations or other marketable securities eligible as security for the deposit of trust funds under regulations of the Comptroller of the Currency of the United States or applicable State law or regulations, having a market value (exclusive of accrued interest) not less than the amount of such deposit, or (b) if the furnishing of security as provided in clause (a) above is not permitted by applicable law, then in such other manner as may then be required or permitted by applicable State or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds; provided, however, that it shall not be necessary for the Bond Trustee to give security for the deposit of any money with it for the payment of the principal of, the redemption premium, if any, or the interest on any Bonds, or for the Bond Trustee or any Depositary to give security for any money that shall be represented by obligations purchased under the provisions of this Article as an investment of such money.

All money deposited with the Bond Trustee or any Depositary shall be credited to the particular fund or account to which such money belongs. (Section 6.01 of the Trust Agreement)

Investment of Money. Money held for the credit of all funds and accounts created under this Trust Agreement shall be continuously invested and reinvested by the Bond Trustee in Investment Obligations in accordance with the written instructions of the Authorized Group Representative (or its duly authorized agent) as provided herein; provided, however, that money held for the credit of any funds or accounts created under this Trust Agreement, if invested, shall be invested solely in Investment Obligations. Any such Investment Obligations shall mature (or be susceptible of liquidation on an established national securities exchange or redemption by the issuer of such Investment Obligation at the election of the Bond Trustee) not later than the respective dates when the money held for the credit of such funds or accounts will be required for the purposes intended.

The Authorized Group Representative (or its duly authorized agent) shall give to the Bond Trustee written directions respecting the investment of any money required to be invested hereunder, subject, however, to the provisions of this Article, and the Bond Trustee shall then invest such money under this Section as so directed by the Authorized Group Representative (or its duly authorized agent). The Bond Trustee may request, in writing, direction or authorization of the Authorized Group Representative (or its duly authorized agent) with respect to the proposed investment of money under the provisions of this Trust Agreement. Upon receipt of such request, accompanied by a memorandum setting forth the details of any proposed investment, the Authorized Group Representative (or its duly authorized agent) will either approve such proposed investment or will give written directions to the Bond Trustee respecting the investment of such money and, in the case of such directions, the Bond Trustee shall then, subject to the provisions of this Article, invest such money in accordance with such directions. Absent any such directions, the Bond Trustee shall invest in Investment Obligations described in clause (G) of the definition thereof.

Investment Obligations acquired with money and credited to any fund or account established under this Trust Agreement shall be held by or under the control of the Bond Trustee and while so held shall be deemed at all times to be part of such fund or account in which such money was

originally held, and the interest accruing thereon and any profit or loss realized upon the disposition or maturity of such investment shall be credited to or charged against such fund or account. The Bond Trustee shall sell or reduce to cash a sufficient amount of such Investment Obligations whenever it shall be necessary so to do in order to provide money to make any payment or transfer of money from any such fund or account. Any such sale shall be either (i) at a price approved by the Authorized Group Representative (or its duly authorized agent) or (ii) at the best price attainable in accordance with the Bond Trustee's reasonable sale procedure. The Bond Trustee shall not be liable or responsible for any loss resulting from any such investment.

Whenever a payment or transfer of money between two (2) or more of the funds or accounts established pursuant to Article V of the Trust Agreement is permitted or required, such payment or transfer may be made in whole or in part by transfer of one or more Investment Obligations at a value determined in accordance with Article VI of the Trust Agreement, provided that the Investment Obligations transferred are those in which money of the receiving fund or account could be invested at the date of such transfer.

So long as no Event of Default shall have occurred and be continuing, the Bond Trustee shall not be liable to any Person for any decrease in value or other consequence resulting from (a) the purchase or sale of any Investment Obligation in accordance with directions given by the Authorized Group Representative (or its duly authorized agent) or (b) continuing to hold any Investment Obligation so purchased in the absence of a proper direction to sell the same. (Section 6.02 of the Trust Agreement)

Valuation. For the purpose of determining the amount on deposit in any fund or account, Investment Obligations in which money in such fund or account is invested shall be valued (a) at face value if such Investment Obligations mature within six (6) months from the date of valuation thereof, and (b) if such Investment Obligations mature more than six (6) months after the date of valuation thereof, at the price at which such Investment Obligations are redeemable by the holder at his option if so redeemable, or, if not so redeemable, at the lesser of (i) the cost of such Investment Obligations minus the amortization of any premium or plus the amortization of any discount thereon and (ii) the market value of such Investment Obligations.

The Bond Trustee shall value the Investment Obligations in the funds and accounts established under the Trust Agreement annually within two (2) Business Days prior to each May 15. In addition, the Investment Obligations shall be valued by the Bond Trustee at any time requested by the Authorized Group Representative on reasonable notice to the Bond Trustee (which period of notice may be waived or reduced by the Bond Trustee); provided, however, that the Bond Trustee shall not be required to value the Investment Obligations more than once in any calendar month other than as provided in the Trust Agreement. (Section 6.03 of the Trust Agreement)

Covenants as to Arbitrage. The Authority agrees that money on deposit in any fund or account maintained in connection with the Bonds, whether or not such money was derived from the proceeds of the sale of the Bonds or from any other sources, and whether or not the Bonds are Outstanding hereunder, (i) will not be used in a manner that would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code and applicable regulations thereunder and (ii) will be used in a manner that will cause the Bonds not to be "arbitrage bonds" within the meaning of Section 148 of the Code and applicable regulations thereunder; provided, however, that the Authority shall have no obligation to pay any amounts necessary to comply with this covenant other than from money received by the Authority from Inova. The Authority shall observe and not violate the requirements of Section 148 of said Code and any such applicable regulations. The Bond Trustee agrees that it will use and invest money on deposit in any fund or account maintained in connection with the Bonds, whether or not such money was derived from the proceeds of the sale of the Bonds or from any other sources, and whether or

not the Bonds are Outstanding hereunder, in the manner set forth in the Trust Agreement and the Bond Trustee shall not take any action which it knows would violate the requirements of Section 148 of said Code and any such applicable regulations; provided, however, the Bond Trustee will have no liability with respect to actions taken in violation of this sentence if it has been so instructed by the Bondholders, the Authority, the Authorized Group Representative or Inova. In the event the Authority is of the opinion that it is necessary to restrict or limit the yield on the investment of money held by the Bond Trustee pursuant to the Trust Agreement, or to use such money in certain manners, in order to avoid the Bonds being considered "arbitrage bonds" within the meaning of Section 148 of the Code and the regulations thereunder as such may be applicable to the Bonds at such time, the Authority may deliver to the Bond Trustee a written certificate to such effect and appropriate instructions, in which event the Bond Trustee shall take such action as is specified in such certificate and instructions to restrict or limit the yield on such investment or to use such money in accordance with such certificate and instructions, irrespective of whether the Bond Trustee shares such opinion. (Section 6.04 of the Trust Agreement)

Exclusion from Gross Income Covenant. The Authority covenants that it will not take any action which will, or fail to take any action which failure will, cause interest on the Bonds to become includable in the gross income of the Holders thereof for federal income tax purposes pursuant to the provisions of the Code and regulations promulgated thereunder; provided, however, that the Authority shall have no obligation to pay any amounts necessary to comply with this covenant other than from money received by the Authority from Inova. (Section 6.05 of the Trust Agreement)

EVENTS OF DEFAULT AND REMEDIES

Events of Default. Each of the following events is hereby declared an Event of Default:

(a) payment of any installment of interest on any Bond shall not be made by the Authority when the same shall become due and payable; or

(b) payment of the principal or the redemption premium, if any, of any Bond shall not be made by the Authority when the same shall become due and payable, whether at maturity or by proceedings for redemption or pursuant to a Sinking Fund Requirement or otherwise; or

(c) default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Trust Agreement or any agreement supplemental hereto or thereto and such default shall continue for thirty (30) days or such further time as may be granted in writing by the Bond Trustee after receipt by the Authority and Inova of a written notice from the Bond Trustee specifying such default and requiring the same to be remedied; or

(d) an "Event of Default" shall have occurred under the Agreement, and such "Event of Default" shall not have been remedied or waived. (Section 8.01 of the Trust Agreement)

Acceleration of Maturities. Upon the happening and continuance of any Event of Default specified in Section 8.01 of this Article, the Bond Trustee may, and upon the written request of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of Bonds then Outstanding shall, by notice in writing to the Authority and Inova, declare the principal of all Bonds then Outstanding (if not then due and payable) to be due and payable immediately, and upon such declaration the same shall become and be immediately due and payable, anything contained in the Bonds or in the Trust Agreement to the contrary notwithstanding; provided, however, that if at any time after the principal

of all Bonds shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the Trust Agreement, money shall have accumulated in or shall have been paid into the Bond Fund sufficient to pay the principal of all matured Bonds and all arrears of interest, if any, upon all Bonds then Outstanding (except the principal of any Bond not then due and payable by its terms and the interest accrued on such since the last Interest Payment Date), and the charges, compensation, expenses, disbursements, advances and liabilities of the Bond Trustee and all other amounts then payable by the Authority hereunder shall have been paid or a sum sufficient to pay the same shall have been deposited with the Bond Trustee, and every other default known to the Bond Trustee in the observance or performance of any covenant, condition or agreement contained in the Bonds or in the Trust Agreement (other than a default in the payment of the principal of such Bonds then due only because of a declaration under this paragraph) shall have been remedied or waived to the satisfaction of the Bond Trustee, then and in every such case the Bond Trustee may, and upon the written request of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of all Bonds not then due and payable by their terms (Bonds then due and payable only because of a declaration under this Section shall not be deemed to be due and payable by their terms) and then Outstanding shall, by written notice to the Authority and Inova, rescind and annul such declaration and its consequences, but no such rescission or annulment shall extend to or affect any subsequent Event of Default or impair any right consequent thereon. (Section 8.02 of the Trust Agreement)

Enforcement of Remedies. Upon the happening and continuance of any Event of Default, then and in every such case the Bond Trustee may proceed, and upon the written request of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of Bonds then Outstanding shall proceed, subject to the provisions of Section 9.02 of the Trust Agreement, to protect and enforce its rights and the rights of the Holders under the laws of the State or under the Trust Agreement by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, either for the specific performance of any covenant or agreement contained in the Trust Agreement or in aid or execution of any power granted in the Trust Agreement or for the enforcement of any proper legal or equitable remedy, as the Bond Trustee, being advised by counsel chosen by the Bond Trustee, shall deem most effectual to protect and enforce such rights.

In the enforcement of any remedy under the Trust Agreement, the Bond Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts then or during any Event of Default becoming and remaining due from the Authority for principal, interest or otherwise under any of the provisions of the Trust Agreement or of the Bonds, together with interest on overdue payments of principal at the rate or rates of interest payable on any Bonds Outstanding and all costs and expenses of collection and of all proceedings hereunder, without prejudice to any other right or remedy of the Bond Trustee or of the Holders and to recover and enforce any judgment or decree against the Authority, but solely as provided in the Trust Agreement, for any portion of such amounts remaining unpaid and interest, costs and expenses as above provided, and to collect (but solely from money available for such purposes), in any manner provided by law, the money adjudged or decreed to be payable. (Section 8.03 of the Trust Agreement)

Pro Rata Application of Funds. Anything in the Trust Agreement to the contrary notwithstanding, if at any time the money in the Bond Fund shall not be sufficient to pay the interest on or the principal of Bonds as the same shall become due and payable (either by their terms or by acceleration of maturity under the provisions of Section 8.02 of the Trust Agreement), such money, together with any money then available or thereafter becoming available for such purpose, whether through the exercise of the remedies provided for in Article VIII of the Trust Agreement or otherwise, shall, after payment of the fees and expenses of the Bond Trustee, be applied as follows:

(a) if the principal of all Bonds shall not have become or shall not have been declared due and payable, all such money in the Bond Fund shall be applied:

First: to the payment to the persons entitled thereto of all installments of interest on Bonds then due and payable in the order in which such installments became due and payable 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 preference except as to any difference in the respective rates of interest specified in such Bonds;

Second: to the payment to the persons entitled thereto of the unpaid principal of any Bonds that shall have become due and payable (other than Bonds called for redemption for the payment of which money is held pursuant to the provisions of the Trust Agreement), in the order of their due dates, and, if the amount available shall not be sufficient to pay in full the principal of Bonds due and payable on any particular date, then to the payment ratably according to the amount of such principal due on such date, to the persons entitled thereto without any discrimination or preference; and

Third: to the payment of the interest on and the principal of Bonds, to the purchase and retirement of Bonds, and to the redemption of Bonds, all in accordance with the provisions of Article III of the Trust Agreement.

(b) If the principal of all Bonds shall have become or shall have been declared due and payable, all such money shall be applied to the payment of principal and interest then due upon the Bonds without preference or priority of principal over interest or interest over principal, or of any installment of interest over any other installment of interest or any 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 preference.

(c) If the principal of all Bonds shall have been declared due and payable and if such declaration shall thereafter have been rescinded and annulled under the provisions of Section 8.02 of the Trust Agreement, then, subject to the provisions of paragraph (b) of this Section in the event that the principal of all Bonds shall later become due and payable or be declared due and payable, the money then remaining in and thereafter accruing to the Bond Fund shall be applied in accordance with the provisions of paragraph (a) of this Section.

Whenever money is to be applied by the Bond Trustee pursuant to the provisions of this Section, such money shall be applied by the Bond Trustee at such times and from time to time as the Bond Trustee in its sole discretion shall determine, having due regard for the amount of such money available for such application and the likelihood of additional money becoming available for such application in the future; the setting aside of such money, in trust for the proper purpose, shall constitute proper application by the Bond Trustee, and the Bond Trustee shall incur no liability whatsoever to the Authority, to any Holder or to any other person for any delay in applying any such money so long as the Bond Trustee acts with reasonable diligence, having due regard for the circumstances, and ultimately

applies the same in accordance with such provisions of the Trust Agreement as may be applicable at the time of application by the Bond Trustee. Whenever the Bond Trustee shall exercise such discretion in applying such money, it shall fix the date (which shall be an Interest Payment Date unless the Bond Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Bond Trustee shall give notice by first class mail, postage prepaid, to all Holders of the fixing of any such date, and shall not be required to make payment to the Holder of any Bonds until such Bonds shall be surrendered to the Bond Trustee for cancellation if fully paid. (Section 8.04 of the Trust Agreement)

Effect of Discontinuance of Proceedings. If any proceeding taken by the Bond Trustee or Holders on account of any Event of Default shall have been discontinued or abandoned for any reason, then and in every such case, the Authority, the Bond Trustee and the Holders shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies, powers and duties of the Bond Trustee shall continue as though no proceeding had been taken. (Section 8.05 of the Trust Agreement)

Control of Proceedings by Holders. The Holders of a majority in aggregate principal amount of Bonds then Outstanding shall have the right, subject to the provisions of Section 9.02 of the Trust Agreement, by an instrument or concurrent instruments in writing executed and delivered to the Bond Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Bond Trustee hereunder, provided that such direction shall be in accordance with law and the provisions of the Trust Agreement. (Section 8.06 of the Trust Agreement)

Restrictions upon Actions by Individual Holders. Except as provided in Section 8.13 of the Trust Agreement, no Holder shall have any right to institute any suit, action or proceeding in equity or at law on any Bond or for the execution of any trust hereunder or for any other remedy hereunder unless such Holder previously shall have given to the Bond Trustee written notice of the Event of Default on account of which such suit, action or proceeding is to be instituted, and unless also the Holders of not less than twenty-five percent (25%) in aggregate principal amount of Bonds then Outstanding shall have made a written request of the Bond Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Bond Trustee a reasonable opportunity either to proceed to exercise the powers hereinabove granted or to institute such action, suit or proceedings in its or their name, and unless, also, there shall have been offered to the Bond Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Bond Trustee shall have refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Bond Trustee, to be conditions precedent to the execution of the powers and trusts of the Trust Agreement or to any other remedy hereunder. Notwithstanding the foregoing provisions of this Section and without complying therewith, the Holders of not less than twenty-five percent (25%) in aggregate principal amount of Bonds then Outstanding may institute any such suit, action or proceeding in their own names for the benefit of all Holders hereunder. It is understood and intended that, except as otherwise above provided, no one (1) or more Holders shall have any right in any manner whatsoever by his or their action to affect, disturb or prejudice the security of the Trust Agreement, or to enforce any right hereunder except in the manner provided, that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the benefit of all Holders and that any individual rights of action or other right given to one or more of such Holders by law are restricted by the Trust Agreement to the rights and remedies therein provided. (Section 8.07 of the Trust Agreement)

Appointment of a Receiver of Inova. Upon the occurrence of an Event of Default described in Section 8.01(d) of the Trust Agreement, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Bond Trustee and of the Holders under the Trust

Agreement, the Bond Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of Inova pending such proceedings, with such powers as the court making such appointments shall confer; provided, however, that the Bond Trustee shall, to the extent that it is within the Bond Trustee's control, provide that any receiver appointed with respect to the Bonds shall be the same receiver appointed with respect to any other Related Bonds (as defined in the Master Indenture). (Section 8.08 of the Trust Agreement)

Enforcement of Rights of Action. All rights of action (including the right to file proof of claim) under the Trust Agreement or under any Bonds may be enforced by the Bond Trustee without the possession of any Bonds or the production thereof in any proceedings relating thereto, and any such suit or proceedings instituted by the Bond Trustee shall be brought in its name as Bond Trustee, without the necessity of joining as plaintiffs or defendants any Holders hereby secured, and any recovery of judgment shall be for the equal benefit of the Holders. (Section 8.09 of the Trust Agreement)

No Remedy Exclusive. No remedy in the Trust Agreement conferred upon or reserved to the Bond Trustee or to the Holders is intended to be exclusive of any other remedy or remedies therein provided, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity. (Section 8.10 of the Trust Agreement)

Waivers. No delay or omission by the Bond Trustee or of any Holder in the exercise of any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or any acquiescence therein; and every power or remedy given by the Trust Agreement to the Bond Trustee and to the Holders may be exercised from time to time and as often as may be deemed expedient.

The Bond Trustee may, and upon written request of the Holders of not less than a majority in principal amount of the Bonds then Outstanding shall, waive any Event of Default which in its opinion shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions of the Trust Agreement or before the completion of the enforcement of any rights of the Bond Trustee hereunder, but such waiver shall not waive any subsequent Event of Default or impair any rights or remedies consequent thereon. (Section 8.11 of the Trust Agreement)

Notice of Default. The Bond Trustee shall mail to all Holders at their addresses as they appear on the registration books written notice of the occurrence of any Event of Default set forth in Section 8.01 of the Trust Agreement within thirty (30) days after the Bond Trustee shall have notice of the same, pursuant to the provisions of Section 9.08 of the Trust Agreement, that any such Event of Default shall have occurred; provided that, except upon the happening of an Event of Default specified in paragraph (a) of Section 7.01 of the Agreement and paragraphs (a) and (b) of Section 8.01 of the Trust Agreement, the Bond Trustee may withhold such notice to the Holders if in its opinion such withholding is in the interest of the Holders; and provided further that the Bond Trustee shall not be subject to any liability to any Holder by reason of its failure to mail any such notice. (Section 8.12 of the Trust Agreement)

CONCERNING THE BOND TRUSTEE

Indemnification of Bond Trustee as Condition for Remedial Action. The Bond Trustee shall be under no obligation to institute any suit or to take any remedial proceeding (including, but not limited to, the appointment of a receiver or the acceleration of the maturity date of any or all Bonds) under the Trust Agreement or the Agreement or to enter any appearance or in any way defend in any suit

in which it may be made defendant, or to take any steps in the execution of any of the trusts hereby created or in the enforcement of any rights and powers hereunder, until it shall be indemnified to its satisfaction against any and all costs and expenses, outlays and counsel fees and other reasonable disbursements, and against all liability. The Bond Trustee nevertheless may begin suit, or appear in and defend suit, or do anything else in its judgment proper to be done by it as such Bond Trustee, without indemnity, and in such case the Authority, at the request of the Bond Trustee, shall reimburse the Bond Trustee from the revenues of the Authority derived from funds available under the Agreement for all costs, expenses, outlays and counsel fees and other reasonable disbursements properly incurred in connection therewith. If the Authority shall fail to make such reimbursement, the Bond Trustee may reimburse itself from any money in its possession under the provisions of the Trust Agreement and shall be entitled to a preference therefor over any Bonds Outstanding hereunder. (Section 9.02 of the Trust Agreement)

Resignation and Removal of Bond Trustee Subject to Appointment of Successor. No resignation or removal of the Bond Trustee and no appointment of a successor Bond Trustee pursuant to this Article shall become effective until the acceptance of appointment by a successor Bond Trustee under Section 9.15 of the Trust Agreement. (Section 9.12 of the Trust Agreement)

Resignation of Bond Trustee. Subject to the provisions of Section 9.12 of the Trust Agreement, the Bond Trustee may resign and thereby become discharged from the trusts hereby created, by notice in writing given to the Authority and Inova, and mailed, postage prepaid, at the Bond Trustee's expense, to each Holder, not less than sixty (60) days before such resignation is to take effect, but such resignation shall take effect immediately upon the appointment of a new Bond Trustee hereunder if such new Bond Trustee shall be appointed before the time limited by such notice and shall then accept the trusts of the Trust Agreement. (Section 9.13 of the Trust Agreement)

Appointment of Successor Bond Trustee. If at any time hereafter the Bond Trustee shall resign pursuant to Section 9.13 of the Trust Agreement, be removed pursuant to Section 9.14 of the Trust Agreement, be dissolved or otherwise become incapable of acting, or the bank or trust company acting as Bond Trustee shall be taken over by any governmental official, agency, department or board, the position of Bond Trustee shall thereupon become vacant. If the position of Bond Trustee shall become vacant for any reason, Inova shall recommend and the Authority shall appoint a Bond Trustee to fill such vacancy. A successor Bond Trustee shall not be required if the Bond Trustee shall sell or assign substantially all of its corporate trust business and the vendee or assignee shall continue in the corporate trust business, or if a transfer of the corporate trust department of the Bond Trustee is required by operation of law, provided that such vendee, assignee or transferee (i) is of good standing, (ii) is a bank or trust company, or a subsidiary trust company of a bank or trust company, within or without the State which is duly authorized to exercise corporate trust powers and subject to examination by federal or State authority and (iii) has a combined capital, surplus and undivided profits aggregating not less than Fifty Million Dollars ($50,000,000). The Authority shall mail notice of any such appointment made by it, postage prepaid, to all Holders.

At any time within one (1) year after any such vacancy shall have occurred, the Holders of not less than twenty-five percent (25%) in aggregate principal amount of Bonds then Outstanding, by an instrument or concurrent instruments in writing, executed by such Holders and filed with the Authority, may nominate a successor Bond Trustee, which the Authority shall appoint and which shall supersede any Bond Trustee theretofore appointed by the Authority. Photographic copies, duly certified by the Secretary or any Assistant Secretary of the Authority as having been received by the Authority, of each such instrument shall be delivered promptly by the Authority to the predecessor Bond Trustee and to the Bond Trustee so appointed by the Holders.

If no appointment of a successor Bond Trustee shall be made pursuant to the foregoing provisions of Section 9.15 of the Trust Agreement, any Holder hereunder or any retiring Bond Trustee may apply to any court of jurisdiction to appoint a successor Bond Trustee. Such court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Bond Trustee.

Any successor Bond Trustee hereafter appointed (i) shall be of good standing, (ii) shall be approved by the Authority and Inova, (iii) shall be a bank or trust company, or a subsidiary trust company of a bank or trust company, within or without the State which is duly authorized to exercise corporate trust powers and subject to examination by federal or State authority and (iv) shall have a combined capital, surplus and undivided profits aggregating not less than Fifty Million Dollars ($50,000,000). (Section 9.15 of the Trust Agreement)

EXECUTION OF INSTRUMENTS BY HOLDERS, PROOF OF OWNERSHIP OF BONDS, AND DETERMINATION OF CONCURRENCE OF HOLDERS

Execution of Instruments by Holders. Any request, direction, consent or other instrument in writing required or permitted by the Trust Agreement to be signed or executed by any Holders may be signed or executed in any number of concurrent instruments of similar tenor and may be signed or executed by such Holders or their attorneys or legal representatives. Proof of the execution of any such instrument and of the ownership of Bonds shall be sufficient for any purpose of the Trust Agreement and shall be conclusive in favor of the Bond Trustee and the Authority with regard to any action taken by either under such instrument if made in the following manner:

(a) The fact and date of the execution by any person of any such instrument may be proved by the verification of any officer in any jurisdiction who, by the laws thereof, has power to take affidavits within such jurisdiction, to the effect that such instrument was subscribed and sworn to before him, or by an affidavit of a witness to such execution. Where such execution is on behalf of a person other than an individual, such verification or affidavit shall also constitute sufficient proof of the authority of the signer thereof.

(b) The ownership of Bonds shall be proved by the Bond Register.

Nothing contained in this Article shall be construed as limiting the Bond Trustee to such proof, it being intended that the Bond Trustee may accept any other evidence of the matters herein stated which it may deem sufficient. Any request or consent of any Holder shall bind every future Holder of the same Bond in respect of anything done by the Bond Trustee in pursuance of such request or consent.

Notwithstanding any of the foregoing provisions of Section 10.01 of the Trust Agreement, the Bond Trustee shall not be required to recognize any person as a Holder of Bonds or to take any action at his request unless such Bonds shall be deposited with it. (Section 10.01 of the Trust Agreement)

Preservation of Information; Communications to Holders. (a) The Bond Trustee shall preserve, in as current a form as is reasonably practicable, the names and addresses of Holders.

(b) If a Holder which is a Securities Depository Nominee or three (3) or more Holders which are not Securities Depository Nominees (hereinafter collectively referred to as "applicants") apply in writing to the Bond Trustee and furnish reasonable proof that each such applicant has owned a Bond for a period of at least six (6) months preceding the date of such application, and such

application states that the applicants desire to communicate with other Holders with respect to their rights under the Trust Agreement or under the Bonds and such application is accompanied by a copy of the form of communication which such applicants propose to transmit, then the Bond Trustee shall, within five (5) Business Days after the receipt of such application, at its election, either

(i) afford such applicants access to the information preserved at the time by the Bond Trustee in accordance with paragraph (a) of Section 10.02 of the Trust Agreement, or

(ii) inform such applicants as to the approximate number of Holders whose names and addresses appear in the information preserved at the time by the Bond Trustee in accordance with paragraph (a) of Section 10.02 of the Trust Agreement, and as to the approximate cost of mailing to such Holders the form of communication, if any, specified in such application.

If the Bond Trustee shall elect not to afford such applicants access to such information, the Bond Trustee shall, upon the written request of such applicants, mail to each Holder whose name and address appears in the information preserved at the time by the Bond Trustee in accordance with paragraph (a) of Section 10.02 of the Trust Agreement a copy of the form of communication which is specified in such request, with reasonable promptness after a tender to the Bond Trustee of the material to be mailed and of payment, or provision for the payment, of the reasonable expenses of mailing.

(c) Every Holder, by receiving and holding one (1) or more Bonds, agrees with the Authority and the Bond Trustee that neither the Authority nor the Bond Trustee shall be held accountable by reason of the disclosure of any such information as to the names and addresses of the Holders in accordance with paragraph (b) of Section 10.02 of the Trust Agreement, regardless of the source from which such information was derived, and that the Bond Trustee shall not be held accountable by reason of mailing any material pursuant to a request made under such paragraph. (Section 10.02 of the Trust Agreement)

Bond Trustee Deemed Holder of Obligation No. 67. In the event that any request, direction or consent is requested or permitted by the Master Indenture of the Holders of Obligations issued thereunder, including Obligation No. 67, the Bond Trustee shall be deemed to be the Holder of Obligation No. 67 for the purpose of any such request, direction or consent. In granting or withholding any consent, the Bond Trustee shall be entitled to rely on any instrument of the Holders as provided in Article X of the Trust Agreement or such other proofs as it shall deem necessary under the circumstances. The provisions of Section 417, 512 and Article IX of the Master Indenture shall govern the execution of any such request, direction, consent or other instrument in writing required or permitted to be signed by the Holder of Obligation No. 67. (Section 10.03 of the Trust Agreement)

Consent of Holders to the Amendments to the Master Indenture and Direction from Holders to the Bond Trustee. By virtue of their purchase and acceptance of the Bonds concurrently with the initial issuance thereof, the original Holders hereby consent to and approve the amendments to the Master Indenture set forth in Supplement No. 70. The consent of the Holders shall be effective for all purposes required under the Master Indenture including but not limited to obtaining the consent of not less than 51% of the Holders (for this purpose, as defined in the Master Indenture) of the aggregate principal amount of Obligations Outstanding (as such terms are defined in the Master Indenture) pursuant to Section 702 of the Master Indenture. The Holders of the Bonds hereby appoint the Bond Trustee as their agent for the purpose of executing the requisite written consent and further hereby direct the Bond Trustee, as agent of the Holders, to execute and deliver such written consent to the amendment of the Master Indenture. The Bond Trustee and the Holders acknowledge that with respect to Section 10.04 of

the Trust Agreement, the Bond Trustee is acting as agent of the Holders within the meaning of Section 901 of the Master Indenture. In addition, by virtue of their purchase of the Bonds concurrently with the initial issuance thereof, the original Holders hereby waive any notice, timing, informational or procedural requirements as may be set forth in the Master Indenture with respect to the amendment or supplement thereof. (Section 10.04 of the Trust Agreement)

SUPPLEMENTAL TRUST AGREEMENTS

Supplemental Trust Agreements without Consent of Holders. The Authority and the Bond Trustee, from time to time and at any time, may enter into such agreements supplemental hereto as shall be consistent with the terms and provisions of the Trust Agreement and the Agreement and, in the opinion of the Bond Trustee, who may rely upon a written Opinion of Counsel, shall not affect materially and adversely the Holders:

(a) to cure any ambiguity or formal defect or omission, to correct or supplement any provision in the Trust Agreement that may be inconsistent with any other provision in the Trust Agreement, to make any other provisions with respect to matters or questions arising under the Trust Agreement, or to modify, alter, amend, add to or rescind, in any particular, any of the terms or provisions contained in the Trust Agreement, or

(b) to grant to or confer upon the Bond Trustee for the benefit of the Holders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Holders or the Bond Trustee, or

(c) to add to the provisions of the Trust Agreement other conditions, limitations and restrictions thereafter to be observed, or

(d) to add to the covenants and agreements of the Authority in the Trust Agreement other covenants and agreements thereafter to be observed by the Authority or to surrender any right or power in the Trust Agreement reserved to or conferred upon the Authority, or

(e) to permit the qualification of the Trust Agreement under any federal statute now or hereafter in effect or under any state Blue Sky law, and, in connection therewith, if the Authority so determines, to add to the Trust Agreement or any supplemental trust agreement such other terms, conditions and provisions as may be permitted or required by such federal statute or Blue Sky law, or

(f) to obtain or maintain a rating on the Bonds, or

(g) to facilitate and implement any book-entry system (or any termination of a book-entry system) with respect to the Bonds, or

(h) to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds. (Section 11.01 of the Trust Agreement)

Modification of Trust Agreement with Consent of Holders. Subject to the terms and provisions contained in Section 11.02 of the Trust Agreement, and not otherwise, the Holders of not less than a majority of the aggregate principal amount of Bonds then Outstanding shall have the right, from time to time, anything contained in the Trust Agreement to the contrary notwithstanding, to consent to

and approve the adoption by the Authority and the acceptance by the Bond Trustee of such trust agreement or trust agreements supplemental hereto as shall be deemed necessary or desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Trust Agreement; provided, however, that nothing in the Trust Agreement contained shall permit, or be construed as permitting (a) an extension of the maturity of the principal of or the interest on any Bonds issued hereunder without the consent of the Holders of such Bonds, or (b) a reduction in the principal amount of any Bonds or the redemption premium, if any, or the rate of interest thereon without the consent of the Holders of such Bonds, or (c) the creation of a pledge of receipts and revenues to be received by the Authority under the Agreement superior to the pledge created by the Trust Agreement without the consent of the Holders of all Bonds Outstanding, or (d) a preference or priority of any Bond over any other Bond without the consent of the Holders of all Bonds Outstanding, or (e) a reduction in the aggregate principal amount of Bonds required for consent to supplemental trust agreements without the consent of the Holders of all Bonds Outstanding. Nothing contained in Section 11.02 of the Trust Agreement, however, shall be construed as making necessary the approval by the Holders of the adoption and acceptance of any supplemental trust agreement as authorized in Section 11.01 of the Trust Agreement.

If at any time the Authority shall request the Bond Trustee to enter into any supplemental trust agreement for any of the purposes of Section 11.02 of the Trust Agreement, the Bond Trustee shall, at the expense of Inova, cause notice of the proposed execution of such supplemental trust agreement to be mailed, postage prepaid, to all Holders. Such notice shall briefly set forth the nature of the proposed supplemental trust agreement and shall state that copies thereof are on file at the corporate trust office of the Bond Trustee designated in such notice for inspection by all Holders. The Bond Trustee shall not, however, be subject to any liability to any Holder by reason of its failure to mail the notice required by Section 11.02 of the Trust Agreement, and any such failure shall not affect the validity of such supplemental trust agreement when approved and consented to as provided in Section 11.02 of the Trust Agreement.

Whenever, at any time within three (3) years after the date of the mailing of such notice, the Authority shall deliver to the Bond Trustee an instrument or instruments in writing purporting to be executed by the Holders of not less than a majority of the aggregate principal amount of Bonds then Outstanding, which instrument or instruments shall refer to the proposed supplemental trust agreement described in such notice and shall specifically consent to and approve the execution thereof in substantially the form of the copy thereof referred to in such notice, thereupon, but not otherwise, the Bond Trustee may execute such supplemental trust agreement in substantially such form, without liability or responsibility to any Holder, whether or not such Holder shall have consented thereto.

If the Holders of not less than the applicable percentage in aggregate principal amount of Bonds Outstanding at the time of the execution of such supplemental trust agreement shall have consented to and approved the execution thereof as therein provided, no Holder shall have any right to object to the adoption of such supplemental trust agreement, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Authority and the Bond Trustee from executing the same or from taking any action pursuant to the provisions thereof.

Upon the execution of any supplemental trust agreement pursuant to the provisions of Section 11.02 of the Trust Agreement, the Trust Agreement shall be and be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Trust Agreement of the Authority, the Bond Trustee and all Holders shall thereafter be determined, exercised and enforced in all respects pursuant to the provisions of the Trust Agreement as so modified and amended. (Section 11.02 of the Trust Agreement)

Consent of Inova Required. Anything in the Trust Agreement to the contrary notwithstanding, no supplement or amendment to the Trust Agreement shall become effective unless and until Inova shall have consented thereto. (Section 11.05 of the Trust Agreement)

DEFEASANCE

Release of Trust Agreement. When (a) (i) the Bonds secured hereby shall have become due and payable in accordance with their terms or otherwise as provided in this Trust Agreement, and the whole amount of the principal and the interest and premium, if any, so due and payable upon all Bonds shall be paid, or (ii) (A) if the Bonds shall not have become due and payable in accordance with their terms, the Bond Trustee shall hold sufficient (I) money or (II) Defeasance Obligations, or a combination of money and Defeasance Obligations, the principal of and the interest on which, when due and payable, will provide sufficient money to pay the principal of, and the interest and redemption premium, if any, on all Bonds then Outstanding to the maturity date or dates of such Bonds or to the date or dates specified for the redemption thereof, as verified by a nationally recognized independent certified public accountant or such other verifier as shall be acceptable to the Bond Trustee in the case of an advance refunding of the Bonds, and (B) if Bonds are to be called for redemption, irrevocable instructions to call the Bonds for redemption shall have been given by the Authority or Inova to the Bond Trustee, and (b) sufficient funds shall also have been provided or provision made for paying all other obligations payable hereunder by the Authority, then and in that case the right, title and interest of the Bond Trustee in the funds and accounts mentioned in the Trust Agreement shall thereupon cease, determine and become void and, on demand of the Authority and upon being furnished with an opinion, in form and substance satisfactory to the Bond Trustee, of counsel approved by the Bond Trustee, to the effect that all conditions precedent to the release of the Trust Agreement have been satisfied, the Bond Trustee shall release the Trust Agreement and shall execute such documents to evidence such release as may reasonably be required by the Authority and shall turn over to the Authority, for the benefit of Inova, any surplus in, and all balances remaining in, all funds and accounts, other than money held for the redemption or payment of Bonds. Otherwise, the Trust Agreement shall be, continue and remain in full force and effect; provided, that, in the event Defeasance Obligations shall be deposited with and held by the Bond Trustee as hereinabove provided, (i) in addition to the requirements set forth in Article III of the Trust Agreement, the Bond Trustee, within thirty (30) days after such Defeasance Obligations shall have been deposited with it, shall cause a notice signed by the Bond Trustee to be mailed, postage prepaid, to all Holders, setting forth (a) the date or dates, if any, designated for the redemption of the Bonds, (b) a description of the Defeasance Obligations so held by it, and (c) that the Trust Agreement has been released in accordance with the provisions of Section 12.01 of the Trust Agreement, and (ii) (a) the Bond Trustee shall nevertheless retain such rights, powers and privileges under the Trust Agreement as may be necessary and convenient in respect of the Bonds for the payment of the principal, interest and any redemption premium for which such Defeasance Obligations have been deposited, and (b) the Bond Trustee shall retain such rights, powers and privileges under the Trust Agreement as may be necessary and convenient for the registration, transfer and exchange of Bonds; provided, however, that failure to mail such notice to any Holder or to the Holders or any defect in such notice so mailed shall not affect the validity of the proceedings for the release of the Trust Agreement. All or a portion of the Bonds may be defeased as provided in Section 12.01. In the case of a defeasance of only a portion of the Bonds, the Trust Agreement shall remain in full force and effect with respect to any Bonds that are not defeased.

All money and Defeasance Obligations held by the Bond Trustee pursuant to Section 12.01 of the Trust Agreement shall be held in trust and applied to the payment, when due, of the obligations payable therewith. (Section 12.01 of the Trust Agreement)

CERTAIN PROVISIONS OF THE LOAN AGREEMENT

DEFINITIONS

Unless otherwise required by the context, all terms used in the Loan Agreement shall have the meanings assigned to such terms in the Trust Agreement, dated as of July 1, 2018, by and between the Authority and U.S. Bank National Association, as Bond Trustee, either as originally executed or as amended or supplemented from time to time, or in the Amended and Restated Master Trust Indenture, dated as of May 1, 2012, by and among Inova, Inova Health Care Services (successor by merger to Inova Health System Services, Inova Alexandria Hospital, and Inova Alexandria Health Services Corporation), and Loudoun Hospital Center (effective December 31, 2012, Inova Health System Services, Inova Alexandria Health Services Corporation, and Inova Alexandria Hospital were merged into Inova Health Care Services), as the current obligors, and U.S. Bank National Association, as master trustee, including any amendments or supplements thereto, either as originally executed or as amended or supplemented from time to time, or as set forth below:

"Agreement" means the Loan Agreement, dated as of July 1, 2018, by and between the Authority and Inova, including all amendments or supplements thereto as therein permitted.

"Authority" means the Industrial Development Authority of Fairfax County, Virginia, and its successors and assigns.

"Authority Representative" means each of the persons at the time designated to act on behalf of the Authority in a written certificate furnished to the Bond Trustee and Inova, which certificate shall contain the specimen signature(s) of such person(s) and shall be signed on behalf of the Authority by the Chairperson or Vice-Chairperson of the Authority.

"Authorized Group Representative" means each of the persons at the time designated to act on behalf of Inova in a written certificate furnished to the Authority and the Bond Trustee, which certificate shall be signed on behalf of Inova by the Chief Executive Officer or Chief Financial Officer of Inova.

"Bond Fund" means the fund created and so designated by Section 5.01 of the Trust Agreement.

"Bonds" means the Industrial Development Authority of Fairfax County, Virginia, Health Care Revenue Bonds (Inova Health System Project), Series 2018A authorized to be issued pursuant to the Series Resolution and the Trust Agreement in the aggregate principal amount of $206,860,000, including such Bonds issued in exchange for other such Bonds pursuant to Section 2.04 of the Trust Agreement, or in replacement for mutilated, destroyed or lost Bonds pursuant to Section 2.10 of the Trust Agreement.

"Bond Trustee" means the bond trustee at the time serving as such under the Trust Agreement, whether the original or successor trustee.

"Closing" means the date on which this Agreement becomes legally effective, the same being the date on which the Bonds are delivered against payment therefor.

"County" means Fairfax County, Virginia, a political subdivision of the State, and the legal successor or successors thereof.

"Escrow Agreement" means the Refunding Escrow Deposit Agreement, dated as of July 1, 2018, by and between Inova and U.S. Bank National Association, as trustee for the Prior Bonds.

"Event of Default" means, with respect to this Agreement, each of those events set forth in Section 7.01 of the Agreement.

"Inova" means Inova Health System Foundation, a Virginia nonstock corporation, and its legal successors.

"Inova Health Care" means Inova Health Care Services, a Virginia nonstock corporation, and its legal successors.

"Interest Account" means the account created and so designated by Section 5.01 of the Trust Agreement.

"Loan" means the loan of the proceeds of the Bonds made by the Authority to Inova pursuant to Section 3.01 of the Agreement.

"Loan Repayments" means the payments so designated by and set forth in Section 3.03 of the Agreement.

"Loudoun Hospital" means Loudoun Hospital Center, a Virginia nonstock corporation, and its legal successors.

"Master Indenture" means the Amended and Restated Master Trust Indenture, dated as of May 1, 2012, by and among Inova, Inova Health Care, and Loudoun Hospital, as the current obligors, and U.S. Bank National Association, as master trustee, including any amendments or supplements thereto.

"Master Trustee" means the Master Trustee under the Master Indenture.

"Obligated Group Agent" has the meaning given such term in the Master Indenture.

"Obligation No. 67" means Obligation No. 67 issued, authenticated and delivered under the Master Indenture and Supplement No. 67 which was delivered by Inova to the Authority as evidence of the Loan and which was assigned by the Authority to the Bond Trustee as security for the Bonds.

"Officer's Certificate" means a certificate signed by an Authority Representative or an Authorized Group Representative, as the case may be.

"Prior Bonds" means the Virginia Small Business Financing Authority's Health Care Revenue Bonds (Inova Health System Project), Series 2017, the Authority's outstanding Health Care Revenue Bonds (Inova Health System Project), Series 2005C-1 and Series 2005C-2 and the Authority's outstanding Variable Rate Demand Health Care Revenue Bonds (Inova Health System Project), Series 2000A, all to be current refunded with proceeds of the Bonds.

"Project" means the project to be financed or refinanced with the proceeds of the Bonds, including through the refunding of the Prior Bonds, as described in Exhibit X of the Trust Agreement.

"Required Payments under the Agreement" means the payments so designated by and set forth in Section 3.04 of the Agreement.

"Sinking Fund Account" means the account created and so designated by Section 5.01 of the Trust Agreement.

"State" means the Commonwealth of Virginia.

"Supplement No. 67" means Supplemental Indenture for Obligation No. 67, dated as of July 1, 2018, by and between Inova and the Master Trustee.

"Supplement No. 70" means the Supplemental Indenture No. 70, dated as of July 1, 2018, by and between Inova and the Master Trustee.

"Tax Regulatory Agreement" means the Tax Regulatory Agreement, by and between the Authority, the Project Users identified therein, and Inova, and delivered at the Closing.

"Total Required Payments" means the sum of Loan Repayments and Required Payments under the Agreement.

"Trust Agreement" means the Trust Agreement securing the Bonds, dated as of July 1, 2018, by and between the Authority and U.S. Bank National Association, as Bond Trustee, including any trust agreement amendatory thereof or supplemental thereto.

"Trust Agreement" means the Trust Agreement, dated as of July 1, 2018, by and between the Authority and U.S. Bank National Association, as Bond Trustee, including any trust agreement amendatory thereof or supplemental thereto.

THE LOAN

Total Required Payments. Inova shall make Total Required Payments under the Agreement when due.

The obligation of Inova to make the Total Required Payments and to satisfy any other financial liabilities incurred under the Agreement shall be a direct, general and unconditional obligation of Inova.

Inova shall make Loan Repayments pursuant to Section 3.03 of the Agreement directly to the Bond Trustee for deposit in the Bond Fund or the Redemption Fund, as the case may be. Required Payments under the Agreement pursuant to Section 3.04(a) of the Agreement shall be made by Inova directly to the persons, firms, governmental agencies and other entities entitled to such payments. Required Payments under the Agreement pursuant to Section 3.04(b) of the Agreement shall be made by Inova directly to the United States Government.

Neither the Authority, the Bond Trustee nor the Master Trustee is required to give Inova notice of any date upon which any Loan Repayments are due. Nothing in Section 3.02 of the Agreement shall require Inova to pay the costs and expenses set forth in Section 3.04(a) of the Agreement, so long as the validity or the reasonableness thereof shall be contested in good faith and such contest does not jeopardize the interests of the Authority, the Bond Trustee or the Holders; otherwise Inova shall pay such costs and expenses to the end that the interests of the Authority, the Bond Trustee and the Holders are not jeopardized.

All of the Total Required Payments shall be made in any coin or currency of the United States of America that is legal tender for the payment of public and private debts at the time each of the Total Required Payments is made. (Section 3.02 of the Agreement)

Loan Repayments. Inova shall make payments in installments as provided in the Agreement. Each installment shall be deemed to be a Loan Repayment and shall be paid at the times and in the amounts set forth below. Loan Repayments shall be sufficient in the aggregate to pay in full when due

(whether by maturity, redemption, acceleration or otherwise) all Bonds issued under the Trust Agreement, together with the total interest and redemption premium, if any, thereon.

The Loan Repayments shall be due and payable as follows:

(a) to the credit of the Interest Account, on each Interest Payment Date for the Bonds, an amount equal to the interest payable on such Bonds on such Interest Payment Date; and

(b) the credit of the Sinking Fund Account, commencing on or before May 15, 2045, and continuing on or before each May 15 thereafter, an amount equal to the principal amount of Bonds to be called by mandatory redemption pursuant to the Sinking Fund Requirement or to be paid on such May 15; and

(c) any amount that may from time to time be required to enable the Bond Trustee to pay (i) redemption premium as and when Bonds are called for redemption and (ii) the principal and interest due on any Bonds that have been called for optional redemption (unless such optional redemption was rescinded or otherwise conditioned upon delivery of sufficient funds) in accordance with Section 3.05 of the Trust Agreement or accelerated in accordance with Section 8.02 of the Trust Agreement.

Each Loan Repayment as set forth in this Section 3.03 shall be equal to the sum of the amounts specified above in paragraphs (a) to (c), inclusive.

On the Interest Payment Date following a date on which Inova shall have failed to pay to the Bond Trustee the amount due as a Loan Repayment or on which an investment loss shall have been charged to the Bond Fund or any account therein in accordance with Section 6.02 of the Trust Agreement, Inova shall pay, in addition to the Loan Repayments then due, an amount equal to the deficiency in payment or the amount of such loss, unless such deficiency or loss shall have been otherwise remedied. To the extent that the investment earnings are transferred or credited to the Bond Fund or any account therein in accordance with Articles V or VI of the Trust Agreement or amounts are transferred or credited to such fund or account as a result of the application of Bond proceeds or otherwise, future Loan Repayments shall be proportionately reduced by the amount so credited unless such transfer is made to cure deficiencies in the fund or account to which the transfer is made.

Inova may satisfy all or a portion of its obligation to make the payments required by paragraph (b) of Section 3.03 of the Agreement, on or before the forty fifth (45th) day next preceding any May 15 on which Bonds are to mature or be retired pursuant to the Sinking Fund Requirement, by delivering to the Bond Trustee Bonds maturing or subject to mandatory sinking fund redemption on such May 15 in any aggregate principal amount desired. Upon such delivery, Inova shall receive a credit against amounts required to be deposited into the Sinking Fund Account on account of such Bonds in the amount of one hundred percent (100%) of the principal amount of any such Bonds so purchased and cancelled. Any principal amount of Bonds purchased by or on behalf of Inova or the Bond Trustee and cancelled in excess of the principal amount required to be redeemed on such May 15 shall be credited against and reduce the principal amount of future Loan Repayments in such manner as shall be specified in an Officer's Certificate of the Authorized Group Representative in substantially the form of the Officer's Certificate filed with the Bond Trustee pursuant to Section 5.04 of the Trust Agreement.

If the Bond Trustee applies money on deposit in the Sinking Fund Account to the purchase of Bonds pursuant to any Sinking Fund Requirement and if the principal amount of Bonds purchased is in excess of the principal amount of Bonds to be redeemed on the next ensuing May 15, the Authorized Group Representative, on behalf of Inova, shall deliver to the Bond Trustee, not later than the tenth (10th) day prior to such May 15, an Officer's Certificate setting forth, with respect to the amount of such excess,

the Bond Years in which and the amount by which future Sinking Fund Requirements are to be reduced. In the event no such Officer's Certificate is filed with the Bond Trustee, the Bond Trustee shall apply such excess to the Sinking Fund Requirements in inverse order of maturity. (Section 3.03 of the Agreement)

Required Payments under the Agreement.

(a) Inova shall pay, promptly upon receipt of an invoice therefor, as Required Payments under the Agreement, the following amounts, costs and expenses, exclusive of costs and expenses payable from the proceeds of the Bonds:

(i) the fees and other costs payable to the Bond Trustee;

(ii) all costs incurred in connection with the purchase or redemption of Bonds to the extent money is not otherwise available therefor;

(iii) the fees and other costs (including reasonable attorney's fees) incurred for services of such attorneys, management consultants and accountants as are employed by the Bond Trustee, the Master Trustee or the Authority to make examinations, provide services, render opinions or prepare reports required or permitted under the Agreement, the Master Indenture or the Trust Agreement;

(iv) all costs incurred by the Authority or the Bond Trustee in connection with the discontinuation of or withdrawal from any book-entry system for the Bonds or any transfer from one book-entry system to another including, without limitation, the printing and issuance of additional or substitute Bonds in connection with such withdrawal, discontinuance or transfer;

(v) reasonable fees and other costs incurred by the Authority in connection with its administration and enforcement of, and compliance with, the Agreement or the Trust Agreement, including reasonable attorneys' fees; and

(vi) fees and other costs incurred in connection with the issuance of the Bonds to the extent such fees and other costs are not paid from the proceeds of the Bonds; provided, however, in no event shall the amount of such fees and other costs paid from proceeds of the Bonds exceed two percent (2%) of the proceeds of the Bonds, less amounts paid to the underwriter as underwriter's discount.

The Required Payments under the Agreement as set forth in this paragraph 3.04(a), if any, shall be equal to the sum of the amounts specified in clauses (i) to (vi), inclusive.

(b) Inova shall also cause to be paid, at the times described in the Tax Regulatory Agreement, the Rebate Amount (as defined in the Tax Regulatory Agreement) to the United States of America. The obligation of Inova to make such payments shall survive the termination of the Agreement.

(c) The Required Payments under the Agreement shall be equal to the amounts specified in paragraphs (a) and (b) of Section 3.04 of the Agreement. (Section 3.04 of the Agreement)

Payments as Trust Funds. All payments of the Total Required Payments made by or on behalf of Inova under the Agreement to the Bond Trustee shall be and constitute trust funds, whether held by the Bond Trustee or any bank or trust company designated for such purpose, and shall continue to be impressed with a trust until such money is applied in the manner provided in the Trust Agreement, except

for fees and other costs payable to the Authority and the Bond Trustee pursuant to the provisions of Section 3.04(a) of the Agreement.

The Authorized Group Representative shall give to the Bond Trustee written directions with respect to the investment of any money held in any of the funds or accounts established under the Trust Agreement, subject, however, to the provisions of Article VI of the Trust Agreement. The Bond Trustee may request, in writing, direction or authorization from the Authorized Group Representative with respect to the proposed investment of money under the provisions of the Trust Agreement. Upon receipt of such request, accompanied by a memorandum setting forth the details of any proposed investment, the Authorized Group Representative shall either approve such proposed investment or shall give written directions to the Bond Trustee with respect to the investment of such money. (Section 3.05 of the Agreement)

EVENTS OF DEFAULT AND REMEDIES

Events of Default. The following shall constitute events of default under the Agreement:

(a) if Inova shall fail to pay, or cause to be paid, in full any payment required under Section 3.03 or Section 3.04(a) of the Agreement or under Obligation No. 67, when due, whether at maturity, redemption, acceleration or otherwise pursuant to the terms of the Agreement or thereof; or

(b) if Inova shall fail to duly perform, observe or comply with any covenant, condition or agreement on its part under the Agreement (other than a failure by Inova to make any payment as described in paragraph (a) of Section 7.01 of the Agreement), and such failure continues for a period of thirty (30) days after the date on which written notice of such failure, requiring the same to be remedied, has been given to Inova by the Bond Trustee, or to Inova and the Bond Trustee by the Holders of at least twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding; provided, however, that if such performance, observation or compliance requires work to be done, action to be taken, or conditions to be remedied, which by their nature cannot reasonably be done, taken or remedied, as the case may be, within such 30-day period, no Event of Default shall be deemed to have occurred or to exist if, and so long as, Inova shall commence such performance, observation or compliance within such period and shall diligently and continuously prosecute the same to completion; or

(c) the Master Trustee shall have declared the aggregate principal amount of Obligation No. 67 and all interest due thereon immediately due and payable in accordance with Section 502 of the Master Indenture. (Section 7.01 of the Agreement)

Remedies on Default. Whenever any event of default shall have happened and be continuing, the Authority may take the following remedial steps:

(a) In the case of an event of default described in Section 7.01(a) of the Agreement, the Authority may take whatever action at law or in equity is necessary or desirable to collect the payments then due;

(b) In the case of an event of default described in Section 7.01(b) of the Agreement, the Authority may take whatever action at law or in equity is necessary or desirable to enforce the performance, observance or compliance by Inova with any covenant, condition or agreement by Inova under the Agreement; and

(c) In the case of an event of default described in Section 7.01(c) of the Agreement, the Authority shall take such action, or cease such action, as the Master Trustee shall direct, but only to the extent such directions are consistent with the provisions of the Master Indenture.

Notwithstanding any other provision of the Agreement or any right, power or remedy existing at law or in equity or by statute, the Authority shall not under any circumstances declare the entire unpaid aggregate principal amount of Obligation No. 67 to be immediately due and payable except in accordance with the directions of the Master Trustee in the event that the Master Trustee shall have declared the aggregate principal amount of Obligation No. 67 and all interest due thereon immediately due and payable in accordance with Section 502 of the Master Indenture. (Section 7.02 of the Agreement)

AMENDMENTS

Amendment of Agreement. (a) The Agreement may, without the consent of or notice to any of the Holders, be amended, from time to time, to:

(i) cure any ambiguity or formal defect or omission in the Agreement or in any supplement hereto; or

(ii) correct or supplement any provisions in the Agreement that may be inconsistent with any other provisions in the Agreement or make any other modifications with respect to matters that, in the opinion of the Bond Trustee, do not materially adversely affect the interest of the Holders; or

(iii) grant to or confer upon the Bond Trustee for the benefit of the Holders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Holders or the Bond Trustee; or

(iv) add conditions, limitations and restrictions on Inova to be observed thereafter; or

(v) make any conforming changes necessitated by the delivery of any supplement, amendment, restatement, replacement or substitution to the Master Indenture.

(b) Other than amendments referred to in the preceding paragraph of this Section and subject to the terms and provisions and limitations contained in Section 11.02 of the Trust Agreement and not otherwise, the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding, shall have the right, from time to time, anything contained in the Agreement to the contrary notwithstanding, to consent to and approve the execution by Inova and the Authority of such supplements and amendments hereto 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 Agreement; provided, however, nothing in this Section shall permit or be construed as permitting a supplement or amendment that would:

(vi) Extend the stated maturity of or time for paying interest on Obligation No. 67 or reduce the principal amount of or the redemption premium or rate of interest payable on Obligation No. 67 without the consent of the Holders of all Bonds then Outstanding; or

(vii) Reduce the aggregate principal amount of Bonds then Outstanding the consent of the Holders of which is required to authorize supplements or amendments without the consent of the Holders of all Bonds then Outstanding. (Section 10.01 of the Agreement)

Form of Proposed Opinion of Bond Counsel

July 31, 2018

Industrial Development Authority of Fairfax County, Virginia
12000 Government Center Parkway
Fairfax, Virginia 22035

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of the $206,860,000 Health Care Revenue Bonds (Inova Health System Project), Series 2018A (the "Bonds") of the Industrial Development Authority of Fairfax County, Virginia (the "Issuer"), a body politic and corporate and a political subdivision of the Commonwealth of Virginia.

The Bonds are issued under and pursuant to the Industrial Development and Revenue Bond Act (Chapter 49, Title 15.2 of the Code of Virginia of 1950), as amended (the "Act"), under and pursuant to a series resolution of the Issuer adopted on June 22, 2018 (the "Bond Resolution") and a Trust Agreement, dated as of July 1, 2018 (the "Trust Agreement"), by and between the Issuer and U.S. Bank National Association, as Bond Trustee (the "Bond Trustee").

The Bonds are dated their date of issuance and bear interest from their date, payable on each May 15 and November 15, commencing November 15, 2018, and mature on May 15 in the years and in the principal amounts as follows:

Year	Principal Amount	Interest Rate	Year	Principal Amount	Interest Rate
2019	$ 6,820,000	3.000%	2026	$ 10,025,000	5.000%
2020	1,585,000	4.000	2027	3,850,000	5.000
2021	1,645,000	5.000	2028	3,995,000	5.000
2022	1,730,000	5.000	2029	4,415,000	4.000
2023	2,415,000	5.000	2030	4,520,000	4.000
2024	9,065,000	5.000	2048	147,360,000	4.000
2025	9,435,000	5.000			

The Bonds are subject to redemption prior to maturity upon the terms and conditions provided therein and in the Trust Agreement. The Bonds are being issued in the form of fully-registered bonds, initially in the denomination of $5,000 and integral multiples thereof. The Bonds are numbered separately from RA-1 upward in order of issuance.

We have also examined an executed copy of the Loan Agreement, dated as of July 1, 2018 (the "Agreement"), by and between the Issuer and Inova Health System Foundation (the "Institution"). Pursuant to the Agreement, in order to secure the financing and refinancing of certain health care facilities, the Institution has agreed, among other things, to make payments to the Issuer in amounts and at the times stated therein which will be applied to pay the principal of, redemption premium, if any, and interest on the Bonds when due.

The Bonds, together with the Issuer's Health Care Revenue Bonds (Inova Health System Project), Series 2018B (the "Series 2018B Bonds") and the Issuer's Health Care Revenue Bonds (Inova Health System Project), Series 2018C (the "Series 2018C Bonds"), issued on the date hereof, are expected to constitute a single issue for federal income tax purposes. As such, the Issuer and the Institution are subject to the same ongoing federal tax requirements with respect to the Bonds, the Series 2018B Bonds and the Series 2018C Bonds. Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Issuer and the Institution in connection with the Series 2018B Bonds and the Series 2018C Bonds, and Bond Counsel has assumed compliance by the Issuer and the Institution with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2018B Bonds and the Series 2018C Bonds from gross income under Section 103 of the Code. Failure to comply with such requirements with respect to the Bonds, the Series 2018B Bonds and the Series 2018C Bonds could cause interest on all such bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of such bonds.

We are of the opinion that:

1. The Issuer is duly created and validly existing under the provisions of the Act and has good right and lawful authority to utilize proceeds of the Bonds to assist the Institution in the financing and refinancing of the facilities contemplated by the Trust Agreement (collectively, the "Project"), and to establish and maintain payments, fees or charges in respect thereof and collect revenues therefrom and to perform all obligations of the Issuer under the Trust Agreement in those respects.

2. The Issuer has the right and power under the Act to adopt the Bond Resolution, and the Bond Resolution has been duly and lawfully adopted by the Issuer, is in full force and effect and is valid and binding upon the Issuer and enforceable in accordance with its terms, and no other authorization for the Bond Resolution is required.

3. The Issuer is duly authorized and entitled to issue the Bonds and the same have been duly and validly authorized and issued by the Issuer in accordance with the Constitution and statutes of the Commonwealth of Virginia, including the Act, and the Bond Resolution and the Trust Agreement, and the Bonds constitute valid, binding, special and limited obligations of the Issuer, enforceable in accordance with their terms and the terms of the Trust Agreement and entitled to the benefits of the Act and of the Trust Agreement.

4. The Agreement has been duly authorized, executed and delivered by the Issuer and, assuming due authorization, execution and delivery by the Institution, constitutes a valid and legally binding agreement by and between the parties thereto, enforceable in accordance with its terms.

5. The Trust Agreement has been duly authorized, executed and delivered by the Issuer and, assuming due authorization, execution and delivery by the Bond Trustee, constitutes a valid and legally binding agreement by and between the parties thereto, enforceable in accordance with its terms.

6. Under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described below, (i) interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations for taxable years beginning prior to January 1, 2018.

The Code establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that, for federal income tax purposes, interest on the Bonds be not included in gross income pursuant to Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of Bond proceeds, restrictions on the investment of Bond proceeds prior to expenditure and the requirement that certain earnings be rebated to the federal government. Noncompliance with such requirements may cause interest on the Bonds to become subject to federal income taxation retroactive to their date of issue, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of delivery of the Bonds, the Issuer and the Institution on behalf of the users of the Project will execute a Tax Regulatory Agreement (the "Tax Regulatory Agreement") containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Regulatory Agreement, the Issuer and the Institution on behalf of the users of the Project covenant that they will comply with the provisions and procedures set forth therein and that they will do and perform all acts and things necessary or desirable to assure that interest paid on the Bonds will, for federal income tax purposes, be excluded from gross income.

In rendering the opinion in paragraph 6 hereof, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectations, and certifications of fact contained in the Tax Regulatory Agreement with respect to matters affecting the status of interest paid on the Bonds, and (ii) compliance by the Issuer, the Institution and the users of the Project with the procedures and covenants set forth in the Tax Regulatory Agreement as to such tax matters.

7. Under existing laws of the Commonwealth of Virginia, the interest on the Bonds, including any profit made from the sale thereof, is exempt from taxation imposed by the Commonwealth of Virginia or any political subdivision thereof.

We express no opinion as to any federal, state or local tax consequences arising with respect to the Bonds, or the ownership or disposition thereof, except as stated in paragraphs 6 and 7 above. We render our opinion under existing statutes and court decisions as of the date hereof, and we assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, any fact or circumstance that may hereafter come to our attention, any change in law or interpretation thereof that may hereafter occur, or for any other reason. We express no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. We express no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel as to the exclusion from gross income for federal income tax purposes of interest on the Bonds, or under state and local tax laws, or as to any other matters under federal, state or local tax laws.

In rendering our opinion, we have relied on the opinion of Polsinelli PC, counsel to the Institution, regarding, among other matters, the current qualification of the Institution and the affiliates of the Institution that are users of the Project as organizations described in Section 501(c)(3) of the Code. We note that the opinion of counsel to the Institution and the users of the Project is subject to a number of qualifications and limitations. The Institution, on behalf of itself and the users of the Project, has covenanted that it will do nothing to impair its status as a tax-exempt organization, and that it will comply with the requirements of the Code and any applicable regulations throughout the term of the Bonds. Failure of the Institution or the users of the Project to be organized and operated in accordance with the Internal Revenue Service's requirements for the maintenance of the status of the Institution or the users of the Project as organizations described in Section 501(c)(3) of the Code or to use the assets being financed and refinanced with the proceeds of the Bonds in activities of the Institution that do not constitute unrelated trades or businesses within the meaning of Section 513 of the Code may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of issuance of the Bonds.

The foregoing opinions are qualified only to the extent that the enforceability of the Bonds, the Bond Resolution, the Trust Agreement, the Tax Regulatory Agreement and the Agreement may be limited by bankruptcy, insolvency, and other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

We have examined an executed Bond, and in our opinion the form of said Bond and its execution are regular and proper.

Very truly yours,

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